Documents for the Annual General Meeting

Annual General Meeting of OTP Bank Plc.

13 April 2022

AGENDA ITEMS OF THE ANNUAL GENERAL MEETING

1. THE COMPANY'S PARENT COMPANY'S FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS FOR THE YEAR ENDED 2021, AS WELL AS THE PROPOSAL FOR THE USE OF AFTER-TAX PROFIT OF THE PARENT COMPANY:

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BUSINESS REPORT
OTP BANK (SEPARATE)

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021 (IN HUF MILLION)

	2021	2020
Cash, amounts due from banks and balances with the National Bank of Hungary	474,945	579,120
Placements with other banks, net of allowance for placement losses	2,567,212	1,535,884
Repo receivables	33,638	183,364
Financial assets at fair value through profit or loss	246,462	160,483
Financial assets at fair value through other comprehensive income	641,939	911,950
Securities at amortised cost	3,071,038	2,007,692
Loans at amortised cost	4,032,465	3,417,760
Loans mandatorily measured at fair value through profit or loss	662,012	480,937
Investments in subsidiaries	1,573,008	1,548,972
Property and equipment	81,817	77,974
Intangible assets	62,161	57,639
Right of use assets	17,231	13,479
Investment properties	4,328	1,936
Current tax assets	-	593
Derivative financial assets designated as hedge accounting relationships	17,727	6,817
Other assets	224,488	169,794
TOTAL ASSETS	**13,710,471**	**11,154,394**
Amounts due to banks and deposits from the National Bank of Hungary and other banks	1,051,203	766,977
Repo liabilities	86,580	109,612
Deposits from customers	9,948,532	7,895,735
Leasing liabilities	17,932	14,106
Liabilities from issued securities	22,153	28,435
Financial liabilities at fair value through profit or loss	20,133	25,902
Derivative financial liabilities designated as held for trading	192,261	99,987
Derivative financial liabilities designated as hedge accounting relationships	18,690	3,104
Deferred tax liabilities	1,507	3,062
Current tax liabilities	4,776	1,464
Other liabilities	259,964	223,433
Subordinated bonds and loans	271,776	304,243
TOTAL LIABILITIES	**11,895,507**	**9,476,060**
Share capital	28,000	28,000
Retained earnings and reserves	1,845,836	1,697,133
Treasury shares	(58,872)	(46,799)
TOTAL SHAREHOLDERS' EQUITY	**1,814,964**	**1,678,334**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**13,710,471**	**11,154,394**

SEPARATE STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2021

(IN HUF MILLION)

	2021	2020
Interest Income:		
Interest income calculated using the effective interest method	302,373	239,633
Income similar to interest income	105,663	81,663
Interest income and similar to interest income total	**408,036**	**321,296**
Interest Expense:		
Interest expenses total	**(155,491)**	**(99,630)**
NET INTEREST INCOME	**252,545**	**221,666**
Loss allowance on loan, placement and repo receivables losses	(38,841)	(57,671)
Loss allowance on securities at fair value through other comprehensive income and on securities at amortised cost	(1,484)	(1,848)
Provision for loan commitments and financial guarantees given	(130)	(3,202)
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	(16,255)	(405)
Risk cost total	**(56,710)**	**(63,126)**
NET INTEREST INCOME AFTER RISK COST	**195,835**	**158,540**
	-	-
LOSSES ARISING FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST	**(2,700)**	**(3,279)**
	-	-
MODIFICATION LOSS	**(7,017)**	**(17,358)**
Income from fees and commissions	300,803	259,781
Expenses from fees and commissions	(52,276)	(40,750)
NET PROFIT FROM FEES AND COMMISSIONS	**248,527**	**219,031**
Foreign exchange losses	(5,638)	(4,518)
Gains on securities, net	2,104	17,595
Losses on financial instruments at fair value through profit or loss	(6,494)	(671)
Gains on derivative instruments, net	3,436	7,057
Dividend income	99,037	60,973
Other operating income	11,265	7,900
Other operating expenses	(41,636)	(28,064)
NET OPERATING INCOME	**62,074**	**60,272**
Personnel expenses	(136,126)	(118,498)
Depreciation and amortization	(40,692)	(38,948)
Other administrative expenses	(178,611)	(154,165)
OTHER ADMINISTRATIVE EXPENSES	**(355,429)**	**(311,611)**
PROFIT BEFORE INCOME TAX	**141,290**	**105,595**
Income tax	(15,951)	(13,121)
NET PROFIT FOR THE YEAR	**125,339**	**92,474**
Earnings per share (in HUF)		
Basic	455	333
Diluted	455	333

SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

(IN HUF MILLION)

	2021	2020
NET PROFIT FOR THE YEAR	125,339	92,474
Items that may be reclassified subsequently to profit or loss:		
Fair value adjustment of debt instruments at fair value through other comprehensive income	(37,163)	(14,459)
Deferred tax (9%) related to fair value adjustment of debt instruments at fair value through other comprehensive income	3,410	1,262
Gains / (Losses) on separated currency spread of financial instruments designated as hedging instrument	1,681	(1,526)
Deferred tax (9%) related to (losses) / gains on separated currency spread of financial instruments designated as hedging instrument	(151)	137
(Losses) / Gains on derivative financial instruments designated as cash flow hedge	(6,307)	(296)
Deferred tax (9%) related to gains on derivative financial instruments designated as cash flow hedge	-	27
Items that will not be reclassified to profit or loss:		
Fair value adjustment of equity instruments at fair value through other comprehensive income	1,407	(3,275)
Deferred tax (9%) related to equity instruments at fair value through other comprehensive income	(281)	310
Total	(37,404)	(17,820)
NET COMPREHENSIVE INCOME	87,935	74,654

POST-BALANCE SHEET EVENTS

Post-balance sheet events cover the period until 17 February 2022.

Hungary

- Against the initially planned 2 pps social security contribution cut effective from July 2022, the government reduced employers' taxes by 4 pps already from 1 January 2022 (the 1.5% vocational training contribution was abolished and the social contribution taxes were cut by 2.5 pps).
- On 25 January 2022 the NBH hiked the base rate by 50 bps to 2.9%.
- On 27 January 2022 the NBH hiked the rate of the 1-week central bank deposit by 30 bps to 4.3%.
- On 15 February 2022 the CSO revealed the final GDP growth figures: accordingly, in 4Q 2021 the quarterly expansion of 2.1% was stronger than expected, lifting the annual growth rate to 7.1% in 2021 as a whole (seasonally and working day adjusted). Mr. Mihály Varga (Minister of Finance) announced that the government expects 5.9% growth for 2022.

MACROECONOMIC OVERVIEW

The **Hungarian economy** grew by 7.2% in 2021, stronger than had been expected. The rapid expansion was supported by both an intensive vaccination campaign and strong fiscal and monetary support measures. Rapid growth could continue in 2022, and it can draw near 6%, thanks to the government's economic support measures and, hopefully, the recovery of tourism after the pandemic.

As a result of the rapid growth of demand, coupled with the rise of the global inflation, Hungary's central bank started a monetary tightening cycle in June 2021, to prevent the increasing inflation risks. As part of this, the Monetary Council raised the central bank base rate to 0.9% on 22 June from 0.6%, and also raised the one-week deposit rate to 0.9%. By the end of 2021, the base rate had risen to 2.4% and the one-week deposit rate to 4%. As inflation rose steadily and reached 7.9% in January 2022, interest rate hikes continued in January and February 2022, with 50-basis-points increases each time.

According to the MNB's data, both retail and non-financial corporate loan portfolios expanded dynamically, at double-digit rates in 2021. The former grew by 15% and the latter by almost 11%. Within retail loans, one of the main drivers was the subsidized baby loan, which amounted to HUF 1,569 billion at the end of 2021. Housing loans increased by 15% in 2021, and the value of new contracts also hit record in 2021, approaching HUF 1,300 billion, supported by the increase in home renovation loans. The stock of cash loans increased by 16.6% in 2021, while the stock of home equity loans shrank by about 4.0%, following the trend of the previous years.

In connection with the favourable developments observed in the domestic banking sector and the improved assessment of the Hungarian macroeconomic situation, on 13 July 2021 Moody’s improved the Hungarian “macro profile” effective for banks operating in Hungary, which resulted in rating upgrades for several domestic banks (Budapest Bank, MKB Bank, Raiffeisen Bank) and also contributed to the placement on review for upgrade of OTP Bank’s baseline credit assessment (BCA). In September 2021 Moody’s upgraded the Hungarian sovereign rating to ‘Baa2’ underpinned by the strong growth rebound throughout the first half of 2021 and the projected strong growth outlook over the coming years, which will support fiscal consolidation and reduction in the government's debt burden.

DIGITAL AND IT INNOVATIONS

We announced the SmartBank mobile application’s phase-out for retail customers, which will be replaced with Digital Contract’s new channels, OTP internet- & mobile banking applications. By the end of 2021, more than 600,000 OTP customers registered for the new Digital Contract. During the pandemic digital activity of OTP clients has increased significantly, which was supported by online campaigns, customer education in branches and continuous development of our digital services.

In 2021 new end-to-end processes were launched in new internet- & mobile banking applications such as online personal loan request, installment payment for credit card, purchase of government securities, prepaid mobile phone top-up, QR payment of postal cheques (including not completely filled cheques).

Several innovative features serve customer needs such as open banking function to view foreign bank account balances, donation opportunity for money transfers, Apple Pay card digitization, branch appointment feature, profile picture setting and maintenance of notification settings.

We pay special attention for improvements of Personal Finance Manager to support financial awareness, and for launch of other innovative features (such as payment and other beyond banking services).

As an important milestone of banking chat platform extension we launched chat opportunity in new internetbank in 2021, so we can serve several client needs also in identified chats. We automated the most often topics: 15 new automated chatbot processes went live in 2021, with which our customers can get help without human intervention in 7x24 hours.

As the end of a multi-annual process we renewed our branch and Contact Center front-end system.

Remote Expert from Home service launched in December 2021 which ensures to clients the consultation video call not only in branches but also from home at a pre-arranged time.

BRANCH NETWORK OF OTP BANK

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

1013 Budapest, Alagút utca 3.

1011 Budapest, Iskola utca 38-42.

1015 Budapest, Széna tér 7.

1012 Budapest, Vérmező út 4.

1024 Budapest, Fény utca 11-13.

1025 Budapest, Törökvész út 1/a

1026 Budapest, Szilágyi Erzsébet fasor 121.

1021 Budapest, Hüvösvölgyi út 138.

1033 Budapest, Flórián tér 15.

1025 Budapest, Szépvölgyi út 4/b.

1039 Budapest, Heltai Jenő tér 2.

1032 Budapest, Bécsi út 154.

1033 Budapest, Szentendrei utca 115.

1041 Budapest, Erzsébet utca 50.

1048 Budapest, Kordován tér 4.

1042 Budapest, Árpád út 63-65.

1052 Budapest, Deák Ferenc utca 7-9.

1055 Budapest, Szent István krt. 1.

1051 Budapest, Nádor utca 16.

1054 Budapest, Széchenyi rkp. 19.

1066 Budapest, Oktogon tér 3.

1077 Budapest, Király utca 49.

1073 Budapest, Erzsébet krt. 41.

1075 Budapest, Károly krt. 1.

1076 Budapest, Thököly út 4

1075 Budapest, Károly krt. 25.

1085 Budapest, József krt. 33.

1085 Budapest, József krt. 53.

1087 Budapest, Könyves Kálmán krt. 76-1. sz.

1081 Budapest, Népszínház utca 3-5.

1083 Budapest, Futó utca 35-45

1191 Budapest, Üllői út 201.

1094 Budapest, Ferenc krt. 13.

1085 Budapest, Kálvin tér 12-13.

1097 Budapest, Könyves Kálmán krt. 12-14.

1095 Budapest, Soroksári út 32-34.

1102 Budapest, Kőrösi Csoma sétány 6.

1103 Budapest, Sibrik Miklós utca 30.

1106 Budapest, Örs vezér tere 25

1106 Budapest, Örs Vezér tere 25/A 1.em

1115 Budapest, Bartók Béla út 92-94.

1117 Budapest, Móricz Zsigmond körtér 18.

1118 Budapest, Rétköz utca 5.

1117 Budapest, Hunyadi János út 19.

1117 Budapest, Október huszonharmadika utca 8-10.

1126 Budapest, Böszörményi út 9-11.

1123 Budapest, Alkotás utca 53

1124 Budapest, Apor Vilmos tér 11.

1055 Budapest, Nyugati tér 9.

1137 Budapest, Pozsonyi út 38.

1062 Budapest, Váci út 1-3.

1138 Budapest, Váci út 135-139

1133 Budapest, Váci út 80.

1134 Budapest, Váci út 17.

1135 Budapest, Lehel út 70-76.

1148 Budapest, Nagy Lajos király útja 19-21.

1149 Budapest, Fogarasi út 15/b.

1149 Budapest, Bosnyák tér 17.

1146 Budapest, Thököly út 102/b.

1152 Budapest, Szentmihályi út 131.

1151 Budapest, Fő utca 64.

1157 Budapest, Zsókavár utca 28.

1163 Budapest, Jókai Mór utca 3/b.

1161 Budapest, Rákosi út 118.

1173 Budapest, Ferihegyi út 93.

1173 Budapest, Pesti út 5-7.

1181 Budapest, Üllői út 377.

1188 Budapest, Vasút utca 48.

1183 Budapest, Üllői út 440.

1195 Budapest, Üllői út 285.

1195 Budapest, Vak Bottyán út 75 a-c

1204 Budapest, Kossuth Lajos utca 44-46.

1238 Budapest, Grassalkovich út 160.

1203 Budapest, Bíró Mihály utca 7.

1239 Budapest, Bevásárló utca 2.

1211 Budapest, Kossuth Lajos utca 86.

1211 Budapest, Kossuth Lajos utca 99.

1221 Budapest, Kossuth Lajos utca 31.

1222 Budapest, Nagytétényi út 37-45.

7621 Pécs, Rákóczi út 44.

7621 Pécs, Rákóczi út 1.

7632 Pécs, Pécs-Kertváros,Diana tér 14.

7633 Pécs, Pécs-Újmecsekalja,Ybl Miklós utca 7/3.

7300 Komló, Kossuth Lajos utca 95/1.

7700 Mohács, Jókai utca 1.

7800 Siklós, Felszabadulás utca 60-62.

7900 Szigetvár, Vár utca 4.

7720 Pécsvárad, Bem utca 2/b

7370 Sásd, Dózsa György utca 2.

7960 Sellye, Köztársaság tér 4.

7940 Szentlőrinc, Munkácsy utca 16/A

7773 Villány, Baross Gábor utca 36.

7754 Bóly, Hősök tere 8/b.

6000 Kecskemét, Korona utca 2.

6000 Kecskemét, Szabadság tér 5.

6500 Baja, Deák Ferenc utca 1.

6300 Kalocsa, Szent István király út 43-45.

6200 Kiskőrös, Petőfi tér 13.

6400 Kiskunhalas, Sétáló utca 7

6100 Kiskunfélegyháza, Petőfi tér 1

6430 Bácsalmás, Szt János utca 32.

6087 Dunavecse, Fő út 40.

6070 Izsák, Szabadság tér 1.

6440 Jánoshalma, Rákóczi utca 10.

6237 Kecel, Császártöltési utca 1.

6120 Kiskunmajsa, Csendes köz 1.

6090 Kunszentmiklós, Kálvin tér 11.

6050 Lajosmizse, Dózsa György utca 102/a.

6449 Mélykút, Petőfi tér 18.

6230 Soltvadkert, Szentháromság utca 2.

6060 Tiszakécske, Béke tér 6.

6000 Kecskemét, Dunaföldvári út 2.

6320 Solt, Kossuth Lajos utca 48-50.

6080 Szabadszállás, Dózsa György út 1.

5600 Békéscsaba, Szt István tér 3.

5700 Gyula, Bodoky utca 9.

5800 Mezőkovácsháza, Árpád utca 177.

5900 Orosháza, Kossuth Lajos utca 20.

5540 Szarvas, Kossuth Lajos tér 1.

5520 Szeghalom, Tildy Zoltán utca 4-8.

5630 Békés, Széchenyi tér 2.

5830 Battonya, Fő utca 86.

5510 Dévaványa, Árpád utca 32.

5742 Elek, Gyulai út 5.

5500 Gyomaendrőd, Szabadság tér 7

5650 Mezőberény, Kossuth Lajos tér 12.

5820 Mezőhegyes, Zala Gy ltp. 7.

5720 Sarkad, Árpád fejedelem tér 5.

5940 Tótkomlós, Széchenyi utca 4-6.

5661 Újkígyós, Kossuth Lajos utca 38.

5530 Vésztő, Kossuth Lajos utca 72.

5525 Füzesgyarmat, Szabadság tér 1.

5600 Békéscsaba, Andrássy út 37-43.

3530 Miskolc, Uitz B. utca 6.

3530 Miskolc, Rákóczi út 1.

3531 Miskolc, Győri kapu 51.

3535 Miskolc, Árpád út 2.

3780 Edelény, Tóth Árpád út 1.

3860 Encs, Bem József utca 1.

3400 Mezőkövesd, Mátyás király utca 149.

3580 Tiszaújváros, Szent István út 30.

3600 Ózd, Városház tér 1/a.

3980 Sátoraljaújhely, Széchenyi tér 13.

3900 Szerencs, Kossuth tér 3/a.

3700 Kazincbarcika, Egressy Béni út 50.

3950 Sárospatak, Eötvös József utca 2.

3630 Putnok, Kossuth Lajos út 45.

3800 Szikszó, Kassai utca 16.

3770 Sajószentpéter, Bethlen Gábor utca 1/a.

3450 Mezőcsát, Hősök tere 23.

3910 Tokaj, Rákóczi utca 37.

3527 Miskolc, József Attila utca 87.

6720 Szeged, Takaréktár utca 7.

6720 Szeged, Aradi vértanúk tere 3.

6791 Szeged, Negyvennyolcas utca 3.

6600 Szentes, Kossuth Lajos utca 26.

6640 Csongrád, Szentháromság tér 2-6.

6800 Hódmezővásárhely, Andrássy út 1.

6900 Makó, Széchenyi tér 14-16.

6760 Kistelek, Kossuth Lajos utca 6-8

6782 Mórahalom, Szegedi út 3.

6724 Szeged, Rókusi krt. 42-64.

6724 Szeged, Londoni krt. 3.

8000 Székesfehérvár, Ősz utca 13.

2060 Bicske, Bocskai köz 1.

2400 Dunaújváros, Dózsa György út 4/e.

8060 Mór, Deák Ferenc utca 2.

7000 Sárbogárd, Ady Endre út 172.

2457 Adony, Petőfi Sándor utca 2.

8130 Enying, Kossuth Lajos utca 43.

2483 Gárdony, Szabadság út 18.

8154 Polgárdi, Deák Ferenc utca 16.

8000 Székesfehérvár, Fő utca 7.

8000 Székesfehérvár, Holland fasor 2.

9022 Győr, Teleki László utca 51.

9011 Győr, Győr-Szentiván, Déryné út 77.

9400 Sopron, Teleki Pál út 22./A

9300 Csorna, Soproni út 58.

9200 Mosonmagyaróvár, Fő utca 24

9400 Sopron, Várkerület 96. fszt. 1.

9330 Kapuvár, Szt István király utca 4-6.

9431 Fertőd, Fő utca 7.

9317 Szany, Ady Endre utca 2.

9024 Győr, Bartók Béla út 53/b.

9024 Győr, Kormos István utca 6.

9026 Győr, Egyetem tér 1.

9027 Győr, Budai út 1.

4025 Debrecen, Pásti utca 1-3.

4025 Debrecen, Piac utca 45-47.

4032 Debrecen, Füredi út 43.

4100 Berettyóújfalu, Oláh Zsigmond utca 1.

4150 Püspökladány, Kossuth utca 2.

4220 Hajdúböszörmény, Kossuth Lajos utca 3.

4080 Hajdúnánás, Köztársaság tér 17-18/a.

4200 Hajdúszoboszló, Szilfákalja utca 6-8.

4060 Balmazújváros, Veres Péter utca 3.

4110 Biharkeresztes, Kossuth utca 4.

4130 Derecske, Köztársaság utca 111.

4087 Hajdúdorog, Petőfi tér 9-11.

4138 Komádi, Fő utca 1-3.

4181 Nádudvar, Fő utca 119.

4090 Polgár, Barankovics tér 15.

4242 Hajdúhadház, Kossuth utca 2.

4032 Debrecen, Egyetem tér 1.

4254 Nyíradony, Árpád tér 6.

4025 Debrecen, Hatvan utca 2-4.

3300 Eger, Törvényház utca 4.

3390 Füzesabony, Rákóczi utca 77.

3200 Gyöngyös, Fő tér 1.

3360 Heves, Hősök tere 4.

3000 Hatvan, Kossuth tér 8. fszt. 1.

3021 Lőrinci, Szabadság tér 25/A

3250 Pétervására, Szt Márton utca 9.

3245 Recsk, Kossuth Lajos út 93.

3300 Eger, Széchenyi utca 2.

2800 Tatabánya, Fő tér 32.

2510 Dorog, Bécsi út 33.

2900 Komárom, Mártirok útja 23.

2890 Tata, Ady Endre utca 1-3.

2500 Esztergom, Rákóczi tér 2-4.

2840 Oroszlány, Rákóczi utca 84.

2941 Ács, Gyár utca 14.

2870 Kisbér, Batthyány tér 5.

2536 Nyergesújfalu, Kossuth Lajos utca 126.

2800 Tatabánya, Bárdos László utca 2.

3100 Salgótarján, Rákóczi út 22.

2660 Balassagyarmat, Rákóczi fejedelem utca 44.

3060 Pásztó, Fő utca 73/a.

2651 Rétság, Rákóczi Ferenc utca 28-30.

3070 Bátonyterenye, Bányász utca 1/a.

3170 Szécsény, Feszty Árpád utca 1.

2700 Cegléd, Szabadság tér 6.

2370 Dabas, Bartók Béla út 46.

2100 Gödöllő, Szabadság tér 12-13.

2200 Monor, Kossuth Lajos utca 88/b.

2760 Nagykáta, Bajcsy-Zsilinszky utca 1.

2300 Ráckeve, Szt István tér 3.

2000 Szentendre, Pannónia út 1-3.

2600 Vác, Széchenyi utca 3-7.

2120 Dunakeszi, Barátság utca 29.

2030 Érd, Budai út 24.

2750 Nagykőrös, Szabadság tér 2.

2440 Százhalombatta, Szent István tér 8.

2740 Abony, Kossuth Lajos tér 3.

2730 Albertirsa, Vasút utca 4/a.

2170 Aszód, Kossuth Lajos utca 42-46.

2040 Budaörs, Szabadság utca 131/a.

2330 Dunaharaszti, Dózsa György utca 25.

2230 Gyömrő, Szt István utca 17.

2340 Kiskunlacháza, Dózsa György utca 219.

2364 Ócsa, Szabadság tér 1.

2721 Pilis, Rákóczi utca 9.

2085 Pilisvörösvár, Fő utca 60

2310 Szigetszentmiklós, Ifjúság útja 17.

2220 Vecsés, Fő utca 170.

2360 Gyál, Kőrösi út 160.

2143 Kistarcsa, Hunyadi utca 7.

2119 Pécel, Kossuth tér 4.

2092 Budakeszi, Fő utca 174.

2040 Budaörs, Sport út 2-4.

2120 Dunakeszi, Nádas utca 6.

2310 Szigetszentmiklós, Háros utca 120.

2141 Csömör, Határ út 6.

2013 Pomáz, József Attila utca 17.

2083 Solymár, Szent Flórián utca 2.

2220 Vecsés, Fő utca 246-248

2112 Veresegyház, Fő út 52

2234 Maglód, Esterházy utca 1.

2030 Érd, Iparos út 5.

2225 Üllő, Pesti út 92/b.

7400 Kaposvár, Széchenyi tér 2.

7400 Kaposvár, Honvéd utca 55.

8700 Marcali, Rákóczi utca 6-10.

7500 Nagyatád, Korányi Sándor utca 6.

8600 Siófok, Fő tér 10/a

7570 Barcs, Séta tér 5.

8630 Balatonboglár, Dózsa György utca 1.

8840 Csurgó, Petőfi tér 20.

8640 Fonyód, Ady Endre utca 25.

8693 Lengyeltóti, Csalogány utca 2.

8660 Tab, Kossuth Lajos utca 96.

7561 Nagybajom, Fő út 107

8638 Balatonlelle, Rákóczi út 202-204

4400 Nyíregyháza, Rákóczi utca 1.

4900 Fehérgyarmat, Móricz Zsigmond utca 4.

4600 Kisvárda, Szt László utca 30.

4700 Mátészalka, Szalkay László utca 34.

4300 Nyírbátor, Zrínyi utca 1.

4800 Vásárosnamény, Szabadság tér 33.

4561 Baktalórántháza, Köztársaság tér 4.

4233 Balkány, Szakolyi utca 5.

4765 Csenger, Ady Endre utca 1.

4492 Dombrád, Szabadság tér 7.

4501 Kemecse, Móricz Zsigmond utca 18.

4320 Nagykálló, Árpád utca 10.

4450 Tiszalök, Kossuth Lajos utca 52/a.

4440 Tiszavasvári, Kossuth Lajos utca 6.

4244 Újfehértó, Fő tér 15.

4625 Záhony, Ady Endre út 27-29.

5000 Szolnok, Szapáry utca 31.

5000 Szolnok, Nagy Imre krt. 2/a.

5100 Jászberény, Lehel vezér tér 28.

5440 Kunszentmárton, Kossuth Lajos utca 2.

5350 Tiszafüred, Piac tér 3.

5200 Törökszentmiklós, Kossuth Lajos út 141.

5300 Karcag, Kossuth Lajos tér 15.

5310 Kisújszállás, Szabadság tér 6.

5400 Mezőtúr, Szabadság tér 29.

5420 Túrkeve, Széchenyi utca 32-34.

5130 Jászapáti, Kossuth Lajos út 2-8.

5123 Jászárokszállás, Rákóczi Ferenc utca 4-6.

5055 Jászladány, Kossuth Lajos utca 77.

5340 Kunhegyes, Szabadság tér 4.

5321 Kunmadaras, Karcagi út 2-4.

5435 Martfű, Szolnoki út 142

5430 Tiszaföldvár, Kossuth Lajos út 191.

5000 Szolnok, Széchenyi krt. 135.

7100 Szekszárd, Szent István tér 5-7.

7030 Paks, Dózsa György utca 33.

7090 Tamási, Szabadság utca 33

7150 Bonyhád, Szabadság tér 10.

7200 Dombóvár, Dombó Pál utca 3.

7020 Dunaföldvár, Béke tér 11.

7081 Simontornya, Petőfi utca 68.

7130 Tolna, Kossuth Lajos utca 31.

7030 Paks, Kishegyi út 44/a

7140 Bátaszék, Budai út 13.

9700 Szombathely, Fő tér 3-5.

9700 Szombathely, Rohonci út 52.

9900 Körmend, Vida József utca 12.

9600 Sárvár, Batthyány utca 2.

9500 Celldömölk, Kossuth Lajos utca 18.

9730 Kőszeg, Kossuth Lajos utca 8.

9970 Szentgotthárd, Mártírok út 2.

9800 Vasvár, Alkotmány utca 2.

9737 Bük, Kossuth Lajos utca 1-3.

9700 Szombathely, Király utca 10.

9970 Szentgotthárd, Füzesi út 15.

8200 Veszprém, Brusznyai Árpád utca 1.

8400 Ajka, Szabadság tér 18.

8500 Pápa, Fő tér 22.

8300 Tapolca, Fő tér 2.

8230 Balatonfüred, Petőfi Sándor utca 8.

8100 Várpalota, Újlaky út 2.

8220 Balatonalmádi, Baross Gábor utca 5/a.

8460 Devecser, Kossuth Lajos utca 13.

8330 Sümeg, Kisfaludy Sándor tér 1.

8420 Zirc, Rákóczi tér 15.

8900 Zalaegerszeg, Kisfaludy utca 15-17.

8800 Nagykanizsa, Deák tér 15.

8960 Lenti, Dózsa György utca 1.

8360 Keszthely, Kossuth Lajos utca 38.

8868 Letenye, Szabadság tér 8.

8790 Zalaszentgrót, Batthyány utca 11.

8380 Hévíz, Erzsébet királyné utca 11.

1054 Budapest, Szabadság tér 7-8.

STATEMENT ON CORPORATE GOVERNANCE PRACTICE

Corporate governance practice

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

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

System of internal controls

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

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

OTP Bank Plc.'s internal audit system is realised on several levels of control built on each other. The system of internal checks and balances includes process-integrated control, management control, independent internal audit organisation and executive information system. The independent internal audit organisation as an 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 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 and the Board of Directors, 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.

IT Controls

Applications are developed by both in-house group resources and by third parties. OTP Bank applies administrative, logical and physical control measures commensurate with the risk 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;
- user authentication, authorisation and password management processes are controlled by policies and audited;
- the systems have well-separated test and development environments, which ensures that program developments or modifications are only 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;

- the IT systems that store and process data are regularly backed up and stored in controlled premises with adequate protection for long-term retention, and the organisation carries out regular back-up tests;
- adequate redundancy is applied for IT systems that store and process data to ensure business continuity and disaster resiliency;
- has developed a BCP for critical systems and processes, which is regularly tested and reviewed;
- the Bank collects and retains the complete log of all data processing activities and the confidentiality, availability, integrity 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 solution to reduce the risk of data loss;
- it ensures the continuous monitoring of the operation of the physical and virtual environment system elements, and the detection and management of events, where possible automatically;
- 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 the irretrievable 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;
- it ensures that its employees have adequate knowledge of data protection requirements and provides regular data protection and information security 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.

In view of the situation caused by the epidemic, on 22 February 2021 the Parliament voted Act I of 2021 on the prevention of the coronavirus pandemic, which extended the scope of the Government Decree 502/2020 (XI.16.) (Government Decree) until 22 May 2021. Pursuant to such, in line with Section 9 of the Government Decree, the resolutions on the published agenda items were passed by OTP Bank Plc's Board of Directors acting in the competence of the General Meeting on 16 April 2021.

The Extraordinary General Meeting was held on 15 October 2021 in accordance with the general rules, traditionally, with the personal participation of the shareholders, subject to Section 3 (1) of the Government Decree, also in line with the Act I of 2021 on the prevention of the coronavirus pandemic.

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

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

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

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

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

Special Employee Partial Ownership Plan Organization No. I. of OTP Employees and Special Employee Partial Ownership Plan Organization No. II. of OTP Employees (hereinafter referred to as: OTP SEPOPs) were established based on the decision of the Company's certain employees and executives considered as employees pursuant to the Act XLIV of 1992 on Employee Partial Ownership Plan. Management rights of OTP SEPOPs are exercised by a trust named *Alapítvány az OTP Munkavállalók Különleges Résztulajdonosi Programjáért*, founded by the same employees setting up

OTP SEPOPs. The Company did not participate either in foundation or in management of OTP SEPOPs.

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

Rules on the restrictions of the voting rights:

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

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

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

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

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

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

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

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

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

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

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

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

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

The membership of the Board of Directors ceases to exist by

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

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

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

The Board of Directors is obliged to

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

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

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

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

The Board of Directors is exclusively authorised to:

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

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

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

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

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

Ownership structure of OTP Bank Plc.

Description of owner	Total equity					
	1 January 2021			31 December 2021		
	Ownership share	Voting rights[1]	Quantity	Ownership share	Voting rights[1]	Quantity
Domestic institution/company	20.93%	21.26%	58,605,628	26.66%	26.97%	74,637,180
Foreign institution/company	71.60%	72.73%	200,480,153	66.69%	67.47%	186,733,858
Domestic individual	4.79%	4.87%	13,424,090	4.57%	4.63%	12,805,389
Foreign individual	0.11%	0.12%	319,346	0.11%	0.12%	319,712
Employees, senior officers	0.85%	0.87%	2,393,390	0.69%	0.70%	1,941,018
Treasury shares[2]	1.55%	0.00%	4,334,140	1.16%	0.00%	3,251,484
Government held owner	0.08%	0.08%	219,800	0.07%	0.07%	188,326
International Development Institutions	0.04%	0.04%	108,981	0.04%	0.04%	120,871
Other[3]	0.04%	0.04%	114,482	0.00%	0.00%	2,172
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 2021 ESOP owned 7.656.897 OTP shares.
[3] Non-identified shareholders according to the shareholders' registry.

Number of treasury shares held in the year under review (2021)

	1 January	31 March	30 June	30 September	31 December
OTP Bank	4,334,140	4,330,609	1,120,786	1,077,322	3,251,484
Subsidiaries	0	0	0	0	0
TOTAL	4,334,140	4,330,609	1,120,786	1,077,322	3,251,484

SHAREHOLDERS WITH OVER/AROUND 5% STAKE AS AT 31 DECEMBER 2021

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%**	**8.67%**	**-**
KAFIJAT Group	**D**	**C**	**19,661,409**	**7.02%**	**7.10%**	**-**
KAFIJAT Ltd.	D	C	9,839,918	3.51%	3.56%	-
MGTR Alliance Ltd.	D	C	9,836,491	3.51%	3.55%	-
Groupama Group	**F/D**	**C**	**14,311,769**	**5.11%**	**5.17%**	**-**
Groupama Gan Vie SA	F	C	14,140,000	5.05%	5.11%	-
Groupama Biztosító Ltd.	D	C	171,769	0.06%	0.06%	-

[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 2021

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	293,907
IT	Tamás Erdei	Deputy Chairman	27/04/2012	2026	32,285
IT	Gabriella Balogh	member	16/04/2021	2026	1,393
IT	Mihály Baumstark	member	29/04/1999	2026	44,000
IT	Péter Csányi	member, Deputy CEO	16/04/2021	2026	1
IT	dr. István Gresa	member	27/04/2012	2026	173,258
IT	Antal Kovács	member, Deputy CEO	15/04/2016	2026	79,244
IT	György Nagy [3]	member	16/04/2021	2026	0
IT	dr. Márton Gellért Vági	member	16/04/2021	2026	0
IT	dr. József Vörös	member	15/05/1992	2026	171,114
IT	László Wolf	member, Deputy CEO	15/04/2016	2026	532,143
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	344
FB	dr. Tamás Gudra	member	16/04/2021	2023	0
FB	András Michnai	member	25/04/2008	2023	100
FB	Olivier Péqueux	member	13/04/2018	2023	0
SP	László Bencsik	Deputy CEO			10,038
SP	György Kiss-Haypál	Deputy CEO			3,137
TOTAL No. of shares held by management:					**1,341,018**

[1] Employee in strategic position (SP), Board Member (IT), Supervisory Board Member (FB)
[2] Number of OTP shares owned by Dr. Sándor Csányi directly or indirectly: 4,080,034
[3] Number of OTP shares owned by György Nagy directly or indirectly: 600,000

Committees[1]

Members of the Board of Directors
Dr. Sándor Csányi – Chairman
Mr. Tamás Erdei – Deputy Chairman
Ms. Gabriella Balogh[2]
Mr. Mihály Baumstark
Dr. Tibor Bíró[3]
Mr. Péter Csányi[2]
Dr. István Gresa
Mr. Antal Kovács
Mr. György Nagy[2]
Dr. Antal Pongrácz[3]
Dr. László Utassy[3]
Dr. Márton Gellért Vági[2]
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[4]

Mr. András Michnai
Mr. Olivier Péqueux
Dr. Márton Gellért Vági[5]

Members of the Audit Committee
Dr. József Gábor Horváth – Chairman
Mr. Tibor Tolnay – Deputy Chairman
Dr. Tamás Gudra[6]
Mr. Olivier Péqueux
Dr. Márton Gellért Vági[7]

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

Personal and organizational changes

On 12 March 2021, the labour contract of Mr. Tibor Johancsik, Deputy CEO in charge of IT had been terminated by mutual agreement. The new head of the Digital Division (IT Division until 1 May 2021) is Mr. Péter Csányi, who had been in charge of digital developments and sales as managing director until his appointment. Key task of the area in transition is going to be the efficient support of the Bank's digital transformation through further improving customer experience. The new strategy of the division is aimed at creating such an IT that has business competence, but also serving as a platform for other business areas while setting the pace of digitalization in accordance with the National Bank of Hungary's digital recommendations.

On 16 April 2016 the Board of Directors acting in the competency of the Annual General Meeting elected Ernst & Young Ltd. as the Bank's auditor concerning the audit of OTP Bank Plc.'s separate and consolidated annual financial statements in accordance with International Financial Reporting Standards for the year 2021, from 1 May 2021 until 30 April 2022.

[1] Personal changes can be found in the „Personal and organizational changes" chapter.
[2] From 16 April 2021, she/he is a member of the Board of Directors of OTP Bank Plc.
[3] His term of office expired on 16 April 2021.
[4] From 16 April 2021, he is a member of the Supervisory Board of OTP Bank Plc.
[5] His position on the Supervisory Board was terminated on 16 April 2021.
[6] From 16 April 2021, he is a member of the Audit Committe of OTP Bank Plc.
[7] His position on the Audit Committee was terminated on 16 April 2021.

On 16 April the Board of Directors acting in the competency of the Annual General Meeting, elects Dr. Tamás Gudra as member of the Supervisory Board (SB) and of Audit Committee (AC) of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

On 16 April 2021 the Board of Directors acting in the competency of the Annual General Meeting, elects

Dr. Sándor Csányi
Mr. Antal György Kovács
Mr. László Wolf
Mr. Tamás György Erdei
Mr. Mihály Baumstark
Dr. István Gresa
Dr. József Zoltán Vörös
Mr. Péter Csányi
Mrs. Gabriella Balogh
Mr. György Nagy
Dr. Gellért Márton Vági

as members of the Board of Directors (BoD) of the Company until the Annual General Meeting of the Company closing the 2025 business year, but not later than 30 April 2026.

On 16 April 2021, Dr. Sándor Csányi was elected as Chairman of the Bank's Board of Directors and in accordance with subsection 4 of section 9 of the Articles of Association of the Company as Chief Executive Officer (Chairman & CEO).

Dr. Sándor Csányi performs his duties until the closing AGM of the fiscal year 2025 but latest until 30 April 2026.

On 16 April 2021 Mr. Tamás György Erdei, the member of the Board of Directors, was elected a Deputy Chairman of the Board of Directors.

Mr. Tamás György Erdei performs his duties until the closing AGM of the fiscal year 2025 but latest until 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 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 9, the Supervisory Board held 6 meetings, while the Audit Committee held 2 meetings in 2021. In addition, resolutions were passed by the Board of Directors on 180, by the Supervisory Board on 90 and by the Audit Committee on 28 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.

ENVIRONMENTAL POLICY, ENVIRONMENTAL PROJECTS

Environmental protection principles

OTP Group is committed to the protection of the environment, the combating of climate change and its impacts, and the preservation and low-impact use of natural resources. OTP Bank's environmental activities are regulated in its Environmental Regulation, which is revised annually. The Regulation ensures legal compliance and the consideration and integration of environmental criteria into the Bank's business operations in order to minimise the environmental impacts of operating and maintaining the Bank's organisation. It also sets out the rules on implementing the principles of sustainable procurement. OTP Group members operate in full compliance with environmental legislation and received no fines in 2020.

In CDP's Climate Change Questionnaire, OTP Group was rated at B- in 2021, thus retaining its previous rating.

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

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

Energy consumption and business travel

OTP Group uses state-of-the-art technology in new construction and renovation projects; we are also continually expanding our use of LED lighting technology. We are constantly seeking opportunities to increase energy efficiency, by analysing the energy efficiency and consumption characteristics of our buildings. As part of our renovation process, we are replacing air conditioning units, always ensuring that the new units use environmentally-friendly coolants. Thanks to its energy efficiency investments in 2021, OTP Bank consumed 1,400 GJ less energy.

Whenever a branch of the parent bank is renovated, we always examine the possibility of installing solar panels and heat pumps. In 2021, we installed solar panels at two branches and a holiday resort. Our systems generated a total of 842 GJ energy from solar power. Moreover, our central archives facility has been using geothermal energy for several years, amounting to 3,499 GJ in 2021. The solar panels of our subsidiaries generated a total of 893 GJ of solar power. We are committed to using green electricity. One of DSK Bank's data centres in Sofia procures electricity from 100% renewable sources, and from 2022, we will cover 100% of the electricity demand of the parent bank and our Serbian and Croatian subsidiaries in the same way.

Energy use across the Banking Group has been greatly impacted by the pandemic. Regarding ventilation and fresh air in our buildings, air recirculation was suspended and ventilation was intensified instead, which increased our energy usage; however, the high percentage of staff working from home reduced our electricity consumption.

The number of business trips and the size of the vehicle fleet are determined by the needs of the business. Our Group's vehicle policy sets carbon limits; moreover, the choice of cars includes environmentally-friendly vehicles in all vehicle categories. In 2021, our Romanian subsidiary purchased two electric cars, our Bulgarian bank seven and our Croatian bank three hybrid cars. The number of kilometres travelled also decreased at group level and for OTP Bank, partly due to the measures related to the pandemic and partly due to business reasons. The amount of business travel has been reduced significantly by the use of online meetings, which has become common practice due to hybrid work.

Our existing bicycle storage facilities continued to be available to both customers and employees in 2021. OTP Bank provided new storage facilities at three branches and the new Record Office, our Bulgarian and Ukrainian subsidiaries have each created new bicycle storage spaces at two locations, while the Albanian bank provided bicycle storage at five locations at the capital's branches.

Energy consumption figures are presented for OTP Bank. The bank's overall energy consumption decreased by 5% compared to the previous year. Energy consumption per capita is unchanged.

Volume of energy consumption, OTP Bank	2020	2021
Total energy consumption (GJ)	251,730[1]	263,228
Per capita energy consumption (GJ)	26.75	26.75

Energy consumption data are derived from readings; the measured consumption volumes are converted to energy using local average calorific values
The projection of the per capita value is the average number of full-time employees (TMD).
[1] Data adjusted for the consumption of Monicomp merged into OTP Bank, which was not available at the time of the previous year's statement.

Efforts to reduce paper use

OTP Group has been consistently endeavouring to reduce paper use and printing. OTP Bank reduced its office paper usage by 17% over 2020, with the pandemic and increased rates of working from home playing a significant role in this development. Thanks to a change in printing technology, paper consumption decreased by 6.5%; however, at the group level, there was no further decrease compared to the drop in 2020. At our Romanian, Ukrainian and Russian subsidiaries, the use of paper has decreased with the expansion of digital processes.

OTP Bank and its Romanian subsidiary increased its share of recycled paper in paper use. OTP Bank uses FSC-certified paper for its invoices and marketing flyers, as well as recycled paper for DM letters. Our Serbian subsidiary also uses FSC-certified paper and our Slovenian subsidiary PEFC-certified paper.

Paper usage quantities, OTP Bank	2020	2021
Total amount of paper used (t) (office, packaging, indirect)	1,137	978
Per capita paper use (kg)[1]	121	99

[1] The projection is based on the average number of full-time employees (TMD).

Sustainable use and waste management

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

OTP Bank was the first bank in Hungary to issue a bank card made largely (85%) of recycled plastic. The card was available to junior customers, and we issued 50,000 recycled cards to our customers over the year.

In 2021, our Serbian subsidiary reduced its purchases of plastic packaging products and began using paper cups for water dispensers. Our Romanian, Croatian, Serbian, Montenegrin and Moldovan subsidiaries also use refilled toners to reduce waste from the use of toners and ink cartridges.

All members of OTP Group collect and manage hazardous waste and paper containing business secrets selectively, in compliance with the relevant laws and regulations. The selective collection of non-confidential paper waste, PET bottles and glass is available in the head office buildings of OTP Bank, while the collection of packaging metal has also been available since 2021. During the year, we also set up selective waste collection in ten bank branches. Our Ukrainian subsidiary operates selective paper collection at its head office building. Our Serbian subsidiary collects paper waste selectively in its branches and head office buildings. Our Albanian subsidiary collects paper waste selectively. Our Romanian subsidiary collects all paper, metal, glass and plastic selectively. Our Slovenian subsidiary also collects communal waste selectively (including biodegradable food waste). Our Croatian subsidiary has collected paper and plastic waste selectively for years, and from 2021, metal and glass waste will also be collected separately. DSK Bank operates selective waste collection at its sites in Sofia and Varna and has expanded the selective collection of paper waste during the year. Our Montenegrin subsidiary has introduced selective paper waste collection at its head office and its archives facility.

Most members of our Banking Group have a tradition of raising awareness and taking joint action to protect environmental and natural resources. In 2021, we supported several environmental initiatives and encouraged the environmentally conscious behaviour of our employees.

OTP Bank and OTP Bank Serbia have joined the Mastercard Priceless Planet Coalition, launched in 2020, and are participating in a campaign that encourages consumers to protect the environment and actively contribute to this goal themselves. The Priceless Planet Coalition aims to preserve the environment through the restoration of 100 million trees over five years and to help mitigate the adverse effects of climate change. By 2022, three afforestation sites have been selected in Kenya, Brazil and Australia, but more will be added later. OTP Bank has supported the Priceless Planet Coalition with a donation of 100,000 euros, while our Serbian subsidiary has committed to planting a tree for each bank account opened.

DSK Bank was the first bank in Bulgaria to join the Mastercard Wildlife Impact Card programme. The bank and Mastercard support the issuance of all Mastercard Wildlife Impact cards with one dollar spent on protecting and restoring natural habitats. The credit card is made of environmentally friendly material.

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

Our Croatian subsidiary also supported the “Drop into the Sea” ecological action of the Telašćica Nature Reserve, which drew attention to the threat to marine ecosystems and fish stocks due to increasing amounts of waste. The bank also supported Ekotlon, the biggest plogging competition. In addition to collecting litter, the event also supported a kindergarten with eco-equipment purchased from its registration fees.

Generator (Gamechanger), our Serbian subsidiary’s local start-up programme, launched the Generator Zero competition in 2021, specifically seeking and rewarding innovative solutions to reduce its carbon footprint. Organisations had until the end of the year to apply for the competition, and the winner will receive mentoring for further development and promotion in addition to the cash prize. Ten finalists were selected from the 72 projects nominated.

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

- To promote environmental awareness, we wrote about the reduction in paper use and disposable plastics in the OTP Bank’s online magazine.
- Our Croatian subsidiary has reduced its use of plastics and implemented even more responsible waste management in three cities under the “Green Way to Green” programme.
- Our Serbian bank has launched an awareness-raising initiative among employees to increase environmentally and business-friendly behaviour and reduce CO_2 emissions. The bank also supported the Green Serbia 2021 campaign, which planted trees in ten cities.
- In order to make employees more sensitive to the environment, our Slovenian subsidiary bank organised a workshop and presentation for managers and e-learning for employees. In 2021, the Bank joined the Slovenian Green Network, which brings together more than 400 companies, educational institutions, institutes and other organisations with a variety of projects for sustainable development and social responsibility.
- Our Ukrainian subsidiary has joined the “Batteries, inward” campaign, in which used batteries are collected and delivered to a recycling plant in Romania. The bank sent more than 200 kg of batteries to be recycled.
- Following its energy renovations, our Montenegrin subsidiary will also train its employees in the energy-conscious use of the systems.

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

The social, environmental and wider economic performance and impacts of OTP Group are also reported in its dedicated Sustainability Report. The Sustainability Report for 2021 is a group-level report that meets the GRI (Global Reporting Initiative) Standard and is certified by an independent third party. It is available as a digital version on OTP Bank's website. The information in this chapter is provided in order to comply with the Accounting Act, while also aiming to keep the duplication of information to a minimum. Information concerning environmental protection and climate change is provided mainly in the chapter on environmental Policy and Environmental Protection Measures.

OTP Bank is committed to ethical business conduct in all respects; our principles are set out in our Code of Ethics, which is binding for all our employees and agents. Our financial services and operations have significant social and environmental impacts; thus, our objective is to manage risks responsibly while taking advantage of opportunities and delivering positive outcomes.

In 2021, OTP Bank signed the UN Environment Programme Finance Initiative (UNEP FI), a framework for the sustainable banking sector. The Principles are the leading framework for ensuring that banks' strategy and practice align with the vision society has set out for its future in the UN Sustainable Development Goals and the Paris Climate Agreement. Banks who have signed the Principles commit to be ambitious in their sustainability strategies, working to mainstream and embed sustainability into the heart of their business.

The integration of sustainability is supported by a strong organisational background, which was completed in 2021. The ESG transformation covers both OTP Bank and its subsidiaries and is managed by an ESG Committee established by the Board of Directors. The Committee is the decision-making body responsible for ESG strategy, plans and policies and for supporting the Bank's governing bodies in the performance of ESG tasks. The Chairman of the Committee is appointed by the Board of Directors. The ESG Committee has established an ESG Operational Subcommittee, which provides operational support to the ESG Committee and help in the preparation of decisions. The head of the Subcommittee - also the head of ESG Business Transformation - is the Director of the Green Programme Directorate. The three key areas of ESG integration are ESG business transformation, ESG risk management and ESG control function.

The ESG Strategy of the OTP Group was approved by the Management Committee in 2021. The OTP Group wishes to play a leading role regionally in financing a fair and gradual transition to a low-carbon economy as well as building a sustainable future by offering balanced financing opportunities. 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. The strategy covers the period up to 2024, and our goal is to achieve full ESG integration at group level.

Green Finance

We have taken significant steps towards exploiting the potential of green finance. Green mortgage loans (distributed by OTP Bank, and held in the balance sheet of OTP Mortgage Bank) and green covered bonds (issued by OTP Mortgage Bank) help achieve real estate goals for sustainability. OTP Mortgage Bank has set the strategic goal of increasing the proportion of green loans within new loan disbursements and has also created a framework for green mortgage bonds. The bank was the first in the domestic market to issue a green mortgage bond, building on the Hungarian National Bank's (MNB) green mortgage purchase programme. The company issued securities with a total nominal value of HUF 95 billion in 2021, so in addition to the previously disbursed green loans, the company also provided funds to finance the green loans to be disbursed after the issue.

The Mortgage Bank publishes the most important financial and environmental impact data relating to mortgage bonds annually. The first report presenting information for the year 2021 will be published at the same time as the company's annual report.

The MNB Green Home Programme was launched in the second half of 2021 as part of the Growth Loan Programme. These loans with a maximum interest rate of 2.5% help customers buy and build energy-efficient new homes. Under the programme, the Hungarian National Bank provides refinancing sources to credit institutions at 0% interest rates, provided that the energy requirements for the financed property are met. The central bank provides a total of HUF 200 billion in funds for the programme. We experienced interest in this loan structure that exceeded expectations, and by the end of 2021, our bank group had concluded contracts in the amount of HUF 20.1 billion and disbursed loans in the amount of HUF 4.9 billion.

Loan products of the Hungarian Development Bank (MFB) financed by both EU and from MFB’s own sources were still available at OTP Bank in 2021. The population had access to preferential loans through these structures in order to implement energy improvements. During the year, we entered into loan agreements amounting to HUF 5 billion, accounting for 7% of all loans contracted through MFB Points.

We have developed four new products for corporate lending to help meet renewable energy production, electro-mobility, green agricultural goals and high-energy office investments. The total amount of loans cleared under the green housing, corporate and municipal capital relief programme provided by the MNB in OTP Bank is approximately HUF 74.5 billion.

A significant proportion of green loans comprise projects for the utilisation of renewable energy sources within the framework of project financing. Renewable energy projects represent a considerable share of green lending in our project financing. In 2021, we signed contracts for eight new projects at OTP Group level in the amount of HUF 81.5 billion, a significant increase compared to previous years.

The projects are located in Hungary, Bulgaria, Romania and Croatia, and the financing was partly implemented with the involvement of the subsidiaries. The projects generated 1,175 MW of renewable capacity, but funding is not always provided by OTP Group alone. At group level, the project financing portfolio related to renewable energy projects had reached HUF 84.2 billion by the end of the year, of which OTP Bank's share was HUF 57.8 billion.

In 2021, loans promoting energy efficiency, the use of renewable energy and e-mobility were available from our subsidiaries in Croatia, Romania, Montenegro, Albania and Moldova.

Our goal for 2025 is to have green products available in all segments for OTP Core, while the development of green financing plans at subsidiaries will take place in 2022. OTP Bank plans to issue green bonds in 2022 to finance group-level projects.

The purpose of the OTP Fund Management OTP Climate Change 130/30 Fund is to provide investment opportunities in the shares of developed and emerging market companies that may be the winners of directives, legal regulations and economic policy changes aimed at mitigating the effects of climate change.

The net asset value of the Fund at the end of 2021 was HUF 36.3 billion. In 2021, together with the OTP Omega Fund, we started to amend the management regulations of the OTP Climate Change 130/30 Fund in order to meet the criteria of a fund promoting environmental or social characteristics or a combination thereof, i.e. Sustainable Finance Disclosure Regulation (SFDR) Article 8.

The table below shows the disclosures of the OTP Group and banks operating in EU member states in accordance with Regulation (EU) 2020/852 (Taxonomy Regulation).

Disclosure under Article 8 Delegated art 10		
OTP Group consolidated		
Art 10 (3) a,	Eligible proportion *	0.15%
Art 10 (2) a,	Non-eligible proportion*	67.29%
Art 10 (2) b,	Proportion of derivatives *	0.93%
Art 10 (2) b,	Proportion to central gov., central bank, supranational issuer*	27.14%
Art 10 (2) c,	Proportion of non-NFRD undertakings*	8.48%
Art 10 (2)	Proportion of trading portfolio*	1.17%
Art 10 (2)	Proportion of on-demand inter-bank loans*	4.77
DSK Bank	0.41%	
OTP Bank Croatia	0.21%	
SKB Bank	0%	
OTP Bank Romania	0.11%	

Disclosure under Article 8 Delegated art 10		
Art 10 (3) d,	XI. Annex disclosures	
	Contextual information towards quantitative indivators incl. scope of assets and activities covered, data sources and limitation.	Exposures to taxonomy-eligible activities were examined among non-financial corporations. Companies covered by the NFRD were defined as listed companies with more than 500 employees based on Nace code *Excluding exposures to be excluded from the denominator of KPIs by the Regulation.
	Starting from second year of implementationonly: Explanations of the nature and objectives of Taxonomy-aligned economic activities and the evouolution of Taxonomy-aligned economic activities over time, distingiushing between business related and methodological and data-related elements.	Taxonomy elgible activities were examined. Our goals for green funding and the activities we have implemented can be found in the text pf NFRD.
	Description of the compliance with Regulation (EU) 2020/852 in the financial undertaking's business startegy, product design process and engagement with clients and counterparties.	Our goals for green funding and the activities we have implemented can be found in the text pf NFRD.
	for credit institutions that are not required to dsiclose quantitative information fo trading exposures: Quakitative information ont he alignment of trading portfolios with Regulation (EU) 2020/852, includong overall composition, trendsm objectives and policy;	Taxonomy eligible activities were examined.
	the weight of other or additional information in support of the financial undertaking's strategy and the financing of taxonomic activities in relation to their total activity.	Taxonomy eligible activities were examined. Our goals for green funding and the activities we have implemented can be found in the text pf NFRD.

Green asset ratio in corporate lending:

In relation to the mitigation and adaptation objectives of the taxonomy regulation, we have examined the corporate portfolio based on the NACE codes that can be attributed to activities in the delegated act.

OTP Bank Group's corporate lending activities are linked to environmentally sustainable economic activities in the EU Member States[8] in the followings scope:

Share of the taxonomy-adjusted corporate portfolio of EU core and subsidiary banks in total non-segmented exposures at group level: 8.3%

Share of the taxonomy-adjusted corporate portfolio of EU core and subsidiary banks in the total EU core and subsidiary corporate portfolio: 42.3%.

ESG risk management

In order to integrate ESG aspects, comply with legal obligations and the Hungarian National Bank's Green Programme, we continued to develop our ESG lending policy in 2021. At group level, we have introduced a lending and monitoring ESG risk management framework for non-retail and non-motorised leasing assets. The framework also includes the ESG Exclusion List, which comprises activities excluded

[8] EU core and subsidiary banks means: OTP Nyrt, DSK Banka EAD, OTP Bank Romania S.A., OTP banka Hrvatska d.d., SKB banka d.d.

from financing by OTP Group, as well as the industry ESG risk heat map. In 2021, ESG credit risk exposure became part of internal reporting. In accordance with the Hungarian National Bank's Green Programme, we will continue to include ESG factors in the rest of the portfolio and in respect of collateral.

The purpose of ESG risk management in lending is to identify ESG risks and reduce transaction risks arising from the environmental and social risk factors associated with financing. By integrating these issues into our lending process, we are also emphasising the importance of our clients adopting excellent environmental and social practices.

We invest and lend the money deposited with us in a way ensuring that it will not serve illegal purposes, or those contrary to the values of society.

OTP Bank will not finance:
- customers whose financing is forbidden in international agreements, EU acts or national laws;
- those whose activity is likely to violate public morals or social value systems, or is connected to crime;
- those who are connected, directly or indirectly, to criminal activities or to the deliberate violation or evasion of legal;
- regulations;
- transactions classified as prohibited business sectors (e.g. the illegal arms trade, prohibited gambling, drug trade, or any other illegal activity); and
- transactions that fail to meet environmental standards.

The OTP Bank Group does not finance transactions that violate the laws of the country concerned or international law.

In accordance with our regulations, our banking group always expects and examines compliance with environmental regulations during lending. Violation of commitments and expectations is sanctioned in the framework credit agreements.

In accordance with the SFDR's expectations, we have developed an investment risk management policy for all relevant group members, so that investment risk management has been integrated into decision-making processes during investment advisory and portfolio management activities, and information on this has been provided to clients. Our statements on the integration of sustainability risks and the adverse effects of investment decisions on sustainability factors (PAIs) are available on our websites. In addition to the legal requirements, the prospectuses containing the product characteristics of the investment funds also include the ESG score calculated by the bank, helping customers make decisions and orient themselves.

We have strengthened the assessment of ESG risks in our operational risk management scenario analyses by analysing a separate scenario related to climate change, and we have also indicated the risks affected by ESG in both the risk self-assessment and the loss database.

Responsible customer service

In carrying out our financial intermediary duties we ensure that the savings of our customers remain safe at all times. Our rules guarantee that the standards of responsible lending are observed regarding the avoidance of over-indebtedness, fair, understandable, complete and attentive information provision and adequate product offers.

Our principles and guidelines on the fair treatment of customers and the compliance of consumer protection are set out in our Compliance Policy. In designing our products, we follow the principles of ethical product development. Our New Product Policy prescribes the assessment of potential risks to consumers.

We offer personalised administrative options to our customers with the highest level of service quality and continuous innovations. The coronavirus pandemic increased the use of online channels, and our Banking Group also encouraged this trend.

We use TRI*M methodology to measure the satisfaction of our retail customers. OTP Bank's client retention power increased by three points to 69 points in 2021, while the average satisfaction score among competitors also increased slightly. The average TRI*M of banks in Central Europe was 77 points.

OTP Bank's stated objective is to serve its customers without fault. In order to improve customer satisfaction, we are also continuously improving our complaint management practices. Our Complaint

Management Policy, Complaint Management Regulation and a Glossary are available to view in our branches as well as on our website.

In 2021, the most typical complaints at OTP Bank were related to the payment moratorium and unapproved payment transactions.

The number of both complaints and legitimate complaints decreased significantly in 2021 compared to the outstanding values of 2020, which could be attributed to the significant changes made during the year. The declining trend also prevailed at group level. In 2021, we continued to improve our complaint management practices, including expanding our complaint analysis process and the range of complaints that can be resolved immediately.

Customer complaint data, OTP Bank[1]	2020	2021
Number of warranted complaints	202,040	155,298
Ratio of warranted complaints	67%	62%
Compensation paid (HUF million)	84[2]	36

[1] Includes data from OTP Housing Savings and OTP Mortgage Bank.
[2] Corrected data.

Our objective is to provide equal access for persons living with disability, through services adapted to their special needs, in line with the Accessibility Strategy of OTP Bank. Accessibility is integrated into our website, which supports one-handed use and provides accessibility options including text-to-speech software and video content transcripts. Physical accessibility was also provided in every branch but one in 2021. Tactile guide strips are available in 38% of our branches. Our customers can request special-needs services at the queue management machine, with physical push buttons and tactile strips also assisting them in using the device. Interpreter Services are available at 167 branches; this is a service allowing a sign language interpreter to assist with administration tasks through a live video chat. Induction loop amplifier systems are also available in 38% of branches. Moreover, we have made text-to-speech software available on 910 of our ATMs.

Security and data protection

Security is a top concern for us. The principles and main guidelines concerning security at the bank are set forth in the Security Policy, which is approved by the Board of Directors. The policy covers all aspects of security, including IT and cyber security, which have become increasingly important. OTP Bank's Group-level Information Security Policy and Cyber Security Strategy of OTP Bank were completed in 2021, and the development of a Group-level cyber security strategy was launched. The processing and protection of personal data is covered by the Compliance Policy, which is also approved by the Board of Directors. Both policies prescribe the regular evaluation of risks and the need to maintain and enhance awareness.

The handling and protection of personal data is covered by the Compliance Policy also approved by the Board of Directors. We also developed security processes and applied solutions in 2021, with our innovations focusing on the cyber security centre, the central log analysis system, authorisation management and virus protection. In addition we made customer communication more effective in detecting suspicious transactions.

The number of distributed denial-of-service (DDoS) and phishing attacks increased significantly at group level compared to previous years. We published several awareness campaigns for our customers, providing information on our intranet and through security awareness training, which was also focused on phishing. Besides protecting against phishing activities, the European Cyber Security Month programmes focused on presenting the security challenges of modern application development and operations.

White-collar crime, which causes significant losses to customers and the banking group, decreased at most subsidiaries due to our continuous development, more efficient employee action and stricter controls. We have reviewed our anti-money laundering training material to ensure our employees gain greater knowledge of this and have started to develop harmonised training at group level. The number of suspected money laundering reports by bank employees increased by eight percent. During the year, OTP Bank reported 68 cases of suspected money laundering.

Our Banking Group has experienced numerous card-related attacks; in these cases the sharing of important information was extremely helpful in the prevention of fraudulent transactions. The number of successful card fraud cases has been kept low continuously, which demonstrates that our systems operate effectively.

The ratio of bank card fraud to turnover is significantly lower than the European average published by MasterCard (for OTP Bank it is 0.0071% and the consolidated ratio of subsidiaries is 0.00986%, while the European average stands at 0.0414%). In the case of OTP Bank we were able to prevent bank card fraud of HUF 5.5 billion.

Losses expected from the detected criminal activities amounted to HUF 447 million in the case of OTP Bank and HUF 2.2 billion at Group level. The amount of loss prevented was HUF 457 million at OTP Bank and HUF 2.0 billion at OTP Group.

Fight against corruption and against the practice of bribery

The Code of Ethics and the Anti-Corruption Policy of OTP Bank contains provisions on the fight against corruption and against the practice of bribery, also on the acceptance of individual differences and the denial of discrimination (https://www.otpbank.hu/portal/en/EthicalDeclaration https://www.otpbank.hu/static/portal/sw/file/OTP_EtikaiKodex_EN.pdf, https://www.otpbank.hu/static/portal/sw/file/OTP_Anti_Corruption_Policy_202102.pdf). As it can be read in the foreword of the Code and the Anti-Corruption Policy as well, the Bank and its management have adopted the principle of zero tolerance towards corruption and bribery, taking a definite stance against all forms of corruption and giving full support to the fight against corruption. In addition, the Code states that "As an ethical and compliant institution, the Bank and its management are fully committed to ensuring observance of all relevant legislation, including anti-corruption statutes."

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

Through the Bank's ethics reporting system a total of 26 reports were received in 2021, 8 of them was reclassified as complaints and 2 case's investigation resulted in declaring ethics offense – though not due to corruption, bribery or discrimination.

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

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

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

Citizenship

OTP is one of the most generous charitable donors in Hungary, giving a total of HUF 2.3 billion in charitable donations, almost half of which was for educational purposes, primarily the development of financial culture.

We aim to provide genuine and effective help by supporting programmes and causes that serve the interests of society. We cooperate with a number of local non-governmental organisations, concentrating our donated funds and monitoring their usage and the results achieved.

Our efforts were focused on the following areas:

- developing financial literacy: attitude shaping;
- sponsoring culture and the arts: creating and preserving values;
- equal opportunities: helping the disadvantaged and those in need; and
- sport.

We consider donation habits a part of financial literacy; therefore, in 2021 we took a significant step forward in encouraging our customers to support the social initiatives that they consider important financially. Under the digital donation programme we enabled them to make donations simply and easily while taking care of their day-to-day finances. Donation has become possible on our digital platforms, including our website, the internetbank, the mobile application, the Simple application, as well as through 750 ATMs and the digital points of 80 branches. Our Bank assumes all extra costs of the donation, including both the transaction tax of customers and the costs of NGOs. Our Bank also cooperates with the supported organisations and we supplement the donations of our customers. In addition, in our experience, our customers view the Bank’s participation as a guarantee that their donations will truly go to the right beneficiary. In 2021 we supported the initiatives of 6 foundations through customer donations in the amount of HUF 250 million.

The Humanitas Social Foundation supports vulnerable communities and individuals with a focus on healthcare and education; donation recipients are selected through an application process. Its most important activity in 2020 involved priority support to hospitals. We supported 30 hospitals, 18 educational institutions and one foundation through the Foundation in 2021. In order to provide more effective assistance, we provided targeted, tailored asset support to institutions.

The OTP Fáy András Foundation provides financial and economic education services, a key element of which is operating the OK Educational and Innovation Centre. The Foundation provides youth, adult and vocational training. The activities of the Foundation in 2021 were determined mostly by the coronavirus pandemic and several planned activities could not be organised as a result. However, the Foundation developed 30 curricula in 2021.

Digital education continued to be the focus of the year, with more than 17,000 students attending online and nearly 2,500 classroom training. Roma youth also participated in financial and economic training through the Roma Education Fund. Significant progress has been made in the development and testing of the Financial Basic Education Programme in adult education. During the training, in which participation is free of charge and without prior knowledge, users acquire essential personal money management and general economic knowledge and improve their financial literacy. The Foundation also continued its previous programmes, so the teacher training programme of Eötvös Loránd University (ELTE), the regular Teachers' Club and the summer camps took place. The Foundation's national awareness-raising programme also continued, with screenings of short films on national commercial television channels around 400 times, covering topics such as housing renovation, business start-ups and data security.

Responsible employment

Our goal is to create value for our employees by focusing on them in a constantly changing environment. The central objective of our human resource strategy is to intensify employee experience and commitment.

In 2021 we conducted an employee satisfaction survey at Group level with a high response ratio of 92%. Based on the results, the rate of employee satisfaction was 70%, slightly lower than the average of the international financial sector. The action plans prepared in response to the feedback for all areas that needed improvement were approved by the Management Committee.

We developed our activities during the year along the lines of the six priorities stated in our strategy, also relying on the results of the employee satisfaction survey. We launched numerous projects that will result in significant changes; for example, we developed the framework of Group-level dialogue, and placed management development on new foundations. Although the pandemic slightly delayed the implementation of the international talent programme, we created a uniform talent framework at Group level and operated local talent programmes. All of our employees participate in trainings; in addition to network and head office management development, we rejuvenated the frameworks of our employees’ skills development.

Due to the pandemic situation, hybrid work performance became typical in 2021. We maintained access to the tools promoting our employees’ emotional, mental and physical health and their ability to stand firm under harsh circumstances, and once again in 2021, numerous employees took recourse to them.

OTP Bank’s employees (31 December)	2020			2021		
	Total	Men	Women	Total	Men	Women
Employees, total (individuals)	9,826	3,402	6,424	10,078	3,547	6,531
Distribution by gender	100%	34.6%	65.4%	100%	35.2%	64,8%
Turnover rate[1]	10.5%	9.3%	11.2%	14.3%	14.5%	14.1%

[1] Compared to the end-of-year headcount; includes termination of employment both by employee and by employer, as well as retirement.

Ethical conduct and legal compliance also remain core principles in our human resource management. OTP Bank analyses and manages the risks relating to employment within its operational risk management process. Our employees' interests are represented by their trade union, with a Collective Agreement setting out the rights and obligations of every employee.

The Bank's Code of Ethics declares its commitment to providing a safe and healthy working environment and states its expectation of mutual respect between executive officers and employees, including the prohibition of discrimination and harassment. We consistently apply the principle of "equal pay for equal work", including providing equal pay to men and women for the same position and performance. Within the objective limitations of specific job descriptions, we allow for flexible working hours and part-time employment options. We encourage healthy lifestyle choices, offering a complex health insurance package, and subsidising recreation and sporting activities.

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 retail and corporate banking services: 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 the areas of 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. The Bank owns foreign subsidiaries in many countries of Central and Eastern Europe through capital investments.

Non-financial performance indicators

- **Internal audit:** 203 closed audits, 1,478 recommendations, 1,478 accepted recommendations
- **Compliance with Budapest Stock Exchange (BSE) Recommendations (yes/no ratio):** 72 yes, 0 no;
- **Compliance:** 18 closed consumer protection related investigations
- **Bank security:** the expected value of damages resulting from detected criminal offenses is HUF 447,124,093, HUF 460,655,117. In 2021, we filed an official complaint in 620 cases on suspicion of money laundering. There is a slight decrease in 2021, when this number changed from 4438 in the previous year to 4,432, a decrease of 8.4%. In the case of OTP, the ratio of bank card misuse to turnover is still lower than the European average published by MasterCard (last year's figures: OTP Bank 0.0071%, European average 0.0414%).
- **Ethics issues:** 26 ethics reports, establishing ethics offense in 2 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:

- Issue of Comfort letters
- Engagements to review historical financial statements and interim financial statements (ISRE 2400, 2410)
- Consultation relating to interpretation and implementation of accounting standards and relating to accounting of potential future transaction
- Pre- or post-transaction due diligence services relating to acquisition of assets or entites or sales transactions or other transactions: financial, accounting, taxation, legal and IT specific services - except for buy-side lead advisory, transactional and negotiation support

BUSINESS REPORT
OTP BANK (CONSOLIDATED)

CONSOLIDATED FINANCIAL HIGHLIGHTS[9] AND SHARE DATA

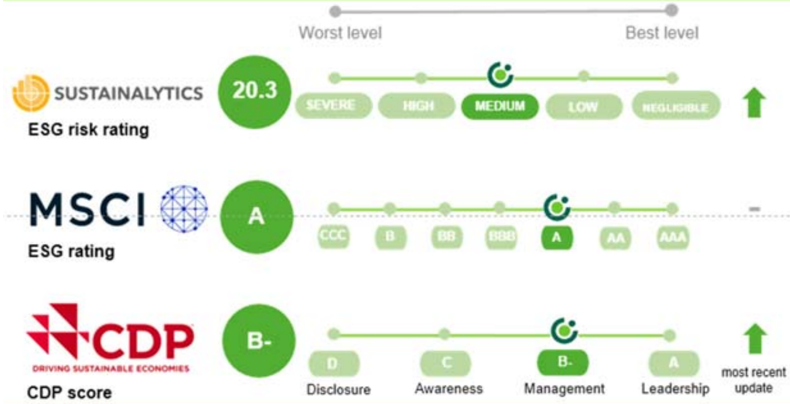
Main components of the adjusted Statement of recognised income	2020 HUF million	2021 HUF million	Change %
Consolidated after tax profit	**259,636**	**456,428**	**76**
Adjustments (total)	(50,631)	(40,474)	(20)
Consolidated adjusted after tax profit without the effect of adjustments	**310,268**	**496,902**	**60**
Pre-tax profit	351,802	587,853	67
Operating profit	537,437	660,391	23
Total income	1,169,920	1,313,124	12
Net interest income	788,079	884,012	12
Net fees and commissions	293,112	325,548	11
Other net non-interest income	88,729	103,563	17
Operating expenses	(632,483)	(652,733)	3
Total risk costs	(187,995)	(72,538)	(61)
One off items	2,360	-	
Corporate taxes	(41,534)	(90,951)	119
Main components of the adjusted balance sheet closing balances	2020	2021	%
Total assets	23,335,841	27,553,384	18
Total customer loans (net, FX adjusted)	**13,715,487**	**15,743,922**	**15**
Total customer loans (gross, FX adjusted)	**14,575,916**	**16,634,454**	**14**
Performing (Stage 1+2) customer loans (gross, FX-adjusted)	13,736,409	15,756,503	15
Allowances for possible loan losses (FX adjusted)	(860,429)	(890,532)	3
Total customer deposits (FX adjusted)	**18,152,563**	**21,068,644**	**16**
Issued securities	464,214	436,325	(6)
Subordinated loans	274,704	278,334	1
Total shareholders' equity	2,537,112	3,036,766	20
Indicators based on adjusted earnings	2020	2021	pps
ROE (from accounting net earnings)	10.9%	17.0%	6.1
ROE (from adjusted net earnings)	13.0%	18.5%	5.5
ROA (from adjusted net earnings)	1.4%	2.0%	0.5
Operating profit margin	2.47%	2.62%	0.16
Total income margin	5.37%	5.21%	(0.15)
Net interest margin	3.61%	3.51%	(0.11)
Cost-to-asset ratio	2.90%	2.59%	(0.31)
Cost/income ratio	54.1%	49.7%	(4.4)
Provision for impairment on loan and placement losses-to-average gross loans ratio	1.15%	0.30%	(0.84)
Total risk cost-to-asset ratio	0.86%	0.29%	(0.57)
Effective tax rate	11.8%	15.5%	3.7
Net loan/(deposit+retail bond) ratio (FX adjusted)	76%	75%	(1)
Capital adequacy ratio (consolidated, IFRS) - Basel3	17.7%	19.1%	1.4
Tier1 ratio - Basel3	15.4%	17.5%	2.1
Common Equity Tier 1 ('CET1') ratio - Basel3	15.4%	17.5%	2.1
Share Data	2020	2021	%
EPS base (HUF) (from unadjusted net earnings)	1,004	1,739	73
EPS diluted (HUF) (from unadjusted net earnings)	1,003	1,738	73
EPS diluted (HUF) (from adjusted net earnings)	1,200	1,896	58
Closing price (HUF)	13,360	16,600	24
Highest closing price (HUF)	15,630	19,400	24
Lowest closing price (HUF)	8,010	12,920	61
Market Capitalization (EUR billion)	10.2	12.6	23
Book Value Per Share (HUF)	9,061	10,846	20
Tangible Book Value Per Share (HUF)	8,436	10,190	21
Price/Book Value	1.5	1.5	4
Price/Tangible Book Value	1.6	1.6	3
P/E (trailing, from accounting net earnings)	14.4	10.2	(29)
P/E (trailing, from adjusted net earnings)	12.1	9.4	(22)
Average daily turnover (EUR million)	22	19	(12)
Average daily turnover (million share)	0.7	0.4	(38)

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

ACTUAL CREDIT RATINGS

S&P GLOBAL	
OTP Bank and OTP Mortgage Bank – FX long-term issuer credit rating	BBB
MOODY'S	
OTP Bank – FX long term deposits	Baa1
OTP Bank – Dated subordinated FX debt	Ba1
OTP Mortgage Bank – Covered bonds	A1
SCOPE	
OTP Bank – Issuer rating	BBB+
OTP Bank – Covered bonds	BB+
FITCH	
OTP Bank Russia – Long term credit rating	B

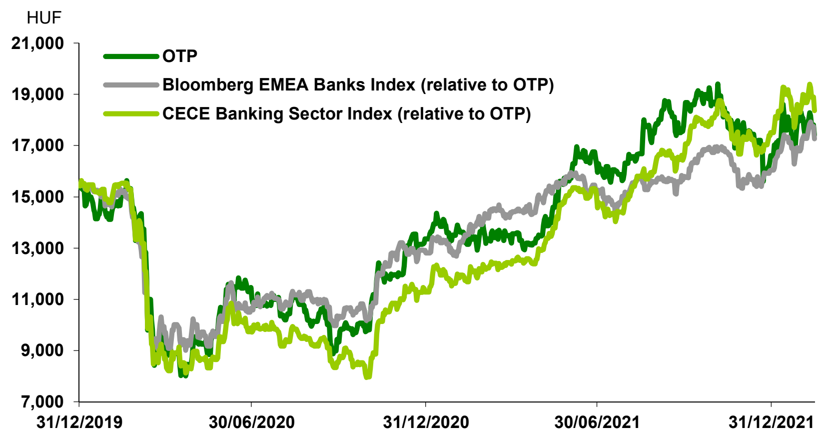
ACTUAL ESG RATINGS



AWARDS

In the **Euromoney** Awards for Excellence 2021 OTP Bank received the "Best Bank in Central and Eastern Europe" award. In addition, the Bank won the title of "Best Bank in Hungary" and its subsidiaries also proved to be the best in Bulgaria, Montenegro and Albania. **Global Finance** named again in 2021 OTP Bank the safest bank in Hungary, thus it joined the group the World's Safest Banks, furthermore OTP Bank received the "Best Bank Award" again in Hungary in 2021. In the annual ranking of **The Banker** magazine, member of Financial Times Group, the OTP Group has become the "Best Bank in Central and Eastern Europe". In addition, the Hungarian, Montenegrin, Croatian and Slovenian subsidiaries of the OTP Group received the "Bank of the Year" award.

SHARE PRICE PERFORMANCE



MANAGEMENT'S ANALYSIS OF THE FULL-YEAR 2021 RESULTS OF OTP GROUP

According to the preliminary Hungarian GDP data published on 15 February 2022, the annual growth rate was 7.1% y-o-y.

The faster than originally expected GDP-growth was mainly due to the targeted and successful measures initiated by the Government and the Hungarian Central Bank aimed at safeguarding the economy. These steps to a large extent helped the economy to reach its pre-Covid performance by 3Q 2021 with the employment level reaching new heights. Acknowledging the results in restoring the economy, in January 2022 Fitch affirmed the sovereign rating ('BBB') and its stable outlook.

As for 2022, the Government expects 5.9% annual GDP growth, 4.9% budget deficit with the public debt to GDP ratio declining further; the average inflation may be 4.8%. The recent inflation figures, however manifest upward risk.

During the course of the year there have been significant changes in the monetary policy: as a respond to elevating inflation NBH started a tightening trend and the base rate was increased from 0.6% to 2.4%, whereas the 1-week deposit rate reached 4% by the end of 2021. Following a 50 bps rate hike on 22 February, the base rate stood at 3.4%, whereas on 24 February the 1-week deposit rate was hiked to 4.6%. The 3M Bubor, i.e. the reference rate for floating rate loans started 2021 at 0.75% and closed at 4.21% (+346 bps y-o-y) and by mid-February stood at 4.58%.

The 10-year Government bond yielded 4.51% at the end of 2021, since then it increased further. The local currency was volatile during 2021 and finally closed at 369.0 against the EUR. As a meaningful change, two essential tools playing important role during the last couple of years in boosting economic performance through supporting the local corporate sector, namely the Funding for Growth Go! Scheme and the Bond Funding for Growth Scheme, have been gradually phased out in the second half of 2021. At the same time NBH launched its FGS Green Home programme focused on sustainable household funding.

According to the report published by the NBH on 2 February 2022, in 2021 both the household loan volumes and corporate exposures expanded steadily: the former grew by 11% y-o-y, and the corporate portfolio by 15%, respectively, supported also by the payment moratorium putting on hold principal amortization. Within the retail segment the main engine was the subsidized baby loans; total sector level volumes reached HUF 1,569 billion by the end of December underpinning an almost 50% y-o-y growth. Cash loan volumes leaped by 17.0% y-o-y, whereas housing loan volumes grew by 15% y-o-y; home equity exposures kept eroding by 4% y-o-y following the trend of recent years.

On a Group level all economies enjoyed favourable trends in 2021 coupled with numerous rating upgrades or improving outlooks. Alongside the improving GDP and employment statistics, in a few countries local central banks had to react to surging inflation with definite monetary tightening: the Ukrainian and Russian base rate was increased by 300 bps and 425 bps y-o-y, and in Romania by 50 bps, respectively.

With regard to the recent pandemic developments, despite the significant differences in vaccination levels across the Group, the general trend is rather the gradual easing/relaxing of restriction measures.

Consolidated earnings: HUF 497 billion adjusted profit after tax, stabilizing NIM, stable credit quality, improving efficiency, with performing loan volumes organically increasing by 15% y-o-y (FX-adjusted)

The annual performance was clean of new acquisitions, however the y-o-y dynamics were affected by the sale of the Slovakian subsidiary at the end of 2020. The integration process of the second Serbian acquisition was completed in 2Q 2021, the anticipated cost synergies have been utilized.

In 2021 the total amount of adjustments comprised -HUF 40.5 billion within the accounting earnings of HUF 456.4 billion (after tax), by HUF 10 billion less than in 2020. The major items were as follows:

- -HUF 18.9 billion special banking tax on financial institutions (after tax) paid by the Hungarian operation;
- -HUF 15.5 billion effect of acquisitions (after tax) related mainly to the Bulgarian, Serbian and Slovenian integration expenses;
- -HUF 15 billion related to the expected negative one-off effect of the debt repayment moratorium in Hungary and Serbia (after tax);

- +HUF 6 billion related to the treasury share swap agreement between MOL and OTP, reflecting the share price changes and the updated model calculation for dividend pay-outs.
- +HUF 1.9 billion tax shield related to the recognition or reversal of impairment charges booked in relation to the revaluation of investments in certain subsidiaries (after tax);

In 2021 OTP Group posted HUF 588 billion the pre-tax profit (+67% y-o-y). The corporate tax burden was more than twice as big as in the base period mainly due to the higher pre-tax earnings. Besides, starting from 2021, in the adjusted P&L structure the Hungarian local business tax and innovation contribution (IPA) payable by Hungarian Group members was presented on the corporate taxes line against the previous practice of showing it as part of operational expenses[10]. That particular amount in 2020 comprised HUF16.5 billion (in the stock exchange report it was presented amongst operational expenses), while in 2021 it was HUF 19.2 billion (shown on the corporate tax line).

The Group posted HUF 496.9 billion consolidated adjusted profit in 2021 (+60% y-o-y), the adjusted ROE for the period reached 18.5% (+5.5 pps y-o-y).

The size of the bottom-line profit to a large extent was shaped by total risk costs, their volume of HUF 72.5 billion was around a third of that in the base period. The operating profit showed a decent picture: in 2021 the Group posted HUF 660.4 billion, 23% more than in 2020. Adjusted for FX, the sale of OBS and IPA reclassification the increase would be 19.5% y-o-y.

Total income advanced dynamically, by 13% y-o-y (without the effect of the sale of the Slovakian unit, FX-adjusted) with net interest income growing by the same magnitude, whereas the net fee & commission income grew somewhat slower (+12% y-o-y). Other net non-interest income surged by 17% y-o-y.

Despite the annual net interest margin eroded further (2021: 3.51%, y-o-y -11 bps). The declining interest rate environment prevailing for years turned around in several markets, and in 2021 first the Ukrainian and Russian central banks, later the Hungarian, and most recently the Romanian hiked rates. However, the favourable impact of the higher interest rates for the interest income will be gradual and stretched out for several quarters given the time lag in repricing of variable rate assets. At the same time, there were several developments affecting the net interest margin negatively. On one hand FX changes had negative impact on annual NIM: during 2021 the HUF was 2.7% stronger y-o-y against the Ukrainian hryvna and by 3.8% against RUB, respectively. Also, NIM was negatively affected by the steady increase of deposit volumes through the dilution impact of higher total assets and the higher weight of low margin liquid assets. As for the whole Group, the annual NIM improved y-o-y at OTP Core, Ukraine and Russia, whereas other Group members suffered margin erosion at different scale.

In 2021 operating expenses nominally grew by 3% y-o-y. However, adjusted for IPA and the sale of the Slovakian subsidiary the FX-adjusted y-o-y increase would be 7.7%. The annual cost-to-income ratio was 49.7% (-4.4 pps), whereas the cost to total assets ratio stood at 2.59% (-31 bps y-o-y).

As for the overall performance of the Group, all operations but the Hungarian Fund Management and CKB (Montenegro) posted y-o-y improving adjusted profit after-tax. The profit contribution of non-Hungarian Group members leaped from 41% to 51% y-o-y.

2021 performing loan volumes grew 15% y-o-y (FX-adjusted). The Hungarian payment moratorium had a 1 pp positive impact on the consolidated portfolio growth (the principal is not amortizing, and the accrued interest adds to the outstanding principal). As a result, in 2021 the performing loan portfolio expansion exceeded HUF 2,000 billion. Last year all Group members posted y-o-y volume increase. Out of the major Group members the fastest loan growth was posted at the Ukrainian (+41%), Hungarian (+19%), the Russian (+18%) and Bulgarian (+11%) operations, but the Romanian, Serbian, Croatian and Slovenian dynamics were also outstanding. It was positive that strong volumes were coupled with improving market shares in several countries and segments.

As for the major loan segments, during the last twelve months the consolidated FX-adjusted performing corporate exposures increased the fastest (+19%), followed by the expansion of the mortgage portfolio (+15%) and the consumer book (+14%) and leasing exposures (+11%). The MSE portfolio, however, shrank by 6% partly as a result of the phase-out of the Hungarian subsidized structures and also the reclassification between MLE and MSE segments during the course of the year.

One of the side-effects of pandemic is the more cautious attitude in household spending and corporate investment activity, as a result the volume of overall savings increased. The FX-adjusted consolidated deposits grew by 16% y-o-y or HUF 2,916 billion, i.e. increased faster than loan volumes. The Hungarian,

[10] The Hungarian local tax and innovation contribution was uniformly booked within the *Corporate tax line* in the accounting income statement and the consolidated IFRS report for 2020 and 2021, as well.

Ukrainian, Romanian and Croatian operations demonstrated double-digit deposit expansion. The consolidated net loan-to-deposit ratio decreased to 75% (-1 pp y-o-y).

At the end of December 2021, the gross operative liquidity reserves of the Group comprised EUR 9.1 billion equivalent (+EUR 0.2 billion y-o-y).

The quality of the consolidated loan book remained stable in 2021, the major trends shaping the risk profile were overall favourable.

By the end of 2021 the Stage 3 ratio under IFRS 9 was 5.3% underpinning a 0.4 pp y-o-y improvement. The own coverage of Stage 1, 2 and 3 exposures were 1.0%, 10.1% and 60.5%, respectively.

In Hungary the payment moratorium was extended again until 30 June 2022, true, the scope of available clients was narrowed and clients had to opt-in until 31 October 2021. By the end of 2021 the total household and corporate exposure remaining under the moratorium comprised HUF 245 billion at OTP Core and Merkantil Group, which was 4.1% of total gross loan portfolio of those two entities. As a result of the moratorium extension retail and corporate exposures were shifted into Stage 3, elevating the Stage 3 ratio at OTP Core.

The volume of credit risk costs for the whole year comprised -HUF 46 billion versus -HUF 158.4 billion in the base period. The annual credit cost ratio was 0.30%.

Russian-Ukrainian situation

In the second half of February 2022 the military conflict between Russia and Ukraine escalated.

It is difficult to quantify the effect of the Ukrainian-Russian conflict regarding the Ukrainian and the Russian operations, the possible scenarios are covering a wide range of spectrum. According to the worst possible scenario, the Bank may lose its control over its investments, which under extreme conditions could result in the full write-off of the invested amount.

The Consolidated Financial Statements do not contain any write-offs as possible consequences of the Ukrainian-Russian conflict, the Group recognizes it as not adjusting, post balance sheet event.

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 984 billion at the end of 2021 (3.6% of total consolidated assets), while net loans comprised HUF 614 billion (3.9% of consolidated net loans) and shareholders' equity HUF 160 billion (5.3% of the consolidated total equity). At the end of 2021 the book value of the capital investment in the Ukrainian subsidiaries comprised HUF 105 billion; there was no goodwill at all, it was already written down entirely in 2014.

The gross intragroup funding towards the Ukrainian operation represented HUF 72 billion, and taking into account the Ukrainian deposits placed with the HQ, i.e. the net group funding represented HUF 29 billion equivalent. According to the 28 February 2022 figures, the gross funding amounted to HUF 75 billion equivalent and the net intragroup funding stood at HUF 9 billion equivalent.

The Ukrainian sub-consolidated RWA ("risk-weighted asset") was HUF 1,115 billion by the end of 2021 (6.7% of the total consolidated RWA).

The consolidated maximum capital effect on the potential write-off of the Ukrainian operation, taking into account the equity, the intragroup funding and the Ukrainian risk weighted assets, is estimated at 27 bps on the consolidated CET1 ratio, according to year-end figures.

The Ukrainian operation posted HUF 39.0 billion adjusted profit in 2021 which represented 7.9% of OTP Group's adjusted annual profit.

The total assets of the Group's **Russian** operation represented HUF 800 billion at the end of 2021 (2.9% of consolidated total assets), while net loans comprised HUF 621 billion (3.9% of consolidated net loans) and shareholders' equity HUF 241 billion (7.9% of consolidated total equity). At the end of 2021 the book value of the capital investment in the Russian subsidiaries comprised directly HUF 74 billion and indirectly HUF 50 billion.

The gross intragroup funding towards the Russian operation represented HUF 73 billion, and taking into account the Russian deposits placed with the Headquarter, i.e. the net group funding represented HUF 14 billion equivalent. On 28 February 2022 the gross intragroup funding reached HUF 52 billion equivalent, which equalled the net figure because there was no deposit placement by the Russian operation at other Group members.

The Russian sub-consolidated RWA was HUF 822 billion by the end of 2021 (4.9% of the total consolidated RWA).

The consolidated maximum capital effect on the potential write-off of the Russian operation, taking into account the equity, the intragroup funding and the Russian risk weighted assets, is estimated at 116 bps on the consolidated CET1 ratio, according to year-end figures.

The Russian operation posted HUF 37.6 billion adjusted profit in 2021 which represented 7.9% of OTP Group's adjusted annual profit.

According to the estimation of the Bank's Management the Ukrainian-Russian conflict does not have considerably negative impact on the business activity, financial position, efficiency, liquidity and capital position of OTP Bank. Even after the recognition of the potential losses and write-offs outlined above, the Group's capital adequacy remains above the expected regulatory level. There is no sign of significant uncertainties having been arisen regarding carrying out its business as a going concern.

The Bank's Management is monitoring the situation of the Ukrainian-Russian conflict continuously and will take the necessary steps in order to moderate the business risk.

Consolidated capital adequacy ratio (in accordance with BASEL III)

At the end of 2021, the consolidated CET1 under the accounting scope of consolidation according to IFRS was 17.5% (+2.1 pps y-o-y). This ratio equals to the Tier1 ratio and includes the eligible annual profit.

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. Afterwards, this buffer shall be rebuilt gradually, between 1 January 2022 and 31 December 2023. At the end of 2021 the countercyclical capital buffer requirement was 0% in Hungary, and the central bank stated that it does not plan to raise it in the short term. However, in Bulgaria the local central bank prescribed a 0.5% buffer for the local subsidiary, thus, the institution-specific countercyclical buffer requirement for OTP Group was 0.1%. As a result, the effective regulatory minimum requirement for the Tier 1 capital adequacy ratio for OTP Group was 9.6% for end-2021 (which also incorporated the effective SREP rate of 117.25%), whereas the minimum CET1 requirement was 7.9%. According to the decision of NBH, effective from March 2022 the SREP rate increased to 125%.

Credit rating, shareholder structure

In 2021 there was no change in S&P Global Ratings, accordingly, OTP Bank Plc.'s long-term issuer rating is 'BBB' with stable outlook.

On 13 July the 'Ba1' dated subordinated debt rating of OTP Bank was placed on review for downgrade by Moody's, while its 'Ba3(hyb)' junior subordinated debt rating, the BCA (baseline credit assessment) and the adjusted BCA were placed on review for upgrade. The outlook on OTP Bank's long-term deposit ratings was changed to positive from stable. At the same time, Moody's placed on review for downgrade the 'Baa2' long-term issuer rating of OTP Mortgage Bank Ltd., while all other ratings and assessments of OTP Mortgage Bank were affirmed. On 28 September OTP Bank's Counterparty Risk Assessment (CRA) was upgraded from 'Baa2' to 'Baa1', at the same time the long-term deposit rating of 'Baa1' and the long-term Counterparty Risk Ratings (CRR) were put on credit watch with potential upgrade. Furthermore, Moody's upgraded OTP Mortgage Bank's CRA rating from 'Baa2' to 'Baa1' and put on credit watch with potential upgrade its long-term CRR rating. Finally, OTP MB's mortgage bond rating was also upgraded from 'A2' to 'A1'.

On 15 November Scope Ratings assigned an issuer rating of 'BBB+', preferred senior unsecured debt rating of 'BBB+', non-preferred senior unsecured debt rating of 'BBB' and Tier 2 debt rating of 'BB+' to OTP Bank. The outlook for all ratings is stable.

On 4 March 2022 Fitch downgraded OTP Bank Russia's rating to 'B' and put the ratings on Rating Watch Negative.

Regarding the ownership structure of the Bank, on 31 December 2021 the following investors had more than 5% influence (voting rights) in the Company: MOL (the Hungarian Oil and Gas Company, 8.67%), the Kafijat Group (7.10%) and Groupama Group (5.17%). On 29 October 2021 OPUS Securities S.A.'s previous holding and influence (voting rights) in the Company dropped to nil.

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 17 February 2022.

Hungary

- Against the initially planned 2 pps social security contribution cut effective from July 2022, the government reduced employers' taxes by 4 pps already from 1 January 2022 (the 1.5% vocational training contribution was abolished and the social contribution taxes were cut by 2.5 pps).
- On 25 January 2022 the NBH hiked the base rate by 50 bps to 2.9%.
- On 27 January 2022 the NBH hiked the rate of the 1-week central bank deposit by 30 bps to 4.3%.
- On 15 February 2022 the CSO revealed the final GDP growth figures: accordingly, in 4Q 2021 the quarterly expansion of 2.1% was stronger than expected, lifting the annual growth rate to 7.1% in 2021 as a whole (seasonally and working day adjusted). Mr. Mihály Varga (Minister of Finance) announced that the government expects 5.9% growth for 2022.

Slovenia

- On 2 February 2022, the Slovenian Parliament passed a law requiring banks to compensate customers for losses arising from FX rate depreciation of more than 10% in the case of CHF mortgages disbursed between 2004 and 2010. The law came into force 15 days after its Parliamentary approval, and under the law banks have 60 days to notify their customers about the reimbursement and the recalculated new instalments. SKB Banka intends to file a constitutional objection against the law, and plans to submit the appeal to the local Constitutional Court after the law's entry into force. A provision is expected to be made in March 2022 for the potential negative impact.

Russia

- On 11 February 2022 CBR hiked the base rate by 100 bps to 9.5%.
- In the second half of February 2022 an armed conflict erupted between Russia and Ukraine.

Ukraine

- On 20 January 2022 the National Bank of Ukraine raised its key interest rate by 1 pp to 10%.
- In the second half of February 2022 an armed conflict erupted between Russia and Ukraine.

Romania

- The National Bank of Romania raised the key interest rate by 25 bps on 10 January 2022, and by further 50 bps on 10 February 2022 to 2.5%.

Moldova

- On 13 January 2022, the National Bank of Moldova raised the key interest rate by 2 pps to 8.5%.
- On 15 February 2022, the National Bank of Moldova raised the key interest rate by 2 pps to 10.5%.

CONSOLIDATED AFTER TAX PROFIT BREAKDOWN BY SUBSIDIARIES (IFRS)[11]

	2020 HUF million	2021 HUF million	Change %
Consolidated after tax profit	**259,636**	**456,428**	**76**
Adjustments (total)	**(50,631)**	**(40,474)**	**(20)**
Consolidated adjusted after tax profit without the effect of adjustments	**310,268**	**496,901**	**60**
Banks total[1]	285,103	468,962	64
OTP Core (Hungary)[2]	159,303	213,377	34
DSK Group (Bulgaria)[3]	40,957	76,790	87
OBH (Croatia)[4]	14,830	33,448	126
OTP Bank Serbia[5]	7,298	32,104	340
SKB Banka (Slovenia)	9,665	16,822	74
OTP Bank Romania[6]	1,558	4,253	173
OTP Bank Ukraine[7]	26,104	39,024	49
OTP Bank Russia[8]	16,317	37,624	131
CKB Group (Montenegro)[9]	4,307	4,140	(4)
OTP Bank Albania	1,959	5,522	182
OTP Bank Moldova	3,973	5,858	47
OBS (Slovakia)[10]	(1,169)	-	
Leasing	7,661	7,998	4
Merkantil Group (Hungary)[11]	7,661	7,998	4
Asset Management	9,824	6,321	(36)
OTP Asset Management (Hungary)	9,747	6,116	(37)
Foreign Asset Management Companies (Ukraine, Romania, Bulgaria)[12]	77	205	166
Other Hungarian Subsidiaries	8,241	10,205	24
Other Foreign Subsidiaries[13]	108	50	(54)
Corporate Centre[14]	(569)	2,887	(608)
Eliminations	(101)	479	(574)
Total adjusted after tax profit of HUNGARIAN subsidiaries[15]	184,282	241,062	31
Total adjusted after tax profit of FOREIGN subsidiaries[16]	125,986	255,839	103
Share of foreign profit contribution	41%	51%	11

[11] 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	2020	2021	Change %
Consolidated after tax profit	**259,636**	**456,428**	**76**
Adjustments (total)	**(50,631)**	**(40,474)**	**(20)**
Dividends and net cash transfers (after tax)	213	729	243
Goodwill/investment impairment charges (after tax)	886	1,909	116
Special tax on financial institutions (after corporate income tax)	(17,365)	(18,893)	9
Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia (after corporate income tax)	(28,262)	(15,040)	(47)
Effect of acquisitions (after tax)	(6,852)	(15,506)	126
Result of the treasury share swap agreement (after tax)		6,326	
Consolidated adjusted after tax profit without the effect of adjustments	**310,268**	**496,902**	**60**
Before tax profit	**351,802**	**587,853**	**67**
Operating profit	**537,437**	**660,391**	**23**
Total income	**1,169,920**	**1,313,124**	**12**
Net interest income	**788,079**	**884,012**	**12**
Net fees and commissions	**293,112**	**325,548**	**11**
Other net non-interest income	**88,729**	**103,563**	**17**
Foreign exchange result, net	44,927	44,251	(2)
Gain/loss on securities, net	14,193	9,726	(31)
Net other non-interest result	29,610	49,586	67
Operating expenses	**(632,483)**	**(652,733)**	**3**
Personnel expenses	(312,495)	(340,201)	9
Depreciation	(70,286)	(72,816)	4
Other expenses	(249,702)	(239,716)	(4)
Total risk costs	**(187,995)**	**(72,538)**	**(61)**
Provision for impairment on loan and placement losses	(158,421)	(46,006)	(71)
Other provision	(29,574)	(26,532)	(10)
Total one-off items	**2,360**	**-**	
Result of the treasury share swap agreement at OTP Core	2,360	-	
Corporate taxes	**(41,534)**	**(90,951)**	**119**
Indicators	2020	2021	%/pps
ROE (from accounting net earnings)	10.9%	17.0%	6.1
ROE (from adjusted net earnings)	13.0%	18.5%	5.5
ROA (from adjusted net earnings)	1.4%	2.0%	0.5
Operating profit margin	2.47%	2.62%	0.16
Total income margin	5.37%	5.21%	(0.15)
Net interest margin	3.61%	3.51%	(0.11)
Net fee and commission margin	1.34%	1.29%	(0.05)
Net other non-interest income margin	0.41%	0.41%	0.00
Cost-to-asset ratio	2.90%	2.59%	(0.31)
Cost/income ratio	54.1%	49.7%	(4.4)
Provision for impairment on loan and placement losses-to-average gross loans	1.15%	0.30%	(0.84)
Total risk cost-to-asset ratio	0.86%	0.29%	(0.57)
Effective tax rate	11.8%	15.5%	3.7
Non-interest income/total income	33%	33%	0
EPS base (HUF) (from unadjusted net earnings)	1,004	1,739	73
EPS diluted (HUF) (from unadjusted net earnings)	1,003	1,738	73
EPS base (HUF) (from adjusted net earnings)	1,200	1,896	58
EPS diluted (HUF) (from adjusted net earnings)	1,200	1,896	58
Comprehensive Income Statement	2020	2021	%
Consolidated after tax profit	259,636	456,428	76
Fair value changes of financial instruments measured at fair value through other comprehensive income	(4,764)	(44,877)	842
Fair value adjustment of derivative financial instruments designated as cash-flow hedge	(2)	0	(100)
Net investment hedge in foreign operations	(8,591)	0	(100)
Foreign currency translation difference	68,593	61,729	(10)
Change of actuarial costs (IAS 19)	144	42	(71)
Net comprehensive income	**315,016**	**473,322**	**50**
o/w Net comprehensive income attributable to equity holders	315,239	472,281	50
Net comprehensive income attributable to non-controlling interest	(223)	1,041	(567)
Average exchange rate[1] of the HUF	2020 HUF	2021 HUF	Change %
HUF/EUR	351	359	2
HUF/CHF	328	332	1
HUF/USD	308	303	(2)

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

ASSET-LIABILITY MANAGEMENT

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

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

Refinancing sources of the European Central Bank are available for OTP (ECB repo eligible security portfolio on Group level exceeded EUR 2 billion).

Total liquidity reserves of OTP Bank remained steadily and substantially above the safety level. As of 31 December 2021 the gross liquidity buffer was around EUR 9.1 billion equivalent. The level of these buffers is significantly higher than the maturing debt within one year and the reserves required to manage possible liquidity shocks.

As of 30 December 2021 OTP Group consolidated liquidity coverage (LCR) ratio was 180% (4Q 2020: 214%, 2Q 2021: 212%) while NSFR compliance has remained comfortable (2Q 2021: 135%, 4Q 2021: 137%).

The volume of issued securities decreased on a consolidated basis by HUF 28 billion y-o-y, mainly because of the change of net volume of mortgage bonds issued by OTP Mortgage Bank and the redemption of corporate and retail bonds issued by OTP Bank in the total amount of approximately HUF 9 billion. The redemption of ICES bonds issued by OPUS Securities S.A. was accounted for in the equity. The temporary negative effect of ICES redemption on the Group's liquidity position was counterbalanced as OTP Bank treasury shares were transferred from OPUS Securities, the issuer of ICES, to OTP Bank, which thus have become saleable and majority of those were sold to the Special Employee Partial Ownership Plan Organizations in December 2021.

…and kept its interest-rate risk exposures low

Interest-rate risk exposure of OTP Group is determined primarily by the positions of OTP Bank Plc. and OTP Mortgage Bank Ltd. Due to the forint liabilities on OTP Bank's balance sheet, 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. Consequently, it has been reducing its interest-rate risk exposure through the purchase of fixed-rate government securities in order to offset the negative impact of declining yields on net interest income.

The increase of BUBOR is almost completely reflected in the interest rate of the variable rate forint assets of the Bank within 6 months: the loans get repriced typically in 3 months, the interest rate swaps (IRS) in 6 months, and other liquid assets within 1-3 months. On the deposit side the repricing is not automatic, its extent and speed depends on the level of interest rates and the liquidity postition of the Bank.

The already manifested rate and yield increases in 2021 in Hungary exert a positive effect on the net interest income.

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 31.3 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 the last couple of years the main part of the FX exposure at OTP Bank was the strategic open FX position (EUR 310 million), kept in order to hedge the currency risk of the expected FX-denominated net earnings of the main foreign subsidiaries. In the course of 2021 the strategic open FX position was fully closed in accounting meaning.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF OTP GROUP

Main components of the adjusted balance sheet	2020 HUF million	2021 HUF million	Change %
TOTAL ASSETS	**23,335,841**	**27,553,384**	**18**
Cash, amounts due from Banks and balances with the National Banks	2,432,314	2,556,035	5
Placements with other banks, net of allowance for placement losses	1,148,987	1,584,860	38
Financial assets at fair value through profit or loss	235,194	341,397	45
Securities at fair value through other comprehensive income	2,140,118	2,224,510	4
Net customer loans	13,528,586	15,743,922	16
Net customer loans (FX adjusted[1])	**13,730,752**	**15,743,922**	**15**
Gross customer loans	14,363,281	16,634,454	16
Gross customer loans (FX adjusted[1])	**14,575,916**	**16,634,454**	**14**
Gross performing (Stage 1+2) customer loans (FX-adjusted[1])	**13,736,409**	**15,756,503**	**15**
o/w Retail loans	7,619,159	8,560,531	12
Retail mortgage loans (incl. home equity)	3,585,272	4,123,484	15
Retail consumer loans	3,290,818	3,739,128	14
SME loans	743,068	697,919	(6)
Corporate loans	5,065,053	6,025,106	19
Leasing	1,052,197	1,170,866	11
Allowances for loan losses	(834,695)	(890,532)	7
Allowances for loan losses (FX adjusted[1])	(845,164)	(890,532)	5
Associates and other investments	52,444	67,223	28
Securities at amortized costs	2,625,952	3,891,335	48
Tangible and intangible assets, net	589,878	689,290	17
o/w Goodwill, net	101,393	105,640	4
Tangible and other intangible assets, net	488,485	583,650	19
Other assets	582,368	454,811	(22)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**23,335,841**	**27,553,384**	**18**
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	1,219,446	1,608,533	32
Deposits from customers	17,890,863	21,068,644	18
Deposits from customers (FX adjusted[1])	**18,152,563**	**21,068,644**	**16**
o/w Retail deposits	12,992,703	14,297,453	10
Household deposits	10,774,361	11,897,580	10
SME deposits	2,218,342	2,399,873	8
Corporate deposits	5,151,386	6,762,795	31
Accrued interest payable related to customer deposits	8,474	8,396	(1)
Liabilities from issued securities	464,214	436,325	(6)
o/w Retail bonds	1,326	0	(100)
Liabilities from issued securities without retail bonds	462,888	436,325	(6)
Other liabilities	949,502	1,124,782	18
Subordinated bonds and loans[2]	274,704	278,334	1
Total shareholders' equity	**2,537,112**	**3,036,766**	**20**
Indicators	2020	2021	pps
Loan/deposit ratio (FX adjusted[1])	80%	79%	(1)
Net loan/(deposit + retail bond) ratio (FX adjusted[1])	76%	75%	(1)
Stage 1 loan volume under IFRS 9	11,544,791	13,561,883	17
Stage 1 loans under IFRS9/gross customer loans	80.4%	81.5%	1.2
Own coverage of Stage 1 loans under IFRS 9	1.0%	1.0%	0.0
Stage 2 loan volume under IFRS 9	1,998,867	2,194,620	10
Stage 2 loans under IFRS9/gross customer loans	13.9%	13.2%	(0.7)
Own coverage of Stage 2 loans under IFRS 9	10.4%	10.0%	(0.4)
Stage 3 loan volume under IFRS 9	819,622	877,951	7
Stage 3 loans under IFRS9/gross customer loans	5.7%	5.3%	(0.4)
Own coverage of Stage 3 loans under IFRS 9	62.3%	60.5%	(1.8)
90+ days past due loan volume	543,733	535,445	(2)
90+ days past due loans/gross customer loans	3.8%	3.2%	(0.6)
Consolidated capital adequacy - Basel3	2020	2021	%/pps
Capital adequacy ratio (consolidated, IFRS)	17.7%	19.1%	1.4
Tier1 ratio	15.4%	17.5%	2.1
Common Equity Tier 1 ('CET1') capital ratio	15.4%	17.5%	2.1
Regulatory capital (consolidated)	2,669,806	3,191,765	20
o/w Tier1 Capital	2,316,118	2,926,882	26
o/w Common Equity Tier 1 capital	2,316,118	2,926,882	26
Tier2 Capital	353,688	264,883	(25)
o/w Hybrid Tier2	89,935	0	(100)
Consolidated risk weighted assets (RWA) (Credit&Market&Operational risk)	15,046,888	16,691,315	11
o/w RWA (Credit risk)	13,389,536	14,992,797	12
RWA (Market & Operational risk)	1,657,352	1,698,518	2
Closing exchange rate of the HUF	2020	2021	Change %
HUF/EUR	365	369	1
HUF/CHF	337	357	6
HUF/USD	297	326	10

[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.

[2] The ICES bonds were considered as Tier2 debt, but accounting-wise they were treated as part of the shareholders' equity until 2Q 2021, but in 3Q 2021 the ICES bonds are no longer part of the shareholders' equity. In the wake of the redemption of the ICES bonds announced on 14 September 2021, at the end of 3Q the HUF equivalent of ICES bonds (using the FX rate of 14 September) was recognized within the Other liabilities (HUF 179.8 billion) both on OTP Bank standalone and consolidated level, and within the consolidated shareholders' equity the other reserves declined by HUF 89.9 billion and the retained earnings by HUF 89.9 billion. The ICES bonds were redeemed on 29 October 2021.

OTP BANK'S HUNGARIAN CORE BUSINESS

OTP Core Statement of recognized income:

Main components of the Statement of recognised income	2020 HUF million	2021 HUF million	Change %
After tax profit without the effect of adjustments	159,303	213,377	34
Corporate income tax	(16,558)	(40,594)	145
Pre-tax profit	175,860	253,972	44
Operating profit	181,178	257,182	42
Total income	453,634	546,215	20
Net interest income	286,448	369,309	29
Net fees and commissions	130,470	150,578	15
Other net non-interest income	36,717	26,328	(28)
Operating expenses	(272,457)	(289,034)	6
Total risk costs	(7,677)	(3,210)	(58)
Provision for impairment on loan and placement losses	2,374	(1,116)	(147)
Other provisions	(10,052)	(2,094)	(79)
Total one-off items	2,360	-	
Revaluation result of the treasury share swap agreement	2,360	-	
Indicators	2020	2021	pps
ROE	9.3%	11.6%	2.3
ROA	1.5%	1.6%	0.1
Operating profit margin	1.7%	2.0%	0.3
Total income margin	4.34%	4.22%	(0.12)
Net interest margin	2.74%	2.85%	0.11
Net fee and commission margin	1.25%	1.16%	(0.08)
Net other non-interest income margin	0.35%	0.20%	(0.15)
Operating costs to total assets ratio	2.6%	2.2%	(0.4)
Cost/income ratio	60.1%	52.9%	(7.1)
Provision for impairment on loan and placement losses/average gross loans[1]	(0.06%)	0.02%	0.08
Effective tax rate	9.4%	16.0%	6.6

[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	2020 HUF million	2021 HUF million	Change %
Total Assets	11,492,949	14,207,399	24
Net customer loans	4,415,778	5,310,327	20
Net customer loans (FX adjusted)	**4,425,421**	**5,310,327**	**20**
Gross customer loans	4,631,974	5,549,248	20
Gross customer loans (FX adjusted)	**4,642,248**	**5,549,248**	**20**
Stage 1+2 customer loans (FX-adjusted)	4,449,398	5,293,960	19
Retail loans	2,797,121	3,320,579	19
Retail mortgage loans (incl. home equity)	1,437,243	1,613,416	12
Retail consumer loans	995,361	1,246,723	25
SME loans	364,517	460,440	26
Corporate loans	1,652,277	1,973,381	19
Provisions	(216,196)	(238,921)	11
Provisions (FX adjusted)	**(216,828)**	**(238,921)**	**10**
Deposits from customers + retail bonds	8,083,488	10,124,795	25
Deposits from customers + retail bonds (FX adjusted)	**8,122,814**	**10,124,795**	**25**
Retail deposits + retail bonds	5,394,876	6,261,808	16
Household deposits + retail bonds	4,254,102	4,870,560	14
o/w: Retail bonds	1,326	0	(100)
SME deposits	1,140,774	1,391,247	22
Corporate deposits	2,727,938	3,862,988	42
Liabilities to credit institutions	858,230	1,117,086	30
Issued securities without retail bonds	513,860	531,471	3
Total shareholders' equity	1,766,639	2,011,932	14
Loan Quality	2020	2021	%/pps
Stage 1 loan volume under IFRS 9 (in HUF million)	3,606,490	4,327,232	20
Stage 1 loans under IFRS 9/gross customer loans	77.9%	78.0%	0.1
Own coverage of Stage 1 loans under IFRS 9 (%)	0.8%	1.0%	0.3
Stage 2 loan volume under IFRS 9 (in HUF million)	833,163	966,727	16
Stage 2 loans under IFRS 9/gross customer loans	18.0%	17.4%	(0.6)
Own coverage of Stage 2 loans under IFRS 9 (%)	10.1%	8.9%	(1.2)
Stage 3 loan volume under IFRS 9 (in HUF million)	192,321	255,288	33
Stage 3 loans under IFRS 9/gross customer loans	4.2%	4.6%	0.4
Own coverage of Stage 3 loans under IFRS 9 (%)	54.5%	42.7%	(11.8)
90+ days past due loan volume (in HUF million)	144,816	136,003	(6)
90+ days past due loans/gross customer loans	3.1%	2.5%	(0.7)
Market Share	2020	2021	pps
Loans	22.9%	24.4%	1.5
Deposits	25.3%	28.2%	2.9
Total Assets	25.8%	26.9%	1.1
Performance Indicators	2020	2021	pps
Net loans to (deposits + retail bonds) (FX adjusted)	54%	52%	(2)
Leverage (closing Shareholder's Equity/Total Assets)	15.4%	14.1%	(1.2)
Leverage (closing Total Assets/Shareholder's Equity)	6.5x	7.1x	0.6x
Capital adequacy ratio (OTP Bank, non-consolidated, Basel3, IFRS)	26.7%	25.1%	(1.6)
Common Equity Tier1 ratio (OTP Bank, non-consolidated, Basel3, IFRS)	22.5%	21.8%	(0.7)

In June 2021, OTP Home Solutions was added to the range of companies that make up OTP Core; its balance sheet total was HUF 1.6 billion at the end of 2021.

P&L developments

In 2021 OTP Core's adjusted after-tax profit amounted to HUF 213.4 billion, 34% more than a year earlier.

Starting from 2021, the local business tax and the innovation contribution paid by Hungarian Group members are presented on the corporate income tax line, rather than under operating expenses, in the adjusted P&L structure. At OTP Core, the local business tax and the innovation contribution amounted to HUF 15.2 billion in 2020 (presented under operating expenses), and to HUF 17.4 billion in 2021 (shown on the corporate income tax line). This item caused much of the increase in the annual effective corporate income tax rate. The above item explained 3.2 pps from the 7.1 pps improvement in the annual cost/income ratio, which would have decreased nearly 4 pps even without this technical effect, as income growth outpaced that of operating expenses.

The full-year operating profit jumped by 42%. Even without the above reclassification affecting operating expenses, operating profit would have improved by 34%.

Net interest income grew at an accelerating pace, by 29% y-o-y in 2021. This could be largely ascribed to the continued dynamic growth in business volumes, as well as to last year's reversal of net interest margin's erosion: it has risen by 11 bps y-o-y in full year 2021.

The main reason for the favourable turn in the net interest margin development was that rising reference rates' benign effect on interest revenues was more and more visible in the second half of the year. Overall, the effect of rising reference rates is reflected in the asset-side interest rates with a certain delay; what is more, the time lag in the repricing of variable-rate assets (mortgage and corporate loans with variable rates, central bank deposits, and government securities swapped to variable-rate) is also different. Of the short-term interbank interest rates, which are typically the reference rates for variable rate loans, the 3M BUBOR increased to 77 bps by end-March, to 105 bps by end-June, to 176 bps by end-September, and to 421 bps by end-December (from 75 bps at the end of 2020), while its quarterly average was 76 bps in 1Q, 87 bps in 2Q, 139 bps in 3Q, and 277 bps in 4Q 2021. The 3M BUBOR hit 459 bps on 17 February 2022. Likewise, the 6M BUBOR printed a similar pattern, hitting 479 bps on 17 February. Most of the deposits kept with the central bank was held in its one-week instrument; it amounted to HUF 750 billion at the end of 2021.

Also, two one-off effects emerging in 1Q 2021 (a technical effect relating to the accounting of the loan repayment moratorium, and the repricing of cash loans for regulatory reasons) exerted a positive impact on the margin development, as they elevated the margin level in the first quarter, but have not helped the margin dynamics since then.

On the other hand, partly as a result of the strong competition, the erosion of product-level spreads typically continued in the case of newly disbursed loans, adversely affecting the margin development.

In 2021 as a whole, the changes in the balance sheet structure had an overall neutral effect on the y-o-y margin dynamics: although due to the sustained dynamic growth in deposits the weight of financial assets carrying lower margins than loans increased in the balance sheet (partly at the expense of loans), but the share of non-interest-bearing assets was in downtrend in recent quarters, and the weight of consumer loans within total loans grew, too.

As a negative development, for the period between 1 January – 30 June 2022 the government introduced an interest rate cap for variable-rate retail mortgage loans, and with its decision announced on 18 February, for housing purposes financial leasing contracts, too. Accordingly, the affected exposures' reference rate cannot be higher than the relevant reference rate as at 27 October 2021. Furthermore, according to Government Decree 537/2021. (IX. 15.) published on 15 September, credit institutions shall re-calculate the interest deferred during the period spent in the moratorium in the case of overdraft loans and credit card exposures. The base for the re-calculation shall be the NBH's statistical data for the average annualized cash loan interest rate published for February 2020. The difference between the deferred interest booked according to the original contract and the re-calculated amount shall be refunded to the borrowers by way of crediting the borrowers' account with the due amount. In the adjusted P&L structure, the negative effect of this regulatory change wa presented amongst the adjustment items, on the *Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia* line.

Net fees and commissions rose by 15% y-o-y in 2021. The improvement can be attributed to the double-digit growth rate of commissions on deposits, transactions, cards, lending, as well as securities sales, fuelled by the strengthening economic activity compared to the base period. One-off items reduced the y-o-y growth of net fees and commissions by a total of HUF 3 billion.

The annual other net non-interest income dropped by 28%, or nearly HUF 10 billion. This can be explained mainly by two items: the weaker foreign exchange result in 2Q 2021, and the weaker securities result in 4Q 2021, latter owing to the sale of government securities. The development of other income was also influenced by the fact that, starting from 2021, the recoveries from claims written off at OTP Factoring for legal reasons (e.g. irretraceable borrower, time-barred debt) are presented amongst other income, rather than under risk costs.

Operating expenses grew by 6% y-o-y in 2021. In the reporting period, there were three major one-off or technical items that affected costs: first, starting from 2021, the local business tax and the innovation contribution (HUF 17.4 billion in 2021) are presented as part of corporate income tax, rather than under operating expenses. Second, in the second quarter, the provisions for untaken holidays on a pro rata temporis basis were moved to personnel expenses from the other risk costs line, and simultaneously, the HUF 3.1 billion amount for all such untaken holidays was recorded in 2Q. Third, in 4Q 2021, in the case of certain expected future bonus payments, the expected amount on a longer time horizon and according to model calculations was booked in a lump sum, against the previous practice of recognising the expected payments over the next12 months. This item explained HUF 5.4 billion increase in personnel expenses in 2021 y-o-y. Without the effect of these three items, expenses would have grown by 9% y-o-y, partly owing to higher personnel expenses (due to a 2% increase in annual average headcount and the implemented wage hikes), the steady rise in depreciation on the back of IT and digital development, as well as higher other expenses (due to stronger business activity, higher cost of hardware, office equipment, and other services, and supervisory fees increased by HUF 3.8 billion y-o-y).

On the whole, underlying credit quality trends were favourable in 2021. In 2021 total risk costs amounted to -HUF 3.2 billion (down from -HUF 7.7 billion in 2020), including -HUF 2.1 billion other risk costs partly relating to provisions for securities, while credit risk costs amounted to -HUF 1.1 billion. The main reason for the positive amount of total risk costs in the first two quarters was the continued recoveries on retail claims managed by OTP Faktoring, but these recoveries followed a declining path during the year. In the third quarter, nearly HUF 3 billion additional credit risk cost emerged as a result of the reclassification of certain corporate loans participating in the moratorium into the riskier Stage 2 bucket, in accordance with the more conservative approach applied by the Bank. In the fourth quarter, HUF 7.8 billion credit risk cost (the highest since 1Q 2020) weighed on profit. In the last quarter, credit risk costs were adversely affected by the additional provisions allocated to exposures participating in the extended moratorium: borrowers who applied for the extended loan repayment moratorium starting from November were reclassified into riskier categories (Stage 2 or Stage 3), based on the Bank's assessment; moreover, the impairment parameters were also revised.

In 2021, the loan repayment moratorium was first extended by three months (until the end of September 2021), then by one more month (until end-October), with unchanged terms and conditions. Between November 2021 and June 2022, only eligible borrowers who had applied for it at their bank in October 2021 are entitled to participate in the moratorium. At OTP Core, the volume of loans subject to the debt repayment moratorium was in downtrend in 2021: At the end of 2020 HUF 1,760 billion, at the end of 3Q 2021
HUF 1,286 billion, and at the end of 2021 HUF 237 billion worth of loans participated in the loan repayment moratorium; the latter makde up 4.3% of OTP Core's total gross loan portfolio.

Partly as a result of the above mentioned one-timer effects, at the end of 2021 the ratio of Stage 3 loans stood at 4.6%, while the Stage 2 ratioat 17.4%. At the end of the year the aggregated own provision coverage of the Stage 1+2 portfolio stood at 2.5%, while the own provision coverage of Stage 3 loans at 42.7%.

The volume of more than 90 days past due (DPD90+) loans declined by HUF 5 billion both in full year 2020 and by HUF 1 billion in 2021 as a whole (FX-adjusted, without sales/write-offs and the revaluation of Faktoring's claims). In 2021, HUF 10 billion non-performing loans were sold/written off (FX-adjusted).

Balance sheet trends

OTP Core's balance sheet total grew by 24% y-o-y or more than HUF 2,700 billion in 2021. Most of this year-over-year increase stemmed from the inflow of deposits (+25%, or +HUF 2,040 billion), and a smaller part came from interbank liabilities' increase (+30% y-o-y, +HUF 260 billion); the latter was partly explained by the expansion of loan volumes under the Funding for Growth scheme refinanced by the central bank.

In full year 2021, the nominal growth in customer deposits significantly exceeded the increase in loans, which crystallized in the further rise in the volume of financial and other liquid assets. In 2021, the share of financial assets on OTP Core's assets side rose by 4.3 pps y-o-y on average, while that of non-interest-bearing assets dropped by 2.6 pps, and the weight of net loans shrank by 1.7 pps.

Performing (Stage 1+2) loans increased dynamically, this brought the full-year growth to 19% (FX-adjusted), of which 3 pps increase could be ascribed to the volume-boosting effect of the moratorium. Much of the yearly growth came from the government's and the national bank's subsidized loan programmes (baby loan, CSOK subsidized housing loan, green mortgage loan, home renovation loan, Funding for Growth Go!, Széchenyi Card Go!).

Regarding individual product categories, performing consumer loans jumped by 25% y-o-y.

Within consumer loans, baby loans remained highly popular: in whole year 2021, the newly contracted amount at OTP Bank hit HUF 232 billion; this was consistent with a market share of 42.1% in 2021.

In the case of cash loans, market pricing has been in effect since the beginning of 2021, as the regulatory interest rate cap expired. New cash loan placements grew by 50% last year. OTP Bank's market share in cash loan disbursements reached 38.4% in 2021, against 34.8% in full year 2020. All in all, performing cash loan volumes expanded by 17% y-o-y.

To help borrowers take advantage of the government's home renovation subsidy, OTP made available both the mortgage-backed subsidized home renovation loan (from the beginning of February 2021) and the Bank's own unsecured home renovation cash loan product (from March 2021). By the end of December, loan applications for the unsecured product amounted to HUF 16 billion, and those for the secured product was close to HUF 37 billion. Because of its collateralized nature, the subsidized home renovation loan is presented among mortgage loans in the product structure, whereas the unsecured home renovation loan is shown under consumer loans.

As for mortgage loans, the strong demand persisted: applications grew by 55% in full year 2021 HUF 43 billion of the applications () were for green housing loans with subsidized interest rates, under the central bank’s FGS Green Home programme launched in October 2021. OTP Bank's market share in new mortgage loan contractual amounts was 31.5% in 2021 (against 32% in 2020).

The Bank's corporate lending activity remained strong, largely because of the *Funding for Growth Go!* scheme launched by the Magyar Nemzeti Bank in April 2020. By the end of September 2021, the FGS Go! contracted amount reached the HUF 3,000 billion available amount at sector level, thus the programme was phased out by the central bank. Since the launch of this scheme, OTP Bank’s contracted amounts exceeded HUF 752 billion, which resulted in a market share of 26%.

Because of the phasing out of the FGS Go! programme, in July 2021 the government introduced subsidized lending programmes for micro and small enterprises through the KAVOSZ Széchenyi Card scheme. Under the programme, by the end of December OTP Bank signed loan agreements worth more than HUF 130 billion.

Overall, in 2021 at OTP core the outstanding expansion of loans to micro and small enterprises continued: their performing volumes surged 26% y-o-y (FX-adjusted), partly bolstered by the FGS Go! programme, which has already been ended.

Performing corporate loans grew by 19% y-o-y (FX-adjusted).

OTP Core’s 12-month customer deposit growth rate was 25% (FX-adjusted). Within this, the 42% jump in corporate deposits was outstanding, but retail deposits also increased by 14%.

The net loan/deposit ratio stood at 52% at the end of 2021, marking a 2 pps y-o-y contraction.

OTP FUND MANAGEMENT (HUNGARY)

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

Main components of P&L account	2020 HUF million	2021 HUF million	Change %
After tax profit w/o dividends and net cash transfer	9,747	6,116	(37)
Income tax	(915	(788)	(14)
Profit before income tax	10,662	6,904	(35)
Operating profit	10,662	6,918	(35)
Total income	14,453	10,044	(31)
Net fees and commissions	14,154	9,799	(31)
Other net non-interest income	299	245	(18)
Operating expenses	(3,791)	(3,125)	(18)
Other provisions	(1)	(14)	
Main components of balance sheet closing balances	**2020**	**2021**	**%**
Total assets	33,210	24,988	(25)
Total shareholders' equity	16,425	12,792	(22)
Asset under management	**2020 HUF billion**	**2021 HUF billion**	**%**
Assets under management, total (w/o duplicates)[1]	**1,201**	**1,331**	**11**
Volume of investment funds (closing, w/o duplicates)	828	942	14
Volume of managed assets (closing)	373	389	4
Volume of investment funds (closing, with duplicates)[2]	**1,183**	**1,479**	**25**
bond	376	444	18
absolute return fund	374	300	(20)
equity	248	342	38
mixed	133	345	160
commodity market	28	37	33
guaranteed	20	5	(73)
money market	5	4	(21)

[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 2021, **OTP Fund Management** generated more than HUF 6 billion profit, 37% less than in 2020.

The annual profit was shaped by the 31% y-o-y drop in fees and commissions, as the success fee revenues from funds with above-benchmark performance fell short of the 4Q 2020 level: while HUF 7.3 billion success fee was recorded in the 2020 base period, less than a third of that, HUF 1.9 billion was realized on the fund management activity in 2021.

Last year the other income dropped by 18% y-o-y owing to two factors: the revaluation result of the investment units in the Company's own books improved, which was offset by the decline in foreign exchange result.

Last year 18% cost saving was achieved within that personnel expenses came down 21% y-o-y, in sync with the decline in bonus payments for funds' performance.

In 2021, the market of Hungarian investment funds was rather hectic: the accelerating inflation and interest rate hikes by the central banks transformed the structure of investment funds. Equity funds were the most successful ones last year: two of Hungary's top three equity funds by assets under management, OTP Quality Fund and OTP Climate Change Fund, are both managed by the Company. Although bond funds' performance was adversely affected by the rising yield environment, the capital influx helped their volumes further expand y-o-y. Overall, regarding the whole portfolio, the total wealth managed by OTP Fund Management expanded further, by 25% y-o-y.

The Company's markets share rose by 1.3 pps y-o-y, to 26.0% by end-December 2021, thus preserving its leadership in the securities funds market.

MERKANTIL GROUP (HUNGARY)

Performance of Merkantil Group:

Main components of P&L account	2020 HUF million	2021 HUF million	Change %
After tax profit without the effect of adjustments	7,661	7,998	4
Income tax	(956)	(918)	(4)
Profit before income tax	8,617	8,916	3
Operating profit	10,280	11,961	16
Total income	21,283	23,291	9
Net interest income	17,688	20,680	17
Net fees and commissions	40	116	187
Other net non-interest income	3,555	2,495	(30)
Operating expenses	(11,004)	(11,330)	3
Total provisions	(1,663)	(3,045)	83
Provision for impairment on loan and placement losses	(1,491)	(3,093)	107
Other provision	(171)	48	(128)
Main components of balance sheet closing balances	**2020**	**2021**	**%**
Total assets	667,120	782,222	17
Gross customer loans	416,987	444,549	7
Gross customer loans (FX-adjusted)	417,282	444,549	7
Stage 1+2 customer loans (FX-adjusted)	402,526	431,714	7
Retail loans	6,993	4,866	(30)
Corporate loans	51,520	46,870	(9)
Leasing	344,013	379,977	10
Allowances for possible loan losses	(12,874)	(14,230)	11
Allowances for possible loan losses (FX-adjusted)	(12,888)	(14,230)	10
Deposits from customers	9,344	8,198	(12)
Deposits from customer (FX-adjusted)	9,344	8,198	(12)
Retail deposits	6,071	5,166	(15)
Corporate deposits	3,273	3,032	(7)
Liabilities to credit institutions	584,944	688,675	18
Total shareholders' equity	52,553	59,246	13
Loan Quality	**2020**	**2021**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	343,668	334,732	(3)
Stage 1 loans under IFRS 9/gross customer loans	82.4%	75.3%	(7.1)
Own coverage of Stage 1 loans under IFRS 9	0.2%	0.4%	0.2
Stage 2 loan volume under IFRS 9 (in HUF million)	58,592	96,982	66
Stage 2 loans under IFRS 9/gross customer loans	14.1%	21.8%	7.8
Own coverage of Stage 2 loans under IFRS 9	3.8%	5.3%	1.5
Stage 3 loan volume under IFRS 9 (in HUF million)	14,727	12,836	(13)
Stage 3 loans under IFRS 9/gross customer loans	3.5%	2.9%	(0.6)
Own coverage of Stage 3 loans under IFRS 9	66.5%	60.0%	(6.5)
Provision for impairment on loan and placement losses/average gross loans	0.38%	0.71%	0.33
90+ days past due loan volume (in HUF million)	8,971	5,852	(35)
90+ days past due loans/gross customer loans	2.2%	1.3%	(0.8)
Performance Indicators	**2020**	**2021**	**pps**
ROA	1.3%	1.0%	(0.2)
ROE	15.7%	14.3%	(1.4)
Total income margin	3.58%	3.05%	(0.52)
Net interest margin	2.97%	2.71%	(0.26)
Operating costs / Average assets	1.8%	1.5%	(0.4)
Cost/income ratio	51.7%	48.6%	(3.1)

The table presents the sub-consolidated performance of Merkantil Group, whose members are: Merkantil Bank Ltd., Merkantil Bérlet Ltd., NIMO 2002 Ltd., SPLC-P Ingatlanfejlesztő, Ingatlanhasznosító Ltd., SPLC Vagyonkezelő Ltd., and OTP Ingatlanlízing Ltd.

In 2021, **Merkantil Group** posted HUF 8 billion adjusted after-tax profit, which brought its ROE to 14.3%. The 4% y-o-y profit growth stemmed from the 16% y-o-y improvement in operating profit, which was offset by the jump in risk costs.

In 2021, net interest income grew by 17% y-o-y driven by the 7% y-o-y increase in performing loans and a 32% surge in financial assets, while annual net interest margin declined by 26 bps y-o-y.

Annual operating expenses rose by 3% y-o-y. Without the effect of the local business tax and innovation contribution being presented on the corporate income tax line instead of costs starting from 2021, this rate would be 8%. Most of the underlying cost growth could be attributed to personnel and vehicle-related expenses, as well as higher supervisory fees.

In 2021 total risk costs amounted to -HUF 3 billion. This was predominantly the result of the revision of the IFRS 9 model parameters, and of the additional loan loss provisions for the loans that remained in the extended moratorium from November 2021. Customers who had indicated their decision to remain in the moratorium were reclassified to riskier categories (Stage 2 or Stage 3), which resulted in additional loan loss provisions. At the end of the year, Merkantil Group's loan volumes that participated in the moratorium amounted to HUF 8.3 billion, which represented 2% of total gross loans.

As a result, the ratio of Stage 3 loans was 2.9% as at the end of 2021, yet it fell by 0.6 pp y-o-y. The own provision coverage of Stage 3 loans dropped to 60.6%. The own provision coverage of Stage 2 loans stood at 5.4% (+1.6 pps y-o-y).

The volume of 90 days past due loans fell by HUF 0.7 billion (FX-adjusted, without sales/write-offs) in 2021.

FX-adjusted performing (Stage 1+2) loans increased by 7% y-o-y Its dynamics benefited from the central bank's Funding for Growth Scheme Go! programme launched in April 2020, under which Merkantil Bank's contracted amount hit HUF 74 billion. Due to the termination of FGS Go!, since the beginning of July 2021 the government has been providing preferential, interest-subsidized funds to micro- and small enterprises through the KAVOSZ Széchenyi Card scheme. Under the programme, Merkantil Bank contracted more than HUF 32 billion in loans by the end of December.

Merkantil Bank remained the market leader in both new loan placements and volumes.

IFRS REPORTS OF THE MAIN FOREIGN SUBSIDIARIES OF OTP BANK

DSK GROUP (BULGARIA)

Performance of DSK Group:

Main components of P&L account	2020 HUF million	2021 HUF million	Change %
After tax profit without the effect of adjustments	40,957	76,790	87
Income tax	(3,707)	(8,454)	128
Profit before income tax	44,665	85,244	91
Operating profit	89,775	106,241	18
Total income	166,668	178,470	7
Net interest income	111,239	112,869	1
Net fees and commissions	45,453	54,508	20
Other net non-interest income	9,975	11,093	11
Operating expenses	(76,893)	(72,230)	(6)
Total provisions	(45,110)	(20,997)	(53)
Provision for impairment on loan and placement losses	(44,875)	(18,938)	(58)
Other provision	(235)	(2,059)	777
Main components of balance sheet closing balances	**2020**	**2021**	**%**
Total assets	4,283,625	4,627,132	8
Gross customer loans	2,634,870	2,922,886	11
Gross customer loans (FX-adjusted)	2,663,462	2,922,886	10
Stage 1 + 2 customer loans (FX-adjusted)	2,466,457	2,741,964	11
Retail loans	1,375,184	1,609,216	17
Corporate loans	913,099	927,478	2
Car financing loans	178,174	205,270	15
Allowances for possible loan losses	(185,829)	(193,180)	4
Allowances for possible loan losses (FX-adjusted)	(187,812)	(193,180)	3
Deposits from customers	3,587,364	3,785,300	6
Deposits from customers (FX-adjusted)	3,642,801	3,785,300	4
Retail deposits	3,056,883	3,342,569	9
Corporate deposits	585,918	442,730	(24)
Liabilities to credit institutions	17,010	86,606	409
Total shareholders' equity	620,379	699,375	13
Loan Quality	**2020**	**2021**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	2,142,644	2,454,806	15
Stage 1 loans under IFRS 9/gross customer loans	81.3%	84.0%	2.7
Own coverage of Stage 1 loans under IFRS 9	1.0%	1.0%	0.1
Stage 2 loan volume under IFRS 9 (in HUF million)	297,292	287,157	(3)
Stage 2 loans under IFRS 9/gross customer loans	11.3%	9.8%	(1.5)
Own coverage of Stage 2 loans under IFRS 9	12.6%	15.5%	2.9
Stage 3 loan volume under IFRS 9 (in HUF million)	194,934	180,922	(7)
Stage 3 loans under IFRS 9/gross customer loans	7.4%	6.2%	(1.2)
Own coverage of Stage 3 loans under IFRS 9	65.6%	68.2%	2.5
Provision for impairment on loan and placement losses/average gross loans	1.79%	0.70%	(1.09)
90+ days past due loan volume (in HUF million)	126,242	114,362	(9)
90+ days past due loans/gross customer loans	4.8%	3.9%	(0.9)
Performance Indicators	**2020**	**2021**	**pps**
ROA	1.0%	1.8%	0.7
ROE	7.0%	11.8%	4.8
Total income margin	4.13%	4.07%	(0.05)
Net interest margin	2.75%	2.58%	(0.18)
Operating costs / Average assets	1.9%	1.6%	(0.3)
Cost/income ratio	46.1%	40.5%	(5.7)
Net loans to deposits (FX-adjusted)	68%	72%	4
FX rates	**2020 HUF**	**2021 HUF**	**Change %**
HUF/BGN (closing)	186.7	188.7	1
HUF/BGN (average)	177.9	182.3	2

In 2021, **DSK Group** reached HUF 76.8 billion cumulated after-tax profit, 87% more than in 2020, due to improving operating results and lower risk costs.

Annual operating profit grew by 18% y-o-y, mainly driven by a 20% surge in net fees and commissions. The improvement partly stemmed from a 6% y-o-y decline in operating expenses (in local currency terms): the cost synergies resulting from the integration of Expressbank were observable also in 2021, and the continuing decrease in average headcount brought down personnel costs. In 2021 the bank launched a comprehensive project in order to transform its business and operational model, and develop its digital capabilities, which also supported the operational efficiency.

With regard to the annual income, cumulated net interest income stagnated in BGN terms, as a joint result of the 18 bps erosion in net interest margin and increasing volumes. Net fee income grew by 18% in local currency last year, mainly as a result of stronger business activity and the introduction of new fees on deposits. Furthermore, fees related to loans and investment services also increased.

The annual cost efficiency indicators showed an improving trend, with the cost-to-income ratio declining by 5.7 pps to 40.5% and operating expenses/average assets ratio declining by 0.3 pp to 1.6%.

Performing (Stage 1+2) loan volumes grew by 11% y-o-y (FX-adjusted). The retail loan book expanded by 17% last year, supported by 29% y-o-y growth in new cash loan disbursement, as well as a 47% jump in mortgage loan disbursements. Performing corporate loan volumes rose by 2% last year.

At the end of 2021, the bank's market share by total asset value was 18.03%, which ranked it second on the market.

In 2021, HUF 21 billion total risk cost weighed on profit, 53% less than in 2020. The 12-month credit risk cost ratio stood at 0.70% (-1.09 pps y-o-y).

The ratio of Stage 2 loans declined by 1.5 pps (to 9.8%) from the previous year; the large corporate and the mortgage loan portfolios improved.

Deposit volumes expanded by a total of 4% over the past 12 months. The FX-adjusted net loan/deposit ratio stood at 72% at the end of December.

OTP BANK CROATIA

Performance of OTP Bank Croatia:

Main components of P&L account	2020 HUF million	2021 HUF million	Change %
After tax profit without the effect of adjustments	14,830	33,448	126
Income tax	(2,771)	(7,618)	175
Profit before income tax	17,600	41,065	133
Operating profit	40,329	43,422	8
Total income	84,907	88,736	5
Net interest income	58,199	60,933	5
Net fees and commissions	16,093	18,183	13
Other net non-interest income	10,615	9,619	(9)
Operating expenses	(44,578)	(45,313)	2
Total provisions	(22,728)	(2,357)	(90)
Provision for impairment on loan and placement losses	(19,491)	1,767	(109)
Other provision	(3,238)	(4,124)	27
Main components of balance sheet closing balances	**2020**	**2021**	**%**
Total assets	2,325,669	2,576,445	11
Gross customer loans	1,642,170	1,811,376	10
Gross customer loans (FX-adjusted)	1,664,491	1,811,376	9
Stage 1+2 customer loans (FX-adjusted)	1,519,909	1,667,213	10
Retail loans	770,976	875,737	14
Corporate loans	640,362	676,124	6
Leasing	108,572	115,351	6
Allowances for possible loan losses	(100,920)	(109,575)	9
Allowances for possible loan losses (FX-adjusted)	(102,293)	(109,575)	7
Deposits from customers	1,634,652	1,899,671	16
Deposits from customers (FX-adjusted)	1,664,844	1,899,671	14
Retail deposits	1,255,438	1,416,254	13
Corporate deposits	409,406	483,417	18
Liabilities to credit institutions	287,647	228,733	(20)
Total shareholders' equity	328,165	351,023	7
Loan Quality	**2020**	**2021**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	1,257,492	1,448,458	15
Stage 1 loans under IFRS 9/gross customer loans	76.6%	80.0%	3.4
Own coverage of Stage 1 loans under IFRS 9	0.8%	0.6%	(0.2)
Stage 2 loan volume under IFRS 9 (in HUF million)	241,962	218,754	(10)
Stage 2 loans under IFRS 9/gross customer loans	14.7%	12.1%	(2.7)
Own coverage of Stage 2 loans under IFRS 9	5.7%	5.9%	0.1
Stage 3 loan volume under IFRS 9 (in HUF million)	142,716	144,163	1
Stage 3 loans under IFRS 9/gross customer loans	8.7%	8.0%	(0.7)
Own coverage of Stage 3 loans under IFRS 9	53.9%	61.4%	7.5
Provision for impairment on loan and placement losses/average gross loans	1.27%	(0.11%)	(1.38)
90+ days past due loan volume (in HUF million)	68,712	73,826	7
90+ days past due loans/gross customer loans	4.2%	4.1%	(0.1)
Performance Indicators	**2020**	**2021**	**pps**
ROA	0.7%	1.4%	0.7
ROE	4.7%	10.0%	5.3
Total income margin	3.93%	3.73%	(0.20)
Net interest margin	2.69%	2.56%	(0.13)
Operating costs / Average assets	2.06%	1.90%	(0.16)
Cost/income ratio	52.5%	51.1%	(1.4)
Net loans to deposits (FX-adjusted)	94%	90%	(4)
FX rates	**2020 HUF**	**2021 HUF**	**Change %**
HUF/HRK (closing)	48.4	49.1	2
HUF/HRK (average)	46.6	47.6	2

The **Croatian bank** realized HUF 33.5 billion after-tax profit in 2021, more than doubling its profit y-o-y., This was primarily caused by a favourable development in credit risk costs, but operating profit also improved (+8% y-o-y).

Within annual income, net interest income expanded by 5%. The dynamic organic growth of loans was partly offset by a further erosion in net interest margin (-13 bps y-o-y).

Net fees and commissions surged 13% y-o-y in 2021, mainly as a result of stronger economic activity and tourism, starting from the second quarter.

Other income contracted by 9% y-o-y last year, largely because of the 31% q-o-q decline in the fourth quarter. The latter stemmed from the seasonally lower income from foreign currency exchange, as well as from the negative revaluation result owing to an IT-system-related write-off and unfavourable exchange rate fluctuations.

Operating expenses rose by 2% (but dropped by 1% in local currency) in 2021, thus cost efficiency indicators improved.

In 2021, HUF 2.4 billion total risk cost weighed on profit, which was a tenth of what was recorded in the base year.

In the past quarter, the share of Stage 3 loans in the portfolio sank to 8.0%, while their own provision coverage grew to 61.4% (+7.5 pps y-o-y).

The volume of 90 days past due loans grew by HUF 8.7 billion (FX-adjusted, without sales/write-offs) in 2021. It was in 4Q when considerable non-performing loans were sold/written off last year (nearly HUF 4 billion, FX-adjusted).

As to lending activity, performing (Stage 1+2) loans surged 10% y-o-y (FX-adjusted).

In the retail segment, mortgage (+67% y-o-y) and cash (+40%) loan disbursement volumes grew dynamically. Despite the strong fourth quarter, the volume of corporate loan disbursement contracted by 6% from the previous year.

The FX-adjusted deposit volumes increased by 14% compared to end-2020, largely driven by the corporate segment, but the growth in the on-demand retail deposits also continued.

The Croatian bank's liquidity position remained stable; the net loan/deposit ratio stood at 90% at the end of December (-4 pps y-o-y).

OTP BANK SERBIA

Performance of OTP Bank Serbia:

Main components of P&L account	2020 HUF million	2021 HUF million	Change %
After tax profit without the effect of adjustments	7,298	32,104	340
Income tax	(1,157)	(3,610)	212
Profit before income tax	8,455	35,714	322
Operating profit	35,898	40,754	14
Total income	79,001	83,494	6
Net interest income	59,514	62,497	5
Net fees and commissions	14,766	14,410	(2)
Other net non-interest income	4,721	6,586	40
Operating expenses	(43,102)	(42,740)	(1)
Total provisions	(27,443)	(5,040)	(82)
Provision for impairment on loan and placement losses	(22,170)	(387)	(98)
Other provision	(5,273)	(4,653)	(12)
Main components of balance sheet closing balances	**2020**	**2021**	**%**
Total assets	2,052,332	2,224,715	8
Gross customer loans	1,539,738	1,715,347	11
Gross customer loans (FX-adjusted)	1,555,706	1,715,347	10
Stage 1+2 customer loans (FX-adjusted)	1,515,269	1,665,924	10
Retail loans	716,486	786,945	10
Corporate loans	711,244	794,091	12
Leasing	87,538	84,889	(3)
Allowances for possible loan losses	(43,597)	(44,587)	2
Allowances for possible loan losses (FX-adjusted)	(44,054)	(44,587)	1
Deposits from customers	1,147,712	1,238,864	8
Deposits from customers (FX-adjusted)	1,162,891	1,238,864	7
Retail deposits	686,059	750,275	9
Corporate deposits	476,832	488,589	2
Liabilities to credit institutions	548,354	584,453	7
Total shareholders' equity	273,046	306,630	12
Loan Quality	**2020**	**2021**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	1,367,313	1,542,170	13
Stage 1 loans under IFRS 9/gross customer loans	88.8%	89.9%	1.1
Own coverage of Stage 1 loans under IFRS 9	0.8%	0.7%	(0.1)
Stage 2 loan volume under IFRS 9 (in HUF million)	132,427	123,754	(7)
Stage 2 loans under IFRS 9/gross customer loans	8.6%	7.2%	(1.4)
Own coverage of Stage 2 loans under IFRS 9	8.5%	6.1%	(2.4)
Stage 3 loan volume under IFRS 9 (in HUF million)	39,998	49,423	24
Stage 3 loans under IFRS 9/gross customer loans	2.6%	2.9%	0.3
Own coverage of Stage 3 loans under IFRS 9	53.6%	53.6%	0.0
Provision for impairment on loan and placement losses/average gross loans	1.62%	0.02%	(1.59)
90+ days past due loan volume (in HUF million)	22,697	33,405	47
90+ days past due loans/gross customer loans	1.5%	1.9%	0.5
Performance Indicators	**2020**	**2021**	**pps**
ROA	0.4%	1.6%	1.2
ROE	2.7%	11.4%	8.6
Total income margin	4.25%	4.07%	(0.17)
Net interest margin	3.20%	3.05%	(0.15)
Operating costs / Average assets	2.32%	2.09%	(0.23)
Cost/income ratio	54.6%	51.2%	(3.4)
Net loans to deposits (FX-adjusted)	130%	135%	5
FX rates	**2020 HUF**	**2021 HUF**	**Change %**
HUF/RSD (closing)	3.1	3.1	1
HUF/RSD (average)	3.0	3.0	2

The **Serbian** banking group’s adjusted after-tax profit exceeded HUF 32 billion in 2021, almost 4.5 times more than in the previous year. This dynamic profit growth was largely the result of a sharp fall in risk costs, and 14% improvement in operating profit.

Following the financial closure of the second Serbian acquisition at the end of September 2019, the integration continued as planned, and was successfully accomplished on 30 April 2021. The Serbian operation's total market share by balance sheet total jumped to 13.0% on *pro forma* basis (ranking No. 2), and it remained market leader in net loans (with 16.6% market share), according to the most recent data of end-September 2021.

The total network in Serbia consists of 187 branches. Since the end of September 2019, it has contracted by a total of 53 units. At the end of 2021 the network had 2,707 employees, 16% (525 workers) less than at the end of September 2019.

Operating expenses in 2021 stagnated y-o-y in HUF but dropped by 3% in local currency. The Bank's annual cost/income ratio improved by 3.4 pps y-o-y, to 51.2%.

Both the full-year and the fourth-quarter changes in after-tax profit were largely shaped by the size of risk costs. In 2021, total risk cost volume fell by 82% y-o-y, from more than HUF 27 billion in the previous year. The 2021 amount on the other risk cost line were mostly induced by legal disputes.

In full year 2021, the income side grew by 6% y-o-y, supported by a 5% increase in net interest income, and a 40% jump in other income. Annual net fees and commissions contracted by 2% from the previous year's level.

As regards loan quality, the share of Stage 3 loans in the whole portfolio was at 2.9% at the end of December (+0.3 pp y-o-y). The DPD90+ volume (FX-adjusted, without sales/write-offs) grew by a total of HUF 13 billion in 2021. This brought the DPD90+ ratio 0.5 pp higher, to 1.9% y-o-y by the end of December.

Performing (Stage 1+2) loan volumes increased by 10% y-o-y (FX-adjusted), while the deposit base increased by 7%. The bank's net loan/deposit ratio rose in y-o-y terms, hitting 135%.

In Serbia, borrowers could apply for the third phase of the loan moratorium until the end of April 2021; the moratorium (maximum six months from the date of entrance) ended at the end of October.

SKB BANKA (SLOVENIA)

Performance of SKB Banka (Slovenia):

Main components of P&L account	2020 HUF million	2021 HUF million	Change %
After tax profit without the effect of adjustments	9,665	16,822	74
Income tax	(2,439)	(3,838)	57
Profit before income tax	12,104	20,660	71
Operating profit	19,787	19,595	(1)
Total income	40,388	42,354	5
Net interest income	28,103	27,673	(2)
Net fees and commissions	11,127	13,258	19
Other net non-interest income	1,158	1,423	23
Operating expenses	(20,601)	(22,759)	10
Total provisions	(7,683)	1,065	
Provision for impairment on loan and placement losses	(6,244)	1,819	
Other provision	(1,440)	(754)	(48)
Main components of balance sheet closing balances	2020	2021	%
Total assets	1,353,772	1,433,206	6
Gross customer loans	909,439	984,605	8
Gross customer loans (FX-adjusted)	919,331	984,605	7
Stage 1+2 customer loans (FX-adjusted)	905,333	971,578	7
Retail loans	507,762	475,971	(6)
Corporate loans	230,038	328,691	43
Leasing	167,533	166,915	0
Allowances for possible loan losses	(14,876)	(16,271)	9
Allowances for possible loan losses (FX-adjusted)	(15,040)	(16,271)	8
Deposits from customers	1,136,666	1,213,698	7
Deposits from customers (FX-adjusted)	1,150,365	1,213,698	6
Retail deposits	985,148	895,652	(9)
Corporate deposits	165,217	318,046	93
Liabilities to credit institutions	29,524	15,565	(47)
Total shareholders' equity	166,124	179,515	8
Loan Quality	2020	2021	%/pps
Stage 1 loan volume under IFRS 9 (in HUF million)	753,584	846,646	12
Stage 1 loans under IFRS 9/gross customer loans	82.9%	86.0%	3.1
Own coverage of Stage 1 loans under IFRS 9	0.5%	0.3%	(0.2)
Stage 2 loan volume under IFRS 9 (in HUF million)	142,015	124,932	(12)
Stage 2 loans under IFRS 9/gross customer loans	15.6%	12.7%	(2.9)
Own coverage of Stage 2 loans under IFRS 9	4.3%	5.0%	0.7
Stage 3 loan volume under IFRS 9 (in HUF million)	13,840	13,027	(6)
Stage 3 loans under IFRS 9/gross customer loans	1.5%	1.3%	(0.2)
Own coverage of Stage 3 loans under IFRS 9	36.3%	56.1%	19.8
Provision for impairment on loan and placement losses/average gross loans	0.70%	(0.20%)	(0.90)
90+ days past due loan volume (in HUF million)	3,620	4,353	20
90+ days past due loans/gross customer loans	0.4%	0.4%	0.0
Performance Indicators	2020	2021	pps
ROA	0.8%	1.2%	0.5
ROE	6.3%	10.0%	3.7
Total income margin	3.18%	3.13%	(0.05)
Net interest margin	2.21%	2.04%	(0.17)
Operating costs / Average assets	1.62%	1.68%	0.06
Cost/income ratio	51.0%	53.7%	2.7
Net loans to deposits (FX-adjusted)	79%	80%	1
FX rates	2020 HUF	2021 HUF	Change %
HUF/EUR (closing)	365.1	369.0	1
HUF/EUR (average)	351.2	358.5	2

In 2021, OTP's **Slovenian** subsidiary generated HUF 16.8 billion adjusted profit, 74% more than in the base period. This substantial improvement was driven by the decline in risk costs.

Operating profit was marginally smaller in 2021 than in the base period. The 5% growth in income largely stemmed from strong fees and commissions, mostly because of higher fee income from payment services and from deposits: the Bank introduced commissions for corporate and retail deposits above a certain amount. Full-year net interest income dropped by 4% in local currency as the growth in business volumes was offset by the 17 bps y-o-y erosion of net interest margin, to 2.04%, owing to the strong competition and the low interest rate environment.

Operating expenses increased by 10% last year, mostly because of higher personnel expenses and administrative costs: annual supervisory costs rose, as did IT spending; amortization stagnated.

The favourable development of the quality of the loan portfolio throughout the year enabled the release of provisions for loan losses and resulted in moderate risk cost.

At the end of 2021, the ratio of Stage 3 loans (1.3%) improved by 0.2 pp y-o-y. The own provision coverage of Stage 3 loans grew by almost 20 pps y-o-y, to 56.1%, thus it is already nearing the Group average.

The performing loan volumes grew by 7% y-o-y. One reason for the y-o-y increase in corporate deposits and loans was the change in the definition of the MSE and corporate segments in 3Q 2021 (just like in 1Q), thus part of the MSE loan stock (customers above a certain annual income) was reclassified into the corporate segment.

Mortgage loan volumes grew by 8% y-o-y, disbursements jumped by more than 70%. Corporate loans and credit card loan volumes surged by double-digit rates y-o-y.

The bank's market share in cash loans improved y-o-y, but it slightly declined in mortgage and corporate loans, owing to the strong price competition.

The FX-adjusted deposit book expanded by 6% y-o-y. The net-loan-to-deposit ratio stood at 80% at the end of the quarter (+1 pp y-o-y).

OTP BANK ROMANIA

Performance of OTP Bank Romania:

Main components of P&L account	2020 HUF million	2021 HUF million	Change %
After tax profit without the effect of adjustments	1,558	4,253	173
Income tax	91	(1,444)	
Profit before income tax	1,467	5,697	288
Operating profit	11,811	8,937	(24)
Total income	43,748	46,699	7
Net interest income	32,739	36,270	11
Net fees and commissions	3,813	4,143	9
Other net non-interest income	7,195	6,285	(13)
Operating expenses	(31,937)	(37,762)	18
Total provisions	(10,344)	(3,240)	(69)
Provision for impairment on loan and placement losses	(7,840)	(6,821)	(13)
Other provision	(2,504)	3,581	(243)
Main components of balance sheet closing balances	**2020**	**2021**	**%**
Total assets	1,162,183	1,438,484	24
Gross customer loans	861,393	1,035,400	20
Gross customer loans (FX-adjusted)	863,037	1,035,400	20
Stage 1+2 customer loans (FX-adjusted)	806,492	976,556	21
Retail loans	552,550	500,791	(9)
Corporate loans	216,060	429,245	99
Leasing	37,881	46,520	23
Allowances for possible loan losses	(48,174)	(54,780)	14
Allowances for possible loan losses (FX-adjusted)	(48,519)	(54,780)	13
Deposits from customers	710,047	830,717	17
Deposits from customers (FX-adjusted)	712,274	830,717	17
Retail deposits	508,556	436,727	(14)
Corporate deposits	203,718	393,990	93
Liabilities to credit institutions	284,173	402,553	42
Total shareholders' equity	127,238	164,914	30
Loan Quality	**2020**	**2021**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	690,664	826,518	20
Stage 1 loans under IFRS 9/gross customer loans	80.2%	79.8%	(0.4)
Own coverage of Stage 1 loans under IFRS 9	1.0%	1.0%	0.0
Stage 2 loan volume under IFRS 9 (in HUF million)	114,615	150,038	31
Stage 2 loans under IFRS 9/gross customer loans	13.3%	14.5%	1.2
Own coverage of Stage 2 loans under IFRS 9	9.0%	8.4%	(0.6)
Stage 3 loan volume under IFRS 9 (in HUF million)	56,113	58,844	5
Stage 3 loans under IFRS 9/gross customer loans	6.5%	5.7%	(0.8)
Own coverage of Stage 3 loans under IFRS 9	54.6%	57.5%	2.9
Provision for impairment on loan and placement losses/average gross loans	0.99%	0.74%	(0.25)
90+ days past due loan volume (in HUF million)	38,713	35,921	(7)
90+ days past due loans/gross customer loans	4.5%	3.5%	(1.0)
Performance Indicators	**2020**	**2021**	**pps**
ROA	0.1%	0.3%	0.2
ROE	1.3%	3.0%	1.8
Total income margin	4.18%	3.75%	(0.43)
Net interest margin	3.13%	2.92%	(0.21)
Operating costs / Average assets	3.05%	3.04%	(0.02)
Cost/income ratio	73.0%	80.9%	7.9
Net loans to deposits (FX-adjusted)	114%	118%	4
FX rates	**2020 HUF**	**2021 HUF**	**Change %**
HUF/RON (closing)	75.0	74.6	(1)
HUF/RON (average)	72.6	72.8	0

In 2021 **OTP Bank Romania** generated HUF 4.3 billion after-tax profit, which is consistent with 3% ROE. The tripling annual profit benefited from the 69% fall in risk costs.

The annual operating profit dropped by 24%, as a result of y-o-y 7% higher total income, and 18% growth in operating expenses.

The twelve-month net interest income surged 10% y-o-y in local currency. The annual dynamics was supported by the vigorous, 21% growth in performing (Stage 1+2) loan volumes, while net interest margin shrank by 21 bps y-o-y.

Operating expenses surged by 18% y-o-y. Most of the higher costs stemmed from the growth strategy launched in 2019. The increase in personnel expenses was partly the result of the 8% y-o-y growth in the average number of employees and wage hikes. The higher depreciation was due to the CAPEX requirement of developments, in line with the growth strategy. Within other expenses, supervisory fees grew at the strongest rate (+HUF 0.7 billion y-o-y).

In 2021, total risk cost amounted to -HUF 3.2 billion. The 69% y-o-y decline stemmed from the lower credit risk cost than in the base period, and from the release of other provisions.

As to loan quality, the volume of 90 days past due loans fell by HUF 1 billion (FX-adjusted, without sales/write-offs) last year. The ratio of Stage 3 loans declined by 1.4 pps y-o-y, to 5.7%, their own provision coverage stood at 57.5% at the end of 2021 (+2.9 pps y-o-y). The ratio of Stage 2 loans fell by 1.2 pps y-o-y, to 14.5%. The growth was driven by the revision of IFRS model parameters, during which a substantial retail volume was reclassified as Stage 2. The own provision coverage of Stage 2 loans edged higher (+0.6 pp y-o-y), and stood at 8.4% at the end of 2021.

As to business activity, both new placements and volumes grew dynamically, in accordance with the Bank's strategy. In 2021, mortgage loan placements increased by 25% y-o-y. Performing (Stage 1+2) loan volumes rose by 21% y-o-y (FX-adjusted). In the third quarter of 2021, group-level definitions were adopted for MSE and large corporate loans. As a result, certain exposures were reclassified between the two categories.

Despite the successful deposit-taking (+17% y-o-y; FX-adjusted), the net loan/deposit ratio grew by 4 pps y-o-y, to 118%.

The 30% y-o-y increase in total shareholders' equity was largely the result of the capital increases by the parent bank (RON 250 million in March and RON 200 million in December).

OTP BANK UKRAINE

Performance of OTP Bank Ukraine:

Main components of P&L account	2020 HUF million	2021 HUF million	Change %
After tax profit without the effect of adjustments	26,104	39,024	49
Income tax	(5,485)	(8,242)	50
Profit before income tax	31,589	47,266	50
Operating profit	42,030	54,760	30
Total income	67,385	83,567	24
Net interest income	48,581	62,051	28
Net fees and commissions	13,540	14,494	7
Other net non-interest income	5,264	7,022	33
Operating expenses	(25,355)	(28,806)	14
Total provisions	(10,441)	(7,494)	(28)
Provision for impairment on loan and placement losses	(6,286)	(5,827)	(7)
Other provision	(4,155)	(1,667)	(60)
Main components of balance sheet closing balances	2020	2021	%
Total assets	729,012	983,557	35
Gross customer loans	443,031	662,173	49
Gross customer loans (FX-adjusted)	491,631	662,173	35
Stage 1 + 2 customer loans (FX-adjusted)	440,021	620,582	41
Retail loans	90,510	115,140	27
Corporate loans	227,872	341,118	50
Car financing loans	121,640	164,324	35
Allowances for possible loan losses	(46,200)	(47,830)	4
Allowances for possible loan losses (FX-adjusted)	(51,699)	(47,830)	(7)
Deposits from customers	493,884	671,002	36
Deposits from customers (FX-adjusted)	546,495	671,002	23
Retail deposits	244,679	275,196	12
Corporate deposits	301,815	395,805	31
Liabilities to credit institutions	91,059	115,714	27
Total shareholders' equity	117,071	159,756	36
Loan Quality	2020	2021	%/pps
Stage 1 loan volume under IFRS 9 (in HUF million)	365,266	576,876	58
Stage 1 loans under IFRS 9/gross customer loans	82.4%	87.1%	4,7
Own coverage of Stage 1 loans under IFRS 9	1.9%	1.9%	0,0
Stage 2 loan volume under IFRS 9 (in HUF million)	31,726	43,707	38
Stage 2 loans under IFRS 9/gross customer loans	7.2%	6.6%	(0,6)
Own coverage of Stage 2 loans under IFRS 9	15.9%	18.5%	2,6
Stage 3 loan volume under IFRS 9 (in HUF million)	46,039	41,590	(10)
Stage 3 loans under IFRS 9/gross customer loans	10.4%	6.3%	(4,1)
Own coverage of Stage 3 loans under IFRS 9	74.3%	69.6%	(4,8)
Provision for impairment on loan and placement losses/average gross loans	1.39%	1.09%	(0,30)
90+ days past due loan volume (in HUF million)	28,401	21,914	(23)
90+ days past due loans/gross customer loans	6.4%	3.3%	(3,1)
Performance Indicators	2020	2021	pps
ROA	3.8%	4.7%	0.9
ROE	23.0%	28.8%	5.8
Total income margin	9.78%	10.06%	0.28
Net interest margin	7.05%	7.47%	0.42
Operating costs / Average assets	3.68%	3.47%	(0.21)
Cost/income ratio	37.6%	34.5%	(3.2)
Net loans to deposits (FX-adjusted)	81%	92%	11
FX rates	2020 HUF	2021 HUF	Change %
HUF/UAH (closing)	10.5	11.9	14
HUF/UAH (average)	11.4	11.1	(3)

OTP Bank Ukraine's financial figures in HUF terms were affected by the UAH/HUF exchange rate moves: by the end of 4Q 2021, the hryvnia appreciated by 14% y-o-y and by 2% q-o-q against the HUF. The UAH's annual average exchange rate weakened 3%. Therefore, the balance sheet and P&L dynamics in HUF terms differ from the ones expressed in local currency.

OTP Bank Ukraine generated HUF 39 billion after-tax profit in 2021. Most of the 49% y-o-y growth stemmed from a 30% y-o-y improvement in operating profit. This was a result of a dynamic growth in income (+24% y-o-y in HUF terms), including the outstanding 28% growth of net interest income. All this offset the 14% increase in operating expenses, which was fuelled by a hike in personnel expenses.

The Ukrainian base rate grew by a total of 300 bps, to 9% in 2021. The rising interest rate environment supported the steady improvement of net interest margin, which grew by 42 bps y-o-y, to 7.47%.

The Ukrainian operation could further improve its cost efficiency: the cost/income ratio sank by 3.2 pps y-o-y, to 34.5%, as did the ratio of operating expenses to average balance sheet total, compared to the previous year (to 3.4%). Based on average shareholders' equity and twelve-month profit in 2021, ROE was 28.8%, the highest ratio in the Group again.

Total risk costs fell 28% y-o-y, to -HUF 7.5 billion in full year 2021. The annual risk cost rate stood at 1.09%. Owing to the improved loan quality, the volume of 90 days past due loans fell by HUF 6.5 billion (FX-adjusted, without sales/write-offs).

Loan sales grew robustly in 2021. The FX-adjusted volume of performing (Stage 1+2) loans expanded by 41% last year, owing to a 50% jump in corporate loans, and a 27% surge in retail loans. Leasing activity was likewise strong in 2021, growing by 35% y-o-y. Thanks to the steady improvement in consumer loan sales, the Ukrainian bank could increase its market share in this segment, as well as in the performing corporate loan market.

While loan volumes increased, the Ukrainian operation's liquidity position remained stable; the net loan/deposit ratio remained stable at 92%.

OTP BANK RUSSIA

Performance of OTP Bank Russia

Main components of P&L account	2020 HUF million	2021 HUF million	Change %
After tax profit without the effect of adjustments	16.317	37.624	131
Income tax	(5.092)	(9.690)	90
Profit before income tax	21.409	47.313	121
Operating profit	65.068	62.368	(4)
Total income	123.198	118.158	(4)
Net interest income	99.872	91.364	(9)
Net fees and commissions	22.503	25.728	14
Other net non-interest income	823	1.066	30
Operating expenses	(58.130)	(55.790)	(4)
Total provisions	(43.659)	(15.055)	(66)
Provision for impairment on loan and placement losses	(41.160)	(13.075)	(68)
Other provision	(2.499)	(1.979)	(21)
Main components of balance sheet closing balances	**2020**	**2021**	**%**
Total assets	688,980	799,965	16
Gross customer loans	597,849	753,373	26
Gross customer loans (FX-adjusted)	656,236	753,373	15
Stage 1 + 2 customer loans (FX-adjusted)	564,686	667,347	18
Retail loans	486,612	542,886	12
Corporate loans	78,074	124,461	59
Allowances for possible loan losses	(127,598)	(131,878)	3
Allowances for possible loan losses (FX-adjusted)	(140,026)	(131,878)	(6)
Deposits from customers	350,608	411,633	17
Deposits from customers (FX-adjusted)	383,877	411,633	7
Retail deposits	315,780	307,663	(3)
Corporate deposits	68,097	103,970	53
Liabilities to credit institutions	90,852	85,485	(6)
Subordinated debt	22,580	8,842	(61)
Total shareholders' equity	183,402	240,724	31
Loan Quality	**2020**	**2021**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	447,094	576,404	29
Stage 1 loans under IFRS 9/gross customer loans	74.8%	76.5%	1.7
Own coverage of Stage 1 loans under IFRS 9	4.6%	3.8%	(0.9)
Stage 2 loan volume under IFRS 9 (in HUF million)	67,394	90,944	35
Stage 2 loans under IFRS 9/gross customer loans	11.3%	12.1%	0.8
Own coverage of Stage 2 loans under IFRS 9	43.1%	31.1%	(12.0)
Stage 3 loan volume under IFRS 9 (in HUF million)	83,361	86,025	3
Stage 3 loans under IFRS 9/gross customer loans	13.9%	11.4%	(2.5)
Own coverage of Stage 3 loans under IFRS 9	93.4%	95.1%	1.7
Provision for impairment on loan and placement losses/average gross loans	6.36%	2.05%	(4.31)
90+ days past due loan volume (in HUF million)	77,929	87,550	12
90+ days past due loans/gross customer loans	13.0%	11.6%	(1.4)
Performance Indicators	**2020**	**2021**	**pps**
ROA	2.1%	5.4%	3.3
ROE	8.9%	18.2%	9.3
Total income margin	16.03%	17.02%	0.99
Net interest margin	13.00%	13.16%	0.16
Operating costs / Average assets	7.56%	8.04%	0.47
Cost/income ratio	47.2%	47.2%	0.0
Net loans to deposits (FX-adjusted)	134%	151%	17
FX rates	**2020 HUF**	**2021 HUF**	**Change %**
HUF/RUB (closing)	4.0	4.4	10
HUF/RUB (average)	4.3	4.1	(4)

OTP Bank Russia's financial figures in HUF terms were affected by the HUF/RUB exchange rate's moves: in 4Q 2021, the rouble's closing exchange rate against the forint appreciated by 2% q-o-q, and 10% y-o-y. The annual average exchange rate weakened 4% y-o-y. Therefore, the balance sheet and the P&L dynamics in HUF terms differ from the ones expressed in local currency.

OTP Bank Russia posted HUF 37.6 billion profit in 2021, 131% more than in the base period.

The bank's operating profit in local currency stagnated from the previous year, just like operating expenses. In RUB terms, 2021 total income did not change from 2020, because the 19% y-o-y growth in net fees and commissions offset the 5% contraction in net interest income. Net interest income was adversely affected by the lower average interest rate on loans (in part because of the strong competition, partly because of regulatory reasons, partly because of composition effect), and this led to lower interest income on loans, despite growing volumes. Net interest margin crawled up y-o-y last year, partially supported by the overall decline in deposit interest expenses. The yield environment grew over the past year: the base rate increased by a total of 425 bps, to 8.5%.

Operating expenses stagnated y-o-y in RUB. The annual cost/income ratio was 47.2%, similar to the previous year.

Risk costs fell by 66% y-o-y 2021, owing to the pandemic-induced loan loss provisions set aside in the base period, the favourable portfolio quality trend in 2021, and the release of provisions owing to the revision of the IFRS 9 depreciation model parameters in 4Q 2021.

The ratio of Stage 3 loans declined by 2.5 pps, to 11.4%, while that of Stage 1 loans upped by 1.7 pps, to 76.5%. The credit risk cost ratio dropped by 4.31 pps, to 2.05% y-o-y.

The performing (Stage 1+2) loan volume expanded by 18% y-o-y (FX-adjusted), bolstered by the 12% retail and 59% corporate volume growth rates. During 2021, the composition of the portfolio shifted towards lower-margin corporate loans and car financing, while the ratio of retail consumer loans with higher risk profile dropped. New retail loan disbursements in 2021 were 28% higher y-o-y than in the previous year, while interest rates headed down.

CKB GROUP (MONTENEGRO)

Performance of CKB Group:

Main components of P&L account	2020 HUF million	2021 HUF million	Change %
After tax profit without the effect of adjustments	4,307	4,140	(4)
Income tax	(302)	(817)	170
Profit before income tax	4,609	4,957	8
Operating profit	8,353	10,240	23
Total income	22,095	22,046	0
Net interest income	17,188	16,553	(4)
Net fees and commissions	4,446	4,880	10
Other net non-interest income	461	613	33
Operating expenses	(13,743)	(11,805)	(14)
Total provisions	(3,743)	(5,283)	41
Provision for impairment on loan and placement losses	(3,434)	647	(119)
Other provision	(309)	(5,930)	
Main components of balance sheet closing balances	2020	2021	%
Total assets	477,676	513,522	8
Gross customer loans	362,067	366,369	1
Gross customer loans (FX-adjusted)	365,907	366,369	0
Stage 1+2 customer loans (FX-adjusted)	339,502	340,776	0
Retail loans	164,896	162,018	(2)
Corporate loans	174,606	178,758	2
Allowances for possible loan losses	(24,510)	(23,504)	(4)
Allowances for possible loan losses (FX-adjusted)	(24,772)	(23,504)	(5)
Deposits from customers	324,671	386,572	19
Deposits from customers (FX-adjusted)	329,051	386,572	17
Retail deposits	216,100	235,340	9
Corporate deposits	112,951	151,232	34
Liabilities to credit institutions	58,967	19,698	(67)
Total shareholders' equity	76,556	82,029	7
Loan Quality	2020	2021	%/pps
Stage 1 loan volume under IFRS 9 (in HUF million)	294,548	280,910	(5)
Stage 1 loans under IFRS 9/gross customer loans	81.4%	76.7%	(4.7)
Own coverage of Stage 1 loans under IFRS 9	1.3%	1.0%	(0.4)
Stage 2 loan volume under IFRS 9 (in HUF million)	41,390	59,866	45
Stage 2 loans under IFRS 9/gross customer loans	11.4%	16.3%	4.9
Own coverage of Stage 2 loans under IFRS 9	9.3%	6.5%	(2.8)
Stage 3 loan volume under IFRS 9 (in HUF million)	26,129	25,593	(2)
Stage 3 loans under IFRS 9/gross customer loans	7.2%	7.0%	(0.2)
Own coverage of Stage 3 loans under IFRS 9	63.9%	66.0%	2.1
Provision for impairment on loan and placement losses/average gross loans	0.99%	(0.18%)	(1.17)
90+ days past due loan volume (in HUF million)	17,538	16,472	(6)
90+ days past due loans/gross customer loans	4.8%	4.5%	(0.3)
Performance Indicators	2020	2021	pps
ROA	0.9%	0.9%	0.0
ROE	6.0%	5.2%	(0.7)
Total income margin	4.70%	4.62%	(0.08)
Net interest margin	3.65%	3.47%	(0.18)
Operating costs / Average assets	2.92%	2.48%	(0.45)
Cost/income ratio	62.2%	53.5%	(8.6)
Net loans to deposits (FX-adjusted)	104%	89%	(15)
FX rates	2020 HUF	2021 HUF	Change %
HUF/EUR (closing)	365.1	369.0	1
HUF/EUR (average)	351.2	358.5	2

In full year 2021, the Montenegrin **CKB Group** generated HUF 4.1 billion adjusted profit, which marked a 4% y-o-y decrease compared to the base period.

The twelve-month operating profit grew by 23% y-o-y as operating expenses fell by 14%, while income was stable. One reason for the lower operating expenses was the synergies from the merger of the acquired Podgoricka banka: average headcount fell by 155 y-o-y, and the number of branches dropped to 34, from 48 at the end of 3Q 2020. Marketing, real estate-related, and hardware costs also subsided. Thus, the twelve-month cost/income ratio (53.5%) improved by 8.6 pps y-o-y.

Full-year total income declined by 1% in local currency: owing to the narrowing margins the net interest income fell 5%, while net fees and commissions grew by 8% as tourism re-started and business activity intensified.

Total risk cost in 2021 increased 41% y-o-y, primarily due to other risk costs generated in relation to an operational risk event.

Performing (Stage 1+2) loans stayed flat y-o-y (FX-adjusted). In y-o-y comparison: cash loan disbursement grew by 11%, while mortgage loans increased by 27%.

In full year 2021, the volume of DPD90+ loans dropped by HUF 0.3 billion (FX-adjusted, without sales and write-offs). The DPD90+ ratio (4.5%) declined 0.3 pp y-o-y, simultaneously with the sale/write-off of the HUF 1 billion) worth of non-performing loans in 2021. At the end of 2021, the ratio of Stage 3 loans was 7.0% (-0.2 pp y-o-y); their own coverage stood at 66%.

The FX-adjusted deposit book expanded by 17% y-o-y. The net loan/deposit ratio stood at 89% at the end of the year (-15 pps y-o-y).

At the end of December 2021, the total market share of OTP Group's Montenegrin operation by balance sheet total was 26.8%. The Bank retained its market leading position in Montenegro.

OTP BANK ALBANIA

Performance of OTP Bank Albania:

Main components of P&L account	2020 HUF million	2021 HUF million	Change %
After tax profit without the effect of adjustments	1,959	5,522	182
Income tax	(489)	(986)	102
Profit before income tax	2,448	6,508	166
Operating profit	5,904	7,213	22
Total income	11,597	13,398	16
Net interest income	9,824	10,619	8
Net fees and commissions	1,278	1,843	44
Other net non-interest income	495	936	89
Operating expenses	(5,693)	(6,186)	9
Total provisions	(3,455)	(705)	(80)
Provision for impairment on loan and placement losses	(2,515)	(880)	(65)
Other provision	(940)	175	(119)
Main components of balance sheet closing balances	2020	2021	%
Total assets	286,606	350,848	22
Gross customer loans	180,815	219,890	22
Gross customer loans (FX-adjusted)	185,390	219,890	19
Stage 1+2 customer loans (FX-adjusted)	179,767	212,699	18
Retail loans	83,135	84,207	1
Corporate loans	93,097	124,691	34
Leasing	3,536	3,801	7
Allowances for possible loan losses	(8,089)	(10,096)	25
Allowances for possible loan losses (FX-adjusted)	(8,285)	(10,096)	22
Deposits from customers	214,808	251,270	17
Deposits from customers (FX-adjusted)	220,322	251,270	14
Retail deposits	184,605	210,200	14
Corporate deposits	35,717	41,070	15
Liabilities to credit institutions	37,151	53,257	43
Total shareholders' equity	28,781	35,134	22
Loan Quality	2020	2021	%/pps
Stage 1 loan volume under IFRS 9 (in HUF million)	143,701	191,308	33
Stage 1 loans under IFRS 9/gross customer loans	79.5%	87.0%	7.5
Own coverage of Stage 1 loans under IFRS 9	1.3%	1.2%	0.0
Stage 2 loan volume under IFRS 9 (in HUF million)	31,620	21,391	(32)
Stage 2 loans under IFRS 9/gross customer loans	17.5%	9.7%	(7.8)
Own coverage of Stage 2 loans under IFRS 9	10.4%	11.4%	1.0
Stage 3 loan volume under IFRS 9 (in HUF million)	5,494	7,190	31
Stage 3 loans under IFRS 9/gross customer loans	3.0%	3.3%	0.2
Own coverage of Stage 3 loans under IFRS 9	54.2%	73.3%	19.1
Provision for impairment on loan and placement losses/average gross loans	1.55%	0.46%	(1.08)
90+ days past due loan volume (in HUF million)	3,984	3,624	(9)
90+ days past due loans/gross customer loans	2.2%	1.6%	(0.6)
Performance Indicators	2020	2021	pps
ROA	0.7%	1.8%	1.1
ROE	7.3%	17.6%	10.3
Total income margin	4.32%	4.43%	0.11
Net interest margin	3.66%	3.51%	(0.15)
Operating costs / Average assets	2.12%	2.05%	(0.08)
Cost/income ratio	49.1%	46.2%	(2.9)
Net loans to deposits (FX-adjusted)	80%	83%	3
FX rates	2020 HUF	2021 HUF	Change %
HUF/ALL (closing)	3.0	3.1	4
HUF/ALL (average)	2.8	2.9	3

On 6 December 2021, OTP Bank announced to purchase a 100% stake in Alpha Bank Albania, for EUR 55 million, which corresponds to a price / end of 2020 book value of 0.7. The closure of the transaction is expected in 2Q 2022, depending on regulatory approvals, therefore Alpha Bank Albania's figures were not consolidated until the end of 2021.

OTP Bank Albania generated HUF 5.5 billion after-tax profit in full year 2021; it has nearly tripled y-o-y.

In 2021, operating profit grew by 22% y-o-y, supported by 16% expansion in total income, while operating expenses increased by 9%.

The 8% expansion in annual net interest income was driven by volume growth, while interest margin narrowed. The 44% y-o-y jump in annual net fees and commissions can be put down to higher fee income from bank card transactions and from loan-related fees. The reason for the y-o-y jump in other net non-interest income was a technical one: the full-year revaluation gain on foreign currency-denominated provisions due to exchange rate fluctuations was reclassified from risk costs to other income in 3Q. This move is neutral to the net result, and the presentation of this item is thus in line with the practice of the Group's other subsidiaries.

The 9% y-o-y jump in annual operating expenses was influenced by higher personnel cost and depreciation, as well as rising supervisory fees among other expenses.

Annual total credit risk cost amounted to -HUF 0.7 billion, in 80% y-o-y slump.

In full year 2021, the volume of DPD90+ loans (FX-adjusted, without sales and write-offs) dropped by HUF 0.4 billion.

The ratio of Stage 3 loans upped by 0.2 pp y-o-y to 3.3% by the end of 2021. The own provision coverage of Stage 3 loans increased by 19.1 pps y-o-y to 73.3%. The ratio of Stage 2 loans dropped by 7.8 pps y-o-y; their own provision coverage was 11.4% at the end of 2021.

The FX-adjusted performing (Stage 1+2) loan volume expanded by 18% y-o-. In the third quarter of 2021, group-level definitions were introduced for MSE and large corporate loans. As a result, some volumes were reclassified between the two categories in the third quarter.

The net loan/deposit ratio stood at 83% at the end of December 2021.

Based on its balance sheet total, the market share of OTP's Albanian operation was 6.4% at the end of December 2021; this ranks it the fifth biggest bank in the country.

OTB BANK MOLDOVA

Performance of OTB Bank Moldova:

Main components of P&L account	2020 HUF million	2021 HUF million	Change %
After tax profit without the effect of adjustments	3,973	5,858	47
Income tax	(540)	(802)	48
Profit before income tax	4,513	6,660	48
Operating profit	7,707	7,835	2
Total income	14,596	15,271	5
Net interest income	8,889	9,698	9
Net fees and commissions	2,137	2,344	10
Other net non-interest income	3,570	3,230	(10)
Operating expenses	(6,889)	(7,437)	8
Total provisions	(3,193)	(1,175)	(63)
Provision for impairment on loan and placement losses	(2,695)	(663)	(75)
Other provision	(499)	(512)	3
Main components of balance sheet closing balances	2020	2021	%
Total assets	249,921	310,511	24
Gross customer loans	132,081	166,573	26
Gross customer loans (FX-adjusted)	138,650	166,573	20
Stage 1+2 customer loans (FX-adjusted)	134,504	163,525	22
Retail loans	72,740	90,473	24
Corporate loans	58,146	69,231	19
Leasing	3,618	3,820	6
Allowances for possible loan losses	(4,578)	(5,020)	10
Allowances for possible loan losses (FX-adjusted)	(4,804)	(5,020)	5
Deposits from customers	203,176	247,610	22
Deposits from customers (FX-adjusted)	213,302	247,610	16
Retail deposits	139,838	160,603	15
Corporate deposits	73,465	87,008	18
Liabilities to credit institutions	5,906	15,886	169
Total shareholders' equity	37,287	42,701	15
Loan Quality	2020	2021	%/pps
Stage 1 loan volume under IFRS 9 (in HUF million)	121,459	153,157	26
Stage 1 loans under IFRS 9/gross customer loans	92.0%	91.9%	0.0
Own coverage of Stage 1 loans under IFRS 9	1.1%	1.3%	0.1
Stage 2 loan volume under IFRS 9 (in HUF million)	6,670	10,368	55
Stage 2 loans under IFRS 9/gross customer loans	5.1%	6.2%	1.2
Own coverage of Stage 2 loans under IFRS 9	19.5%	13.6%	(5.9)
Stage 3 loan volume under IFRS 9 (in HUF million)	3,952	3,048	(23)
Stage 3 loans under IFRS 9/gross customer loans	3.0%	1.8%	(1.2)
Own coverage of Stage 3 loans under IFRS 9	48.0%	54.3%	6.3
Provision for impairment on loan and placement losses/average gross loans	2.23%	0.46%	(1.76)
90+ days past due loan volume (in HUF million)	2,109	2,164	3
90+ days past due loans/gross customer loans	1.6%	1.3%	(0.3)
Performance Indicators	2020	2021	pps
ROA	1.7%	2.2%	0.5
ROE	10.7%	15.2%	4.5
Total income margin	6.24%	5.86%	(0.39)
Net interest margin	3.80%	3.72%	(0.08)
Operating costs / Average assets	2.95%	2.85%	(0.09)
Cost/income ratio	47.2%	48.7%	1.5
Net loans to deposits (FX-adjusted)	63%	65%	2
FX rates	2020 HUF	2021 HUF	Change %
HUF/MDL (closing)	17.3	18.4	6
HUF/MDL (average)	17.8	17.2	(4)

In full year 2021, **OTP Bank Moldova** contributed to OTP Group's performance by HUF 5.9 billion profit. This is consistent with 47% y-o-y improvement, mostly caused by lower risk costs. ROE rose by 4.5 pps, to 15.2% in 2021.

In 2021 operating profit rose by 2% y-o-y, driven by a 5% increase in total income; operating expenses surged 8%. Of core banking incomes, net interest income grew by 9% and net fees jumped by 10% y-o-y, which was related to revenues from cash and card transactions.

Other net non-interest income dropped by 6% y-o-y in local currency, owing to lower gains on foreign currency exchange in 2021.

The 8% y-o-y rise in twelve-month operating expenses was caused by fees paid to supervisory authorities[12], as well as by the 8% increase in average headcount, and the resulting higher personnel expenses.

In 2021, total risk cost fell by 63% y-o-y, as a result of the base effect of the loan loss provisions necessitated by the pandemic in 2020.

In full-year 2021, the DPD90+ loan portfolio stagnated (FX-adjusted, without the impact of sales and write-offs). The ratio of Stage 3 loans was 1.8% (-1.2 pps y-o-y) at the end of 2021. The own provision coverage of Stage 3 loans was 54.3%.

In 2021 the FX-adjusted stock of performing (Stage 1+2) loans expanded by 22% y-o-y. Within that, retail loans jumped by 24%, and corporate loans surged by 19%. In the third quarter of 2021, group-level definitions were introduced for MSE and large corporate loans. As a result, some volumes were reclassified between the two categories.

The FX-adjusted deposit volume grew by 16% y-o-y. The net loan/deposit stood at 65% at the end of December, which is consistent 2 pps y-o-y growth.

Based on total assets, the market share of OTP's Moldavian operation was 14.2% at the end of December 2021; this ranks it the third biggest bank in Moldova.

[12]In 2021, payments were made not only the Deposit Protection Fund, but also to the Resolution Fund established in 2020, which had stipulated lower contribution in the base period.

STAFF LEVEL AND OTHER INFORMATION

	31/12/2020				31/12/2021			
	Branches	ATM	POS	Headcount (closing)	Branches	ATM	POS	Headcount (closing)
OTP Core	**362**	**1,920**	**125,800**	**10,189**	**356**	**1,906**	**135,901**	**10,506**
DSK Group (Bulgaria)	334	1,094	14,329	5,619	311	1,046	15,580	5,539
OBH (Croatia)	124	488	11,037	2,228	114	467	11,384	2,279
OTP Bank Serbia	217	323	16,657	3,022	187	298	15,038	2,707
SKB Banka (Slovenia)	51	83	4,167	889	49	82	4,940	864
OTP Bank Romania	95	149	6,256	1,693	95	148	7,843	1,740
OTP Bank Ukraine (w/o employed agents)	86	161	402	2,313	85	176	293	2,341
OTP Bank Russia (w/o employed agents)	135	224	704	5,127	134	220	607	4,992
CKB Group (Montenegro)	34	115	6,421	514	34	117	7,251	517
OTP Bank Albania	38	80	0	447	39	86	0	454
OTP Bank Moldova	54	148	0	830	51	151	0	899
Foreign subsidiaries, total	**1,168**	**2,865**	**59,973**	**22,681**	**1,099**	**2,791**	**62,936**	**22,332**
Other Hungarian and foreign subsidiaries				557				568
OTP Group (w/o employed agents)				**33,427**				**33,406**
OTP Bank Russia - employed agents				4,402				3,783
OTP Bank Ukraine - employed agents				618				657
OTP Group (aggregated)	**1,530**	**4,785**	**185,773**	**38,447**	**1,455**	**4,697**	**198,837**	**37,846**

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. 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 an 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 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 and the Board of Directors, 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.

IT Controls

Applications are developed by both in-house group resources and by third parties. OTP Bank applies administrative, logical and physical control measures commensurate with the risk 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;
- user authentication, authorisation and password management processes are controlled by policies and audited;
- the systems have well-separated test and development environments, which ensures that program developments or modifications are only 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;

- the IT systems that store and process data are regularly backed up and stored in controlled premises with adequate protection for long-term retention, and the organisation carries out regular back-up tests
- adequate redundancy is applied for IT systems that store and process data to ensure business continuity and disaster resiliency;
- has developed a BCP for critical systems and processes, which is regularly tested and reviewed;
- the Bank collects and retains the complete log of all data processing activities and the confidentiality, availability, integrity 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 solution to reduce the risk of data loss;
- it ensures the continuous monitoring of the operation of the physical and virtual environment system elements, and the detection and management of events, where possible automatically;
- 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 the irretrievable 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;
- it ensures that its employees have adequate knowledge of data protection requirements and provides regular data protection and information security 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.

In view of the situation caused by the epidemic, on 22 February 2021 the Parliament voted Act I of 2021 on the prevention of the coronavirus pandemic, which extended the scope of the Government Decree 502/2020 (XI.16.) (Government Decree) until 22 May 2021. Pursuant to such, in line with Section 9 of the Government Decree, the resolutions on the published agenda items were passed by OTP Bank Plc's Board of Directors acting in the competence of the General Meeting on 16 April 2021.

The Extraordinary General Meeting was held on 15 October 2021 in accordance with the general rules, traditionally, with the personal participation of the shareholders, subject to Section 3 (1) of the Government Decree, also in line with the Act I of 2021 on the prevention of the coronavirus pandemic.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The membership of the Board of Directors ceases to exist by

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 2021			31 December 2021		
	Ownership share	Voting rights[1]	Quantity	Ownership share	Voting rights[1]	Quantity
Domestic institution/company	20.93%	21.26%	58,605,628	26.66%	26.97%	74,637,180
Foreign institution/company	71.60%	72.73%	200,480,153	66.69%	67.47%	186,733,858
Domestic individual	4.79%	4.87%	13,424,090	4.57%	4.63%	12,805,389
Foreign individual	0.11%	0.12%	319,346	0.11%	0.12%	319,712
Employees, senior officers	0.85%	0.87%	2,393,390	0.69%	0.70%	1,941,018
Treasury shares[2]	1.55%	0.00%	4,334,140	1.16%	0.00%	3,251,484
Government held owner	0.08%	0.08%	219,800	0.07%	0.07%	188,326
International Development Institutions	0.04%	0.04%	108,981	0.04%	0.04%	120,871
Other[3]	0.04%	0.04%	114,482	0.00%	0.00%	2,172
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 2021 ESOP owned 7,656,897 OTP shares.
[3] Non-identified shareholders according to the shareholders' registry.

NUMBER OF TREASURY SHARES HELD IN THE YEAR UNDER REVIEW (2021)

	1 January	31 March	30 June	30 September	31 December
OTP Bank	4,334,140	4,330,609	1,120,786	1,077,322	3,251,484
Subsidiaries	0	0	0	0	0
TOTAL	4,334,140	4,330,609	1,120,786	1,077,322	3,251,484

SHAREHOLDERS WITH OVER/AROUND 5% STAKE AS AT 31 DECEMBER 2021

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%**	**8.67%**	**-**
KAFIJAT Group	**D**	**C**	**19,661,409**	**7.02%**	**7.10%**	**-**
KAFIJAT Ltd.	D	C	9,839,918	3.51%	3.56%	-
MGTR Alliance Ltd.	D	C	9,836,491	3.51%	3.55%	-
Groupama Group	**F/D**	**C**	**14,311,769**	**5.11%**	**5.17%**	**-**
Groupama Gan Vie SA	F	C	14,140,000	5.05%	5.11%	-
Groupama Biztosító Ltd.	D	C	171,769	0.06%	0.06%	-

[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 2021

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	293,907
IT	Tamás Erdei	Deputy Chairman	27/04/2012	2026	32,285
IT	Gabriella Balogh	member	16/04/2021	2026	1,393
IT	Mihály Baumstark	member	29/04/1999	2026	44,000
IT	Péter Csányi	member, Deputy CEO	16/04/2021	2026	1
IT	dr. István Gresa	member	27/04/2012	2026	173,258
IT	Antal Kovács	member, Deputy CEO	15/04/2016	2026	79,244
IT	György Nagy [3]	member	16/04/2021	2026	0
IT	dr. Márton Gellért Vági	member	16/04/2021	2026	0
IT	dr. József Vörös	member	15/05/1992	2026	171,114
IT	László Wolf	member, Deputy CEO	15/04/2016	2026	532,143
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	344
FB	dr. Tamás Gudra	member	16/04/2021	2023	0
FB	András Michnai	member	25/04/2008	2023	100
FB	Olivier Péqueux	member	13/04/2018	2023	0
SP	László Bencsik	Deputy CEO			10,038
SP	György Kiss-Haypál	Deputy CEO			3,137
TOTAL No. of shares held by management:					**1,341,018**

[1] Employee in strategic position (SP), Board Member (IT), Supervisory Board Member (FB)
[2] Number of OTP shares owned by Dr. Sándor Csányi directly or indirectly: 4,080,034
[3] Number of OTP shares owned by György Nagy directly or indirectly: 600,000

Committees[13]

Members of the Board of Directors
Dr. Sándor Csányi – Chairman
Mr. Tamás Erdei – Deputy Chairman
Mrs. Gabriella Balogh[14]
Mr. Mihály Baumstark
Dr. Tibor Bíró[15]
Mr. Péter Csányi[6]
Dr. István Gresa
Mr. Antal Kovács
Mr. György Nagy[6]
Dr. Antal Pongrácz[7] [15]
Dr. László Utassy[7]
Dr. Márton Gellért Vági[6]
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[16]
Mr. András Michnai
Mr. Olivier Péqueux
Dr. Márton Gellért Vági[17]

Members of the Audit Committee
Dr. József Gábor Horváth – Chairman
Mr. Tibor Tolnay – Deputy Chairman
Dr. Tamás Gudra[18]
Mr. Olivier Péqueux
Dr. Márton Gellért Vági[19]

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

Personal and organizational changes

On 12 March 2021, the labour contract of Mr. Tibor Johancsik, Deputy CEO in charge of IT had been terminated by mutual agreement. The new head of the Digital Division (IT Division until 1 May 2021) is Mr. Péter Csányi, who had been in charge of digital developments and sales as managing director until his appointment. Key task of the area in transition is going to be the efficient support of the Bank's digital transformation through further improving customer experience. The new strategy of the division is aimed at creating such an IT that has business competence, but also serving as a platform for other business areas while setting the pace of digitalization in accordance with the National Bank of Hungary's digital recommendations.

On 16 April 2016 the Board of Directors acting in the competency of the Annual General Meeting elected Ernst & Young Ltd. as the Bank's auditor concerning the audit of OTP Bank Plc.'s separate and consolidated annual financial statements in accordance with International Financial Reporting Standards for the year 2021, from 1 May 2021 until 30 April 2022.

On 16 April the Board of Directors acting in the competency of the Annual General Meeting, elects Dr. Tamás Gudra as member of the Supervisory Board (SB) and of Audit Committee (AC) of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

[13] Personal changes can be found in the „Personal and organizational changes" chapter.
[14] From 16 April 2021, she is a member of the Board of Directors of OTP Bank Plc.
[15] His term of office expired on 16 April 2021.
[16] From 16 April 2021, he is a member of the Supervisory Board of OTP Bank Plc.
[17] His position on the Supervisory Board was terminated on 16 April 2021.
[18] From 16 April 2021, he is a member of the Audit Committe of OTP Bank Plc.
[19] His position on the Audit Committee was terminated on 16 April 2021.

On 16 April 2021 the Board of Directors acting in the competency of the Annual General Meeting, elects

Dr. Sándor Csányi
Mr. Antal György Kovács
Mr. László Wolf
Mr. Tamás György Erdei
Mr. Mihály Baumstark
Dr. István Gresa
Dr. József Zoltán Vörös
Mr. Péter Csányi
Mrs. Gabriella Balogh
Mr. György Nagy
Dr. Gellért Márton Vági

as members of the Board of Directors (BoD) of the Company until the Annual General Meeting of the Company closing the 2025 business year, but not later than 30 April 2026.

On 16 April 2021, Dr. Sándor Csányi was elected as Chairman of the Bank's Board of Directors and in accordance with subsection 4 of section 9 of the Articles of Association of the Company as Chief Executive Officer (Chairman & CEO).

Dr. Sándor Csányi performs his duties until the closing AGM of the fiscal year 2025 but latest until 30 April 2026.

On 16 April 2021 Mr. Tamás György Erdei, the member of the Board of Directors, was elected a Deputy Chairman of the Board of Directors.

Mr. Tamás György Erdei performs his duties until the closing AGM of the fiscal year 2025 but latest until 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 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 9, the Supervisory Board held 6 meetings, while the Audit Committee held 2 meetings in 2021. In addition, resolutions were passed by the Board of Directors on 180, by the Supervisory Board on 90 and by the Audit Committee on 28 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.

ENVIRONMENTAL POLICY, ENVIRONMENTAL PROJECTS

OTP Group is committed to the protection of the environment, the combating of climate change and its impacts, and the preservation and low-impact use of natural resources. OTP Bank's environmental activities are regulated in its Environmental Regulation, which is revised annually. The Regulation ensures legal compliance and the consideration and integration of environmental criteria into the Bank's business operations in order to minimise the environmental impacts of operating and maintaining the Bank's organisation. It also sets out the rules on implementing the principles of sustainable procurement. OTP Group members operate in full compliance with environmental legislation and received no fines in 2020.

In CDP's Climate Change Questionnaire, OTP Group was rated at B- in 2021, thus retaining its previous rating.

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

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

Energy consumption and business travel

OTP Group uses state-of-the-art technology in new construction and renovation projects; we are also continually expanding our use of LED lighting technology. We are constantly seeking opportunities to increase energy efficiency, by analysing the energy efficiency and consumption characteristics of our buildings. As part of our renovation process, we are replacing air conditioning units, always ensuring that the new units use environmentally-friendly coolants. Thanks to its energy efficiency investments in 2021, OTP Bank consumed 1,400 GJ less energy.

Whenever a branch of the parent bank is renovated, we always examine the possibility of installing solar panels and heat pumps. In 2021, we installed solar panels at two branches and a holiday resort. Our systems generated a total of 842 GJ energy from solar power. Moreover, our central archives facility has been using geothermal energy for several years, amounting to 3,499 GJ in 2021. The solar panels of our subsidiaries generated a total of 893 GJ of solar power. We are committed to using green electricity. One of DSK Bank's data centres in Sofia procures electricity from 100% renewable sources, and from 2022, we will cover 100% of the electricity demand of the parent bank and our Serbian and Croatian subsidiaries in the same way.

Energy use across the Banking Group has been greatly impacted by the pandemic. Regarding ventilation and fresh air in our buildings, air recirculation was suspended and ventilation was intensified instead, which increased our energy usage; however, the high percentage of staff working from home reduced our electricity consumption.

The number of business trips and the size of the vehicle fleet are determined by the needs of the business. Our Group's vehicle policy sets carbon limits; moreover, the choice of cars includes environmentally-friendly vehicles in all vehicle categories. In 2021, our Romanian subsidiary purchased two electric cars, our Bulgarian bank seven and our Croatian bank three hybrid cars. The number of kilometres travelled also decreased at group level and for OTP Bank, partly due to the measures related to the pandemic and partly due to business reasons. The amount of business travel has been reduced significantly by the use of online meetings, which has become common practice due to hybrid work.

Our existing bicycle storage facilities continued to be available to both customers and employees in 2021. OTP Bank provided new storage facilities at three branches and the new Record Office, our Bulgarian and Ukrainian subsidiaries have each created new bicycle storage spaces at two locations, while the Albanian bank provided bicycle storage at five locations at the capital's branches.

Energy consumption figures are presented for OTP Bank. The bank's overall energy consumption decreased by 5% compared to the previous year. Energy consumption per capita is unchanged.

Volume of energy consumption, OTP Bank	2020	2021
Total energy consumption (GJ)	251,730[1]	263,228
Per capita energy consumption (GJ)	26.75	26.75

Energy consumption data are derived from readings; the measured consumption volumes are converted to energy using local average calorific values

The projection of the per capita value is the average number of full-time employees (TMD).

[1] Data adjusted for the consumption of Monicomp merged into OTP Bank, which was not available at the time of the previous year's statement.

Efforts to reduce paper use

OTP Group has been consistently endeavouring to reduce paper use and printing. OTP Bank reduced its office paper usage by 17% over 2020, with the pandemic and increased rates of working from home playing a significant role in this development. Thanks to a change in printing technology, paper consumption decreased by 6.5%; however, at the group level, there was no further decrease compared to the drop in 2020. At our Romanian, Ukrainian and Russian subsidiaries, the use of paper has decreased with the expansion of digital processes.

OTP Bank and its Romanian subsidiary increased its share of recycled paper in paper use. OTP Bank uses FSC-certified paper for its invoices and marketing flyers, as well as recycled paper for DM letters. Our Serbian subsidiary also uses FSC-certified paper and our Slovenian subsidiary PEFC-certified paper.

Paper usage quantities, OTP Bank	2020	2021
Total amount of paper used (t) (office, packaging, indirect)	1.137	978
Per capita paper use (kg)[1]	121	99

[1] The projection is based on the average number of full-time employees (TMD).

Sustainable use and waste management

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

OTP Bank was the first bank in Hungary to issue a bank card made largely (85%) of recycled plastic. The card was available to junior customers, and we issued 50,000 recycled cards to our customers over the year.

In 2021, our Serbian subsidiary reduced its purchases of plastic packaging products and began using paper cups for water dispensers. Our Romanian, Croatian, Serbian, Montenegrin and Moldovan subsidiaries also use refilled toners to reduce waste from the use of toners and ink cartridges.

All members of OTP Group collect and manage hazardous waste and paper containing business secrets selectively, in compliance with the relevant laws and regulations. The selective collection of non-confidential paper waste, PET bottles and glass is available in the head office buildings of OTP Bank, while the collection of packaging metal has also been available since 2021. During the year, we also set up selective waste collection in ten bank branches. Our Ukrainian subsidiary operates selective paper collection at its head office building. Our Serbian subsidiary collects paper waste selectively in its branches and head office buildings. Our Albanian subsidiary collects paper waste selectively. Our Romanian subsidiary collects all paper, metal, glass and plastic selectively. Our Slovenian subsidiary also collects communal waste selectively (including biodegradable food waste). Our Croatian subsidiary has collected paper and plastic waste selectively for years, and from 2021, metal and glass waste will also be collected separately. DSK Bank operates selective waste collection at its sites in Sofia and Varna and has expanded the selective collection of paper waste during the year. Our Montenegrin subsidiary has introduced selective paper waste collection at its head office and its archives facility.

Awareness-raising

Most members of our Banking Group have a tradition of raising awareness and taking joint action to protect environmental and natural resources. In 2021, we supported several environmental initiatives and encouraged the environmentally conscious behaviour of our employees.

OTP Bank and OTP Bank Serbia have joined the Mastercard Priceless Planet Coalition, launched in 2020, and are participating in a campaign that encourages consumers to protect the environment and actively contribute to this goal themselves. The Priceless Planet Coalition aims to preserve the environment through the restoration of 100 million trees over five years and to help mitigate the adverse effects of climate change. By 2022, three afforestation sites have been selected in Kenya, Brazil and Australia, but more will be added later. OTP Bank has supported the Priceless Planet Coalition with a donation of 100,000 euros, while our Serbian subsidiary has committed to planting a tree for each bank account opened.

DSK Bank was the first bank in Bulgaria to join the Mastercard Wildlife Impact Card programme. The bank and Mastercard support the issuance of all Mastercard Wildlife Impact cards with one dollar spent on protecting and restoring natural habitats. The credit card is made of environmentally friendly material.

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

Our Croatian subsidiary also supported the "Drop into the Sea" ecological action of the Telašćica Nature Reserve, which drew attention to the threat to marine ecosystems and fish stocks due to increasing amounts of waste. The bank also supported Ekotlon, the biggest plogging competition. In addition to collecting litter, the event also supported a kindergarten with eco-equipment purchased from its registration fees.

Generator (Gamechanger), our Serbian subsidiary's local start-up programme, launched the Generator Zero competition in 2021, specifically seeking and rewarding innovative solutions to reduce its carbon footprint. Organisations had until the end of the year to apply for the competition, and the winner will receive mentoring for further development and promotion in addition to the cash prize. Ten finalists were selected from the 72 projects nominated.

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

- To promote environmental awareness, we wrote about the reduction in paper use and disposable plastics in the OTP Bank's online magazine.
- Our Croatian subsidiary has reduced its use of plastics and implemented even more responsible waste management in three cities under the "Green Way to Green" programme.
- Our Serbian bank has launched an awareness-raising initiative among employees to increase environmentally and business-friendly behaviour and reduce CO_2 emissions. The bank also supported the Green Serbia 2021 campaign, which planted trees in ten cities.
- In order to make employees more sensitive to the environment, our Slovenian subsidiary bank organised a workshop and presentation for managers and e-learning for employees. In 2021, the Bank joined the Slovenian Green Network, which brings together more than 400 companies, educational institutions, institutes and other organisations with a variety of projects for sustainable development and social responsibility.
- Our Ukrainian subsidiary has joined the "Batteries, inward" campaign, in which used batteries are collected and delivered to a recycling plant in Romania. The bank sent more than 200 kg of batteries to be recycled.
- Following its energy renovations, our Montenegrin subsidiary will also train its employees in the energy-conscious use of the systems.

NON-FINANCIAL STATEMENT – OTP BANK PLC.

The social, environmental and wider economic performance and impacts of OTP Group are also reported in its dedicated Sustainability Report. The Sustainability Report for 2021 is a group-level report that meets the GRI (Global Reporting Initiative) Standard and is certified by an independent third party. It is available as a digital version on OTP Bank's website. The information in this chapter is provided in order to comply with the Accounting Act, while also aiming to keep the duplication of information to a minimum. Information concerning environmental protection and climate change is provided mainly in the chapter on environmental Policy and Environmental Protection Measures.

OTP Bank is committed to ethical business conduct in all respects; our principles are set out in our Code of Ethics, which is binding for all our employees and agents. Our financial services and operations have significant social and environmental impacts; thus, our objective is to manage risks responsibly while taking advantage of opportunities and delivering positive outcomes.

In 2021, OTP Bank signed the UN Environment Programme Finance Initiative (UNEP FI), a framework for the sustainable banking sector. The Principles are the leading framework for ensuring that banks' strategy and practice align with the vision society has set out for its future in the UN Sustainable Development Goals and the Paris Climate Agreement. Banks who have signed the Principles commit to be ambitious in their sustainability strategies, working to mainstream and embed sustainability into the heart of their business.

The integration of sustainability is supported by a strong organisational background, which was completed in 2021. The ESG transformation covers both OTP Bank and its subsidiaries and is managed by an ESG Committee established by the Board of Directors. The Committee is the decision-making body responsible for ESG strategy, plans and policies and for supporting the Bank's governing bodies in the performance of ESG tasks. The Chairman of the Committee is appointed by the Board of Directors. The ESG Committee has established an ESG Operational Subcommittee, which provides operational support to the ESG Committee and help in the preparation of decisions. The head of the Subcommittee - also the head of ESG Business Transformation - is the Director of the Green Programme Directorate. The three key areas of ESG integration are ESG business transformation, ESG risk management and ESG control function.

The ESG Strategy of the OTP Group was approved by the Management Committee in 2021. The OTP Group wishes to play a leading role regionally in financing a fair and gradual transition to a low-carbon economy as well as building a sustainable future by offering balanced financing opportunities. 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. The strategy covers the period up to 2024, and our goal is to achieve full ESG integration at group level.

Green Finance

We have taken significant steps towards exploiting the potential of green finance. Green mortgage loans (distributed by OTP Bank, and held in the balance sheet of OTP Mortgage Bank) and green covered bonds (issued by OTP Mortgage Bank) help achieve real estate goals for sustainability. OTP Mortgage Bank has set the strategic goal of increasing the proportion of green loans within new loan disbursements and has also created a framework for green mortgage bonds. The bank was the first in the domestic market to issue a green mortgage bond, building on the Hungarian National Bank's (NBH) green mortgage purchase programme. The company issued securities with a total nominal value of HUF 95 billion in 2021, so in addition to the previously disbursed green loans, the company also provided funds to finance the green loans to be disbursed after the issue.

The Mortgage Bank publishes the most important financial and environmental impact data relating to mortgage bonds annually. The first report presenting information for the year 2021 will be published at the same time as the company's annual report.

The NBH Green Home Programme was launched in the second half of 2021 as part of the Growth Loan Programme. These loans with a maximum interest rate of 2.5% help customers buy and build energy-efficient new homes. Under the programme, the Hungarian National Bank provides refinancing sources to credit institutions at 0% interest rates, provided that the energy requirements for the financed property are met. The central bank provides a total of HUF 200 billion in funds for the programme. We experienced interest in this loan structure that exceeded expectations, and by the end of 2021, our bank group had concluded contracts in the amount of HUF 20.1 billion and disbursed loans in the amount of HUF 4.9 billion.

Loan products of the Hungarian Development Bank (MFB) financed by both EU and from MFB's own sources were still available at OTP Bank in 2021. The population had access to preferential loans through these structures in order to implement energy improvements. During the year, we entered into loan agreements amounting to HUF 5 billion, accounting for 7% of all loans contracted through MFB Points.

We have developed four new products for corporate lending to help meet renewable energy production, electro-mobility, green agricultural goals and high-energy office investments. The total amount of loans cleared under the green housing, corporate and municipal capital relief programme provided by the NBH in OTP Bank is approximately HUF 74.5 billion.

A significant proportion of green loans comprise projects for the utilisation of renewable energy sources within the framework of project financing. Renewable energy projects represent a considerable share of green lending in our project financing. In 2021, we signed contracts for eight new projects at OTP Group level in the amount of HUF 81.5 billion, a significant increase compared to previous years. The projects are located in Hungary, Bulgaria, Romania and Croatia, and the financing was partly implemented with the involvement of the subsidiaries. The projects generated 1,175 MW of renewable capacity, but funding is not always provided by OTP Group alone. At group level, the project financing portfolio related to renewable energy projects had reached HUF 84.2 billion by the end of the year, of which OTP Bank's share was HUF 57.8 billion.

In 2021, loans promoting energy efficiency, the use of renewable energy and e-mobility were available from our subsidiaries in Croatia, Romania, Montenegro, Albania and Moldova.

Our goal for 2025 is to have green products available in all segments for OTP Core, while the development of green financing plans at subsidiaries will take place in 2022. OTP Bank plans to issue green bonds in 2022 to finance group-level projects.

The purpose of the OTP Fund Management OTP Climate Change 130/30 Fund is to provide investment opportunities in the shares of developed and emerging market companies that may be the winners of directives, legal regulations and economic policy changes aimed at mitigating the effects of climate change. The net asset value of the Fund at the end of 2021 was HUF 36.3 billion. In 2021, together with the OTP Omega Fund, we started to amend the management regulations of the OTP Climate Change 130/30 Fund in order to meet the criteria of a fund promoting environmental or social characteristics or a combination thereof, i.e. Sustainable Finance Disclosure Regulation (SFDR) Article 8.

The table below shows the disclosures of the OTP Group and banks operating in EU member states in accordance with Regulation (EU) 2020/852 (Taxonomy Regulation).

Disclosure under Article 8 Delegated art 10		
OTP Group consolidated		
Art 10 (3) a,	Eligible proportion *	0.15%
Art 10 (2) a,	Non-eligible proportion*	67.29%
Art 10 (2) b,	Proportion of derivatives *	0.93%
Art 10 (2) b,	Proportion to central gov., central bank, supranational issuer*	27.14%
Art 10 (2) c,	Proportion of non-NFRD undertakings*	8.48%
Art 10 (2)	Proportion of trading portfolio*	1.17%
Art 10 (2)	Proportion of on-demand inter-bank loans*	4.77
DSK Bank	0.41%	
OTP Bank Croatia	0.21%	
SKB Bank	0%	

Disclosure under Article 8 Delegated art 10		
OTP Bank Romania	0.11%	
Art 10 (3) d,	XI. Annex disclosures	
	Contextual information towards quantitative indivators incl. scope of assets and activities covered, data sources and limitation.	Exposures to taxonomy-eligible activities were examined among non-financial corporations. Companies covered by the NFRD were defined as listed companies with more than 500 employees based on Nace code *Excluding exposures to be excluded from the denominator of KPIs by the Regulation.
	Starting from second year of implementationonly: Explanations of the nature and objectives of Taxonomy-aligned economic activities and the evouolution of Taxonomy-aligned economic activities over time, distingiushing between business related and methodological and data-related elements.	Taxonomy elgible activities were examined. Our goals for green funding and the activities we have implemented can be found in the text pf NFRD.
	Description of the compliance with Regulation (EU) 2020/852 in the financial undertaking's business startegy, product design process and engagement with clients and counterparties.	Our goals for green funding and the activities we have implemented can be found in the text pf NFRD.
	for credit institutions that are not required to dsiclose quantitative information fo trading exposures: Quakitative information ont he alignment of trading portfolios with Regulation (EU) 2020/852, includong overall composition, trendsm objectives and policy;	Taxonomy eligible activities were examined.
	the weight of other or additional information in support of the financial undertaking's strategy and the financing of taxonomic activities in relation to their total activity.	Taxonomy eligible activities were examined. Our goals for green funding and the activities we have implemented can be found in the text pf NFRD.

Green asset ratio in corporate lending:

In relation to the mitigation and adaptation objectives of the taxonomy regulation, we have examined the corporate portfolio based on the NACE codes that can be attributed to activities in the delegated act.

OTP Bank Group's corporate lending activities are linked to environmentally sustainable economic activities in the EU Member States[20] in the followings scope:

Share of the taxonomy-adjusted corporate portfolio of EU core and subsidiary banks in total non-segmented exposures at group level: 8.3%

Share of the taxonomy-adjusted corporate portfolio of EU core and subsidiary banks in the total EU core and subsidiary corporate portfolio: 42.3%.

[20] EU core and subsidiary banks means: OTP Nyrt, DSK Banka EAD, OTP Bank Romania S.A., OTP banka Hrvatska d.d., SKB banka d.d.

ESG risk management

In order to integrate ESG aspects, comply with legal obligations and the Hungarian National Bank's Green Programme, we continued to develop our ESG lending policy in 2021. At group level, we have introduced a lending and monitoring ESG risk management framework for non-retail and non-motorised leasing assets. The framework also includes the ESG Exclusion List, which comprises activities excluded from financing by OTP Group, as well as the industry ESG risk heat map. In 2021, ESG credit risk exposure became part of internal reporting. In accordance with the Hungarian National Bank's Green Programme, we will continue to include ESG factors in the rest of the portfolio and in respect of collateral.

The purpose of ESG risk management in lending is to identify ESG risks and reduce transaction risks arising from the environmental and social risk factors associated with financing. By integrating these issues into our lending process, we are also emphasising the importance of our clients adopting excellent environmental and social practices.

We invest and lend the money deposited with us in a way ensuring that it will not serve illegal purposes, or those contrary to the values of society.

OTP Bank will not finance:

- customers whose financing is forbidden in international agreements, EU acts or national laws;
- those whose activity is likely to violate public morals or social value systems, or is connected to crime;
- those who are connected, directly or indirectly, to criminal activities or to the deliberate violation or evasion of legal;
- regulations;
- transactions classified as prohibited business sectors (e.g. the illegal arms trade, prohibited gambling, drug trade, or any other illegal activity); and
- transactions that fail to meet environmental standards.

The OTP Bank Group does not finance transactions that violate the laws of the country concerned or international law.

In accordance with our regulations, our banking group always expects and examines compliance with environmental regulations during lending. Violation of commitments and expectations is sanctioned in the framework credit agreements.

In accordance with the SFDR's expectations, we have developed an investment risk management policy for all relevant group members, so that investment risk management has been integrated into decision-making processes during investment advisory and portfolio management activities, and information on this has been provided to clients. Our statements on the integration of sustainability risks and the adverse effects of investment decisions on sustainability factors (PAIs) are available on our websites. In addition to the legal requirements, the prospectuses containing the product characteristics of the investment funds also include the ESG score calculated by the bank, helping customers make decisions and orient themselves.

We have strengthened the assessment of ESG risks in our operational risk management scenario analyses by analysing a separate scenario related to climate change, and we have also indicated the risks affected by ESG in both the risk self-assessment and the loss database.

Responsible customer service

In carrying out our financial intermediary duties we ensure that the savings of our customers remain safe at all times. Our rules guarantee that the standards of responsible lending are observed regarding the avoidance of over-indebtedness, fair, understandable, complete and attentive information provision and adequate product offers.

Our principles and guidelines on the fair treatment of customers and the compliance of consumer protection are set out in our Compliance Policy. In designing our products, we follow the principles of ethical product development. Our New Product Policy prescribes the assessment of potential risks to consumers.

We offer personalised administrative options to our customers with the highest level of service quality and continuous innovations. The coronavirus pandemic increased the use of online channels, and our Banking Group also encouraged this trend.

We use TRI*M methodology to measure the satisfaction of our retail customers. OTP Bank's client retention power increased by three points to 69 points in 2021, while the average satisfaction score among competitors also increased slightly. The average TRI*M of banks in Central Europe was 77 points.

OTP Bank's stated objective is to serve its customers without fault. In order to improve customer satisfaction, we are also continuously improving our complaint management practices. Our Complaint Management Policy, Complaint Management Regulation and a Glossary are available to view in our branches as well as on our website.

In 2021, the most typical complaints at OTP Bank were related to the payment moratorium and unapproved payment transactions. The number of both complaints and legitimate complaints decreased significantly in 2021 compared to the outstanding values of 2020, which could be attributed to the significant changes made during the year. The declining trend also prevailed at group level. In 2021, we continued to improve our complaint management practices, including expanding our complaint analysis process and the range of complaints that can be resolved immediately.

Customer complaint data, OTP Bank[1]	2020	2021
Number of warranted complaints	202,040	155,298
Ratio of warranted complaints	67%	62%
Compensation paid (HUF million)	84[2]	36

[1] Includes data from OTP Housing Savings and OTP Mortgage Bank.
[2] Corrected data.

Our objective is to provide equal access for persons living with disability, through services adapted to their special needs, in line with the Accessibility Strategy of OTP Bank. Accessibility is integrated into our website, which supports one-handed use and provides accessibility options including text-to-speech software and video content transcripts. Physical accessibility was also provided in every branch but one in 2021. Our customers can request special-needs services at the queue management machine, with physical push buttons and tactile strips also assisting them in using the device. Tactile guide strips are available in 38% of our branches. Interpreter Services are available at 167 branches (47%); this is a service allowing a sign language interpreter to assist with administration tasks through a live video chat. Moreover, we have made text-to-speech software available on 910 of our ATMs (48%).

Security and data protection

Security is a top concern for us. The principles and main guidelines concerning security at the bank are set forth in the Security Policy, which is approved by the Board of Directors. The policy covers all aspects of security, including IT and cyber security, which have become increasingly important. OTP Bank's Group-level Information Security Policy and Cyber Security Strategy of OTP Bank were completed in 2021, and the development of a Group-level cyber security strategy was launched. The processing and protection of personal data is covered by the Compliance Policy, which is also approved by the Board of Directors. Both policies prescribe the regular evaluation of risks and the need to maintain and enhance awareness.

The handling and protection of personal data is covered by the Compliance Policy also approved by the Board of Directors. We also developed security processes and applied solutions in 2021, with our innovations focusing on the cyber security centre, the central log analysis system, authorisation management and virus protection. In addition we made customer communication more effective in detecting suspicious transactions.

The number of distributed denial-of-service (DDoS) and phishing attacks increased significantly at group level compared to previous years. We published several awareness campaigns for our customers, providing information on our intranet and through security awareness training, which was also focused on phishing. Besides protecting against phishing activities, the European Cyber Security Month programmes focused on presenting the security challenges of modern application development and operations.

White-collar crime, which causes significant losses to customers and the banking group, decreased at most subsidiaries due to our continuous development, more efficient employee action and stricter controls. We have reviewed our anti-money laundering training material to ensure our employees gain greater knowledge of this and have started to develop harmonised training at group level. The number of suspected money laundering reports by bank employees increased by eight percent. During the year, OTP Bank reported 68 cases of suspected money laundering.

Our Banking Group has experienced numerous card-related attacks; in these cases the sharing of important information was extremely helpful in the prevention of fraudulent transactions. The number of successful card fraud cases has been kept low continuously, which demonstrates that our systems operate effectively. The ratio of bank card fraud to turnover is significantly lower than the European average published by MasterCard (for OTP Bank it is 0.0071% and the consolidated ratio of subsidiaries is 0.00986%, while the European average stands at 0.0414%). In the case of OTP Bank we were able to prevent bank card fraud of HUF 5.5 billion.

Losses expected from the detected criminal activities amounted to HUF 447 million in the case of OTP Bank and HUF 2.2 billion at Group level. The amount of loss prevented was HUF 457 million at OTP Bank and HUF 2.0 billion at OTP Group.

Fight against corruption and against the practice of bribery

The Code of Ethics and the Anti-Corruption Policy of OTP Bank contains provisions on the fight against corruption and against the practice of bribery, also on the acceptance of individual differences and the denial of discrimination (https://www.otpbank.hu/portal/en/EthicalDeclaration https://www.otpbank.hu/static/portal/sw/file/OTP_EtikaiKodex_EN.pdf, https://www.otpbank.hu/static/portal/sw/file/OTP_Anti_Corruption_Policy_202102.pdf). As it can be read in the foreword of the Code and the Anti-Corruption Policy as well, the Bank and its management have adopted the principle of zero tolerance towards corruption and bribery, taking a definite stance against all forms of corruption and giving full support to the fight against corruption. In addition, the Code states that "As an ethical and compliant institution, the Bank and its management are fully committed to ensuring observance of all relevant legislation, including anti-corruption statutes."

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

Through the Bank's ethics reporting system a total of 26 reports were received in 2021, 8 of them was reclassified as complaints and 2 case's investigation resulted in declaring ethics offense – though not due to corruption, bribery or discrimination.

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

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

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

Citizenship

OTP is one of the most generous charitable donors in Hungary, giving a total of HUF 2.3 billion in charitable donations, almost half of which was for educational purposes, primarily the development of financial culture.

We aim to provide genuine and effective help by supporting programmes and causes that serve the interests of society. We cooperate with a number of local non-governmental organisations, concentrating our donated funds and monitoring their usage and the results achieved.

Our efforts were focused on the following areas:

- developing financial literacy: attitude shaping;
- sponsoring culture and the arts: creating and preserving values;
- equal opportunities: helping the disadvantaged and those in need; and
- sport.

We consider donation habits a part of financial literacy; therefore, in 2021 we took a significant step forward in encouraging our customers to support the social initiatives that they consider important financially. Under the digital donation programme we enabled them to make donations simply and easily while taking care of their day-to-day finances. Donation has become possible on our digital platforms, including our website, the internetbank, the mobile application, the Simple application, as well as through 750 ATMs and the digital points of 80 branches. Our Bank assumes all extra costs of the donation, including both the transaction tax of customers and the costs of NGOs. Our Bank also cooperates with the supported organisations and we supplement the donations of our customers. In addition, in our experience, our customers view the Bank's participation as a guarantee that their donations will truly go to the right beneficiary. In 2021 we supported the initiatives of 6 foundations through customer donations in the amount of HUF 250 million.

The Humanitas Social Foundation supports vulnerable communities and individuals with a focus on healthcare and education; donation recipients are selected through an application process. Its most important activity in 2020 involved priority support to hospitals. We supported 30 hospitals, 18 educational institutions and one foundation through the Foundation in 2021. In order to provide more effective assistance, we provided targeted, tailored asset support to institutions.

The OTP Fáy András Foundation provides financial and economic education services, a key element of which is operating the OK Educational and Innovation Centre. The Foundation provides youth, adult and vocational training. The activities of the Foundation in 2021 were determined mostly by the coronavirus pandemic and several planned activities could not be organised as a result. However, the Foundation developed 30 curricula in 2021.

Digital education continued to be the focus of the year, with more than 17,000 students attending online and nearly 2,500 classroom training. Roma youth also participated in financial and economic training through the Roma Education Fund. Significant progress has been made in the development and testing of the Financial Basic Education Programme in adult education. During the training, in which participation is free of charge and without prior knowledge, users acquire essential personal money management and general economic knowledge and improve their financial literacy. The Foundation also continued its previous programmes, so the teacher training programme of Eötvös Loránd University (ELTE), the regular Teachers' Club and the summer camps took place. The Foundation's national awareness-raising programme also continued, with screenings of short films on national commercial television channels around 400 times, covering topics such as housing renovation, business start-ups and data security.

Responsible employment

Our goal is to create value for our employees by focusing on them in a constantly changing environment. The central objective of our human resource strategy is to intensify employee experience and commitment.

In 2021 we conducted an employee satisfaction survey at Group level with a high response ratio of 92%. Based on the results, the rate of employee satisfaction was 70%, slightly lower than the average of the international financial sector. The action plans prepared in response to the feedback for all areas that needed improvement were approved by the Management Committee.

We developed our activities during the year along the lines of the six priorities stated in our strategy, also relying on the results of the employee satisfaction survey. We launched numerous projects that will result in significant changes; for example, we developed the framework of Group-level dialogue, and placed management development on new foundations. Although the pandemic slightly delayed the implementation of the international talent programme, we created a uniform talent framework at Group level and operated local talent programmes. All of our employees participate in trainings; in addition to network and head office management development, we rejuvenated the frameworks of our employees' skills development.

Due to the pandemic situation, hybrid work performance became typical in 2021. We maintained access to the tools promoting our employees' emotional, mental and physical health and their ability to stand firm under harsh circumstances, and once again in 2021, numerous employees took recourse to them.

OTP Bank's employees (31 December)	2020			2021		
	Total	Men	Women	Total	Men	Women
Employees, total (individuals)	9,826	3,402	6,424	10,078	3,547	6,531
Distribution by gender	100%	34.6%	65.4%	100%	35.2%	64,8%
Turnover rate[1]	10.5%	9.3%	11.2%	14.3%	14.5%	14.1%

[1] Compared to the end-of-year headcount; includes termination of employment both by employee and by employer, as well as retirement.

Ethical conduct and legal compliance also remain core principles in our human resource management. OTP Bank analyses and manages the risks relating to employment within its operational risk management process. Our employees' interests are represented by their trade union, with a Collective Agreement setting out the rights and obligations of every employee.

The Bank's Code of Ethics declares its commitment to providing a safe and healthy working environment and states its expectation of mutual respect between executive officers and employees, including the prohibition of discrimination and harassment. We consistently apply the principle of "equal pay for equal work", including providing equal pay to men and women for the same position and performance. Within the objective limitations of specific job descriptions, we allow for flexible working hours and part-time employment options. We encourage healthy lifestyle choices, offering a complex health insurance package, and subsidising recreation and sporting activities.

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 retail and corporate banking services: 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 the areas of 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. The Bank owns foreign subsidiaries in many countries of Central and Eastern Europe through capital investments.

Non-financial performance indicators – OTP Bank Plc. (standalone)

- **Internal audit:** 203 closed audits, 1,478 recommendations, 1,478 accepted recommendations
- **Compliance with Budapest Stock Exchange (BSE) Recommendations (yes/no ratio):** 72 yes, 0 no;
- **Compliance:** 18 closed consumer protection related investigations
- **Bank security:** the expected value of damages resulting from detected criminal offenses is HUF 447,124,093, HUF 460,655,117. In 2021, we filed an official complaint in 620 cases on suspicion of money laundering. There is a slight decrease in 2021, when this number changed from 4438 in the previous year to 4432, a decrease of 8.4%. In the case of OTP, the ratio of bank card misuse to turnover is still lower than the European average published by MasterCard (last year's figures: OTP Bank 0.0071%, European average 0.0414%).
- **Ethics issues:** 26 ethics reports, establishing ethics offense in 2 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:

- Issue of Comfort letters
- Engagements to review historical financial statements and interim financial statements (ISRE 2400, 2410)
- Consultation relating to interpretation and implementation of accounting standards and relating to accounting of potential future transaction
- Pre- or post-transaction due diligence services relating to acquisition of assets or entites or sales transactions or other transactions: financial, accounting, taxation, legal and IT specific services - except for buy-side lead advisory, transactional and negotiation support

SUPPLEMENTARY DATA

FOOTNOTES OF THE TABLE 'CONSOLIDATED AFTER TAX PROFIT BREAKDOWN BY SUBSIDIARIES (IFRS)'

General note: regarding OTP Core and other subsidiaries, profit after tax is calculated without received dividends and net cash transfers (and other adjustment items). Dividends and net cash transfers received from non-group member companies are shown on a separate line in one sum in the table, regardless to the particular receiver or payer group member company.

(1) Aggregated adjusted after tax profit 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 eBIZ Ltd. was included from 1Q 2020; OTP OTP Home Solutions was included from 2Q 2021. The consolidated accounting results of these companies are segmented into OTP Core and Corporate Centre. Latter is a virtual entity.

(3) The result and balance sheet of OTP Factoring Bulgaria EAD and DSK Leasing AD is included. From 1Q 2019 Expressbank AD and its subsidiarieswere included into the Bulgarian operation.

(4) The statement of recognised income and balance sheet of OTP Leasing d.d. and SB Leasing d.o.o. was included. In February 2020 the company name of OTP banka Hrvatska dioničko društvo was changed to OTP banka dioničko društvo.

(5) The financial performance of OTP Factoring Serbia d.o.o, OTP Lizing d.o.o, OTP Services d.o.o. and the newly acquired OTP banka Srbija is included.

(6) The statement of recognised income and balance sheet of OTP Faktoring SRL and OTP Leasing Romania IFN S.A.was included.

(7) Figures are based on the aggregated financial statements of OTP Bank JSC, LLC OTP Leasing, and OTP Factoring Ukraine LLC.

(8) The statement of recognised income and balance sheet of LLC MFO "OTP Finance" is included in the Russian performance.

(9) The statement of recognised income and balance sheet of the acquired Podgoricka banka was included, which merged into the Montenegrin bank in 4Q 2020.

(10) P&L data are adjusted for the special banking tax and the Slovakian Deposit Protection Fund contributions being introduced again in 2014, as well as the contribution into the Resolution Fund. Including the financial performance of OTP Faktoring Slovensko s.r.o. The sale of the Slovakian subsidiary was concluded at the end of November 2020.

(11) The subconsolidated adjusted after tax profit of Merkantil Group (Merkantil Bank Ltd., Merkantil Bérlet Ltd., OTP Real Estate Leasing Ltd., NIMO 2002 Ltd., SPLC-P Ltd., SPLC Ltd.) was presented (w/o dividends, net cash transfers and other adjustment items).

(12) LLC AMC OTP Capital, OTP Asset Management SAI S.A. (Romania), DSK Asset Management EAD (Bulgaria).

(13) OTP Buildings s.r.o. (Slovakia), Velvin Ventures Ltd. (Belize), R.E. Four d.o.o., Novi Sad (Serbia), SC Aloha Buzz SRL, SC Favo Consultanta SRL, SC Tezaur Cont SRL (Romania), Cresco d.o.o. (Croatia), OTP Osiguranje d.d. (Croatia), OTP Solution Fund (Ukraine).

(14) Within OTP Group, the Corporate Centre acts as a virtual entity established by the equity investment of OTP Core for managing the wholesale financing activity for all the subsidiaries within OTP Group but outside OTP Core. Therefore the balance sheet of the Corporate Centre is funded by the equity and intragroup lending received from OTP Core, the intragroup lending received from other subsidiaries, and the subordinated debt and senior notes issued by OTP Bank. From this funding pool, the Corporate Centre is to provide intragroup lending to, and hold equity stakes in OTP subsidiaries outside OTP Core. Main subsidiaries financed by Corporate Centre are as follows: Hungarians: Merkantil Bank Ltd, Merkantil Leasing Ltd, OTP Fund Management Ltd, OTP Real Estate Fund Management Ltd, OTP Life Annuity Ltd; foreigners: banks, leasing companies, factoring companies.

(15) Total Hungarian subsidiaries: sum of the adjusted after tax results of Hungarian group members, Corporate Centre and related eliminations.

(16) Total Foreign subsidiaries: sum of the adjusted after tax profits of foreign subsidiaries.

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 level trends in a comprehensive way in the Report, the presented consolidated and separate 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. Consolidated accounting figures together with Separate accounting figures of OTP Bank are still disclosed in the *Supplementary Data* section.

Adjustments affecting the income statement:

- The after tax effect of adjustment items (certain, typically non-recurring items from banking operations' point of view) are shown separately in the Statement of Recognised Income. The following adjustment items emerged in the period under review and the previous year: received dividends, received and paid cash transfers, the effect of goodwill/investment impairment charges, special tax on financial institutions, the expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia, the impact of fines imposed by the Hungarian Competition Authority, the effect of acquisitions, and from 2021 the result of the treasury share swap agreement (earlier the latter was presented amongst the one-off revenue items in the adjusted income statement structure).

  Beside the Slovakian banking levy payable until 2Q 2020, the total amount of the special banking tax includes and the Slovakian Deposit Protection Fund contributions being introduced again in 2014, and the contribution into the Resolution Fund in Slovakia, too.
- In 4Q 2019 the following items have been moved from the Other operating expenses line among the Net interest income after loss allowance, impairment and provisions line: *Release of loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost*, *Provision for commitments and guarantees given*, *Release of impairment of assets subject to operating lease and of investment properties*. In the adjusted P&L structure these items are presented amongst the *Other provisions (adj.)* line (through the *Structural correction between Provision for loan losses and Other provisions* adjustment line). From 1Q 2021 the *Provision for commitments and guarantees given* line contains lending activity-related amounts, therefore this line is no longer shifted from 1Q 2021. In 3Q 2021 (retrospectively from 3Q 2020) the components of the new *Gain from derecognition of financial assets at amortized cost* line in the accounting P&L were shifted back in the adjusted P&L structure to the lines on which they were presented previously.
- Other non-interest income is shown together with Gains and losses on real estate transactions, Net insurance result (appearing in the accounting P&L structure from 3Q 2017), Gains and losses on derivative instruments, and Gains and losses on non-trading securities mandatorily at fair value through profit or loss lines between 1Q 2019 – 4Q 2019, but without the above mentioned income from the release of pre-acquisition provisions and without received cash transfers. However other non-interest expenses stemming from non-financial activities are added to the adjusted net other non-interest income line, therefore the latter incorporates the net amount of other non-interest income from non-financial activities.
- OTP Bank's share in the change in the shareholders' equity of companies consolidated with equity method is reclassified from the After tax dividends and net cash transfers line to the Net other non-interest result (adj.) without one-offs line. In the addition to this, OTP Bank has changed the way how private equity funds managed by PortfoLion are recorded. As a result of this, as opposed to the previous method of recording the funds at book value (initial book value less impairments), the funds are now evaluated based on their net asset value. The change in the carrying value was reclassified to the Net other non-interest result (adj.) without one-offs line in the adjusted P&L structure. Furthermore, received cash transfers within the framework of the subsidy programme targeting the expansion of POS network in Hungary were reclassified from the After tax dividends and net cash transfers line to the Net other non-interest result (adj.) without one-offs line.
- Other provisions are separated from other expenses and shown on a separate line in the adjusted profit or loss statement.
- Other administrative expenses have been adjusted in the following way in order to create a category comprising administrative cost items exclusively. Other costs and expenses and other non-interest expenses were included into the adjusted Other non-interest expenses. At the same time, the following cost items were excluded from adjusted other non-interest expenses: paid cash transfers (except for movie subsidies and cash transfers to public benefit organisations, whereas from 2019 certain part of cash transfers to public benefit organizations was presented amongst net fees and commissions), Other other non-interest expenses stemming from non-financial activities, and special tax on financial institutions.
- Tax deductible transfers (offset against corporate taxes) paid by Hungarian group members were reclassified from Other non-interest expenses to Corporate income tax. As a result, the net P&L effect of these transfers (i.e. the paid transfer less the related corporate tax allowances) is recognised in the corporate income tax line of the adjusted P&L. The amount of tax deductible transfers offset against the special tax on financial institutions is shown on a net base on the special tax on financial institutions line.
- The financial transaction tax paid in Hungary is reclassified from other (administrative) expenses to net fee and commission income, both on consolidated and OTP Core level.

- OTP Group is hedging the revaluation result of the FX provisions on its FX loans and interest claims by keeping hedging open FX positions. In the accounting statement of recognized income, the revaluation of FX provisions is part of the risk costs (within line "Provision for loan losses"), other provisions and net interest income lines, whereas the revaluation result of the hedging open FX positions is made through other non-interest income (within line "Foreign exchange result, net"). The two items have the same absolute amount but an opposite sign. As an adjustment to the accounting statement of income, these items are eliminated from the adjusted P&L. By modifying only the structure of the income statement, this correction does not have any impact on the bottom line net profits.
- The Compensation Fund contributions are recognized on the Other administrative expenses line of the accounting income statement, and are presented on the financial transaction tax and/or Special tax on financial institutions line the in the adjusted P&L structure (due to the tax deductibility).
- In case of OTP Banka Slovensko and OTP Bank Romania the total revaluation result of intra-group swap deals – earlier booked partly within the net interest income, but also on the Foreign exchange gains and Net other non-interest result lines within total Other non-interest income – is presented on a net base on the net interest income line.
- 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 accounting income statement. These items were shifted back to the Other non-interest expenses line in the adjusted P&L structure.
- Staring from 2020 the currency exchange result was shifted in the accounting P&L structure from the FX result to the net fees and commissions line, retroactively for the 2019 base period as well. In the adjusted P&L structure this item is moved to the FX result line.
- In 4Q 2021 the *Modification gains or losses* line (one of the components of the *Provision for impairment on loan and placement losses*) was presented on a separate line in the accounting P&L structure, retroactively from 1Q 2020. In the adjusted P&L this line was shifted back to the *Provision for impairment on loan and placement losses* line. Secondly, in 4Q 2021 the *Gains and losses on non-trading securities mandatorily at fair value through profit or loss* line was moved from the *Gains / losses on securities* to the *Fair value adjustment on financial instruments measured at fair value through profit or loss* line in the accounting P&L structure, retroactively from 1Q 2020. In the adjusted P&L this item remained part of the *Gains / losses on securities*. Thirdly, from 1Q 2021 the local business taxes and the innovation contribution payable by Hungarian Group members were booked on the *Income tax expenses* line, whereas these items were recognised amongst the *Other general expenses*. In 4Q 2021 this change was retrospectively reflected in the full-year 2020 accounting P&L, too, but in the adjusted P&L structure for the 2020 base period we continue to present these items amongst the *Other non-interest expenses*.
- 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).
- 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. Regarding the FX-adjusted volume change of DPD90+ loans (adjusted for sales and write-offs), instead of the previously applied 3Q 2009 FX rates, from 4Q 2020 onwards the actual end of period FX rates are used for calculating the FX-adjusted figures.

Adjustments affecting the balance sheet:

- On 17 February 2020 OTP Bank announced the signing of the sale agreement of its Slovakian subsidiary. According to IFRS 5 the Slovakian bank was presented as a discontinued operation in the consolidated income statement and balance sheet until it was sold. With regards to the consolidated accounting balance sheet, all assets and liabilities of the Slovakian bank were shown on one line until 9M 2020 in the balance sheet (by the end of 4Q 2020 the Slovakian entity was deconsolidated). As for the consolidated accounting income statement, the Slovakian contribution for 2020 (in 2020 the January-October contribution was consolidated) was shown separately from the result of continued operation, on the Loss from discontinued operation line, i.e. the particular P&L lines in the 'continuing operations' section of the accounting P&L don't incorporate the contribution from the Slovakian subsidiary. As opposed to this, the adjusted financial statements presented in the Stock Exchange Report incorporated the Slovakian banks' balance sheet and P&L contribution in the relevant respective lines, in line with the structure of the financial statements monitored by the management.
- From the end of 2020, OTP Osiguranje d.d. was presented as asset classified as held for sale in the accounting financial statements. Accordingly, from end-2020 until its deconsolidation, i.e. until 2Q 2021 its assets and liabilities were shown on a separate line in the consolidated balance sheet. Regarding the 2020 and 2021 accounting statement of recognized income, the entity's result was presented on the *Gains from held for trading operations* line, therefore the particular P&L lines in the 'continuing operations' section of the accounting P&L don't incorporate the contribution from this entity. As opposed to this, the adjusted financial statements presented in the Stock Exchange Report incorporated the company's balance sheet and P&L contribution in the relevant respective lines, in line with the structure of the financial statements monitored by the management.

- Finance lease receivables – earlier presented within customer loans – are shown on a separate line in the accounting balance sheet from the end of 2019. As for the adjusted balance sheet, net customer loans continue to include the stock of finance lease receivables.
- In the adjusted balance sheets presented in the analytical section of the report, the 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 accounting balance sheet has an impact on the consolidated gross customer loans and allowances for loan losses.

ADJUSTMENTS ON THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (IFRS)

	2021 HUF million	2020 HUF million
Net interest income	**874,310**	**782,673**
(-) Revaluation result of FX provisions	0	(57)
(+) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian and Slovakian operations	625	337
(-) Netting of interest revenues on DPD90+ loans with the related provision (booked on the Provision for loan losses line) at OTP Core and CKB	1,131	5,951
(-) Effect of acquisitions	(2,680)	(600)
(-) Initial NPV gain on the monetary policy interest rate swap (MIRS) deals	0	0
(-) Reclassification due to the introduction of IFRS16	(1,556)	(1,623)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	46	8,755
(-) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	(5,925)	15
Net interest income (adj.)	**884,012**	**788,079**
Net fees and commissions	**442,177**	**397,635**
(+) Financial Transaction Tax	(68,818)	(61,588)
(-) Effect of acquisitions	(33)	(145)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	0	3,210
(-) Structural shift of income from currency exchange from net fees to the FX result	47,843	46,290
Net fees and commissions (adj.)	**325,548**	**293,112**
Foreign exchange result	**(4,075)**	**7,864**
(-) Revaluation result of FX positions hedging the revaluation of FX provisions	0	11,195
(-) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian and Slovakian operations	(492)	(1,964)
(-) Effect of acquisitions	0	0
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	(10)	3
(+) Structural shift of income from currency exchange from net fees to the FX result	47,843	46,290
Foreign exchange result (adj.)	**44,251**	**44,927**
Gain/loss on securities, net	**5,559**	**7,464**
(-) Effect of acquisitions	(1,077)	(98)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	14	349
(-) Revaluation result of the treasury share swap agreement	2,766	
(+) Structural adjustment due to the Gain from derecognition of financial assets at amortized cost line (against Gain/loss on securities, net)	1,031	1,402
(+) 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	4,812	7,239
Gain/loss on securities, net (adj.) with one-offs	**9,726**	**16,553**
(-) Revaluation result of the treasury share swap agreement (booked as Gain on securities, net (adj) at OTP Core)	-	2,360
Gain/loss on securities, net (adj.) without one-offs	**9,726**	**14,193**
Result of discontinued operation and gains from disposal of subsidiaries classified as held for sale	**116**	**5,590**
(-) Effect of acquisitions	(165)	7,496
Result of discontinued operation and gains from disposal of subsidiaries classified as held for sale (adj.)	**282**	**(1,907)**
Gains and losses on real estate transactions	**6,424**	**3,631**
Result of discontinued operation and gains from disposal of subsidiaries classified as held for sale (adj.)	**282**	**(1,907)**
(+) Other non-interest income	**74,246**	**29,109**
(+) Gains and losses on derivative instruments	**6,797**	**11,339**
(+) Net insurance result	**657**	**721**
(+) Losses on loans measured mandatorily at fair value through other comprehensive income and on securities at amortized cost	**(532)**	**4,843**
(-) 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	**4,812**	**7,239**
(-) Received cash transfers	165	65
(+) Other other non-interest expenses	(44,882)	(5,800)
(+) 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	11,155	128
(-) Effect of acquisitions	(4)	7,264
(-) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian and Slovakian operations	1,117	2,301
(-) One-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	(948)	(226)
(-) Impact of fines imposed by the Hungarian Competition Authority	0	823
(-) 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	(194)	(216)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	387	3,149
(-) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	0	(1,646)
Net other non-interest result (adj.) without one-offs	**49,586**	**29,610**
Gain from derecognition of financial assets at amortized cost	**1,884**	**3,380**
(-) Structural adjustment due to the Gain from derecognition of financial assets at amortized cost line (against Gain/loss on securities, net)	1,031	1,402
(-) Structural adjustment due to the Gain from derecognition of financial assets at amortized cost line (against Provision for impairment on loan and placement losses)	854	1,978
Gain from derecognition of financial assets at amortized cost (adj.)	**0**	**0**
Provision for impairment on loan and placement losses	**(27,723)**	**(172,520)**
(+) Modification gains or losses	**(13,672)**	**(29,773)**
(+) Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	**(16,289)**	**(3,262)**
(+) Loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost	**(3,974)**	**(7,309)**

	2021 HUF million	2020 HUF million
(+) Provision for commitments and guarantees given	**(99)**	**(8,662)**
(+) Impairment of assets subject to operating lease and of investment properties	**438**	**877**
(-) Revaluation result of FX provisions	0	(10,997)
(-) One-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	339	459
(+) Netting of interest revenues on DPD90+ loans with the related provision (booked on the Provision for loan losses line) at OTP Core and CKB	1,131	5,951
(-) Effect of acquisitions	0	(2,149)
(-) Structural correction between Provision for loan losses and Other provisions	(3,536)	(15,094)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	0	(3,024)
(-) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	(10,131)	(29,543)
(+) Structural adjustment due to the *Gain from derecognition of financial assets at amortized cos*t line (against *Provision for impairment on loan and placement losses*)	854	1,978
Provision for impairment on loan and placement losses (adj.)	**(46,006)**	**(158,421)**
Dividend income	**15,648**	**527**
(+) Received cash transfers	165	65
(+) Paid cash transfers	(11,992)	(12,768)
(-) Sponsorships, subsidies and cash transfers to public benefit organisations	(11,873)	(12,508)
(-) Dividend income of swap counterparty shares kept under the treasury share swap agreement	3,809	0
(-) 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	11,155	128
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	0	8
After tax dividends and net cash transfers	**729**	**213**
Depreciation	**(94,995)**	**(92,762)**
(-) Effect of acquisitions	(6,134)	(7,415)
(-) Reclassification due to the introduction of IFRS16	(16,064)	(16,447)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	(20)	(1,385)
Depreciation (adj.)	**(72,816)**	**(70,286)**
Personnel expenses	**(340,684)**	**(308,643)**
(-) Effect of acquisitions	(781)	(2,785)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	(298)	(6,638)
Personnel expenses (adj.)	**(340,201)**	**(312,495)**
Income taxes	**(72,123)**	**(43,918)**
(-) Corporate tax impact of goodwill/investment impairment charges	1,909	886
(-) Corporate tax impact of the special tax on financial institutions	1,787	1,773
(+) Tax deductible transfers (offset against corporate taxes)	(8,137)	(8,083)
(-) Corporate tax impact of the effect of fines imposed by the Hungarian Competition Authority	0	(74)
(-) Corporate tax impact of the effect of acquisitions	5,738	497
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	(18)	(80)
(-) Corporate tax impact of the expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	1,487	2,913
(-) Corporate tax impact of the result of the treasury share swap agreement	(249)	
(-) Shifting of the Hungarian local business tax and innovation contribution for 2020 between corporate income tax and other non-interest expenses		(16,542)
Corporate income tax (adj.)	**(90,951)**	**(41,534)**
Other operating expense	**(85,733)**	**(39,447)**
(-) Other costs and expenses	(6,508)	(7,506)
(-) Other non-interest expenses	(56,874)	(18,568)
(-) Effect of acquisitions	0	1,022
(-) Revaluation result of FX provisions	0	(141)
(-) One-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	609	(233)
(-) 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	194	216
(+) Structural correction between *Provision for loan losses* and *Other provisions*	(3,536)	(15,094)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	4	(243)
(-) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	(153)	0
Other provisions (adj.)	**(26,532)**	**(29,574)**
Other administrative expenses	**(311,931)**	**(289,721)**
(+) Other costs and expenses	(6,508)	(7,506)
(+) Other non-interest expenses	(56,874)	(18,568)
(-) Paid cash transfers	(11,992)	(12,768)
(+) Film subsidies and cash transfers to public benefit organisations	(11,873)	(12,508)
(-) Other other non-interest expenses	(44,882)	(5,800)
(-) Special tax on financial institutions (recognised as other administrative expenses)	(20,680)	(19,138)
(-) Tax deductible transfers (offset against corporate taxes)	(8,137)	(8,083)
(-) Financial Transaction Tax	(68,818)	(61,588)
(-) Effect of acquisitions	(10,370)	(9,940)
(+) Reclassification due to the introduction of IFRS16	(17,620)	(18,069)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	(106)	(4,105)
(+) Shifting of the Hungarian local business tax and innovation contribution for 2020 between corporate income tax and other non-interest expenses		(16,542)
(-) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	(318)	
Other non-interest expenses (adj.)	**(239,716)**	**(249,702)**

ADJUSTMENTS OF CONSOLIDATED IFRS BALANCE SHEET LINES

	2021 HUF million	2020 HUF million
Cash, amounts due from Banks and balances with the National Banks	2,556,035	2,432,312
(+) Allocation of *Assets classified as held for sale* among balance sheet lines	0	3
Cash, amounts due from Banks and balances with the National Banks (adjusted)	2,556,035	2,432,314
Placements with other banks, net of allowance for placement losses	1,584,860	1,148,744
(+) Allocation of *Assets classified as held for sale* among balance sheet lines	0	244
Placements with other banks, net of allowance for placement losses (adjusted)	1,584,860	1,148,987
Financial assets at fair value through profit or loss	341,397	234,006
(+) Allocation of Assets classified as held for sale among balance sheet lines	0	1,188
Financial assets at fair value through profit or loss (adjusted)	341,397	235,194
Securities at fair value through other comprehensive income	2,224,510	2,136,709
(+) Allocation of Assets classified as held for sale among balance sheet lines	0	3,410
Securities at fair value through other comprehensive income (adjusted)	2,224,510	2,140,118
Gross customer loans (incl. finance lease receivables and accrued interest receivables related to loans)	16,670,469	14,401,930
(-) Accrued interest receivables related to DPD90+ / Stage 3 loans	36,015	38,650
(+) Allocation of *Assets classified as held for sale* among balance sheet lines	0	0
Gross customer loans (adjusted)	16,634,454	14,363,281
Allowances for loan losses (incl. impairment of finance lease receivables)	(926,547)	(873,344)
(-) Allocated provision on accrued interest receivables related to DPD90+ / Stage 3 loans	(36,015)	(38,650)
(+) Allocation of *Assets classified as held for sale* among balance sheet lines	0	0
Allowances for loan losses (adjusted)	(890,532)	(834,695)
Securities at amortized costs	3,891,335	2,624,921
(+) Allocation of *Assets classified as held for sale* among balance sheet lines	0	1,031
Securities at amortized costs (adjusted)	3,891,335	2,625,952
Tangible and intangible assets, net	689,290	589,743
(+) Allocation of *Assets classified as held for sale* among balance sheet lines	0	135
Tangible and intangible assets, net (adjusted)	689,290	589,878
Other assets	454,811	588,378
(+) Allocation of *Assets classified as held for sale* among balance sheet lines	0	(6,010)
Other assets (adjusted)	454,811	582,368
Amounts due to banks, the National Governments, deposits from the National Banks and other banks, and Financial liabilities designated at fair value through profit or loss	1,608,533	1,219,446
(+) Allocation of Liabilities directly associated with assets classified as held-for-sale among balance sheet lines	0	0
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)	1,608,533	1,219,446
Deposits from customers	21,068,644	17,890,863
(+) Allocation of *Liabilities directly associated with assets classified as held-for-sale* among balance sheet lines	0	0
Deposits from customers (adjusted)	21,068,644	17,890,863
Other liabilities	1,124,782	949,502
(+) Allocation of *Liabilities directly associated with assets classified as held-for-sale* among balance sheet lines	0	0
Other liabilities (adjusted)	1,124,782	949,502

STATEMENT OF PROFIT OR LOSS OF OTP BANK PLC., ACCORDING TO IFRS STANDARDS AS ADOPTED BY THE EUROPEAN UNION (CONSOLIDATED)[1]

	2021 HUF million	2020 HUF million	Change %
CONTINUING OPERATIONS			
Interest income calculated using the effective interest method	922,539	841,901	10
Income similar to interest income	194,920	135,986	43
Interest incomes	1,117,459	977,887	14
Interest expenses	(243,149)	(195,216)	25
NET INTEREST INCOME	**874,310**	**782,671**	**12**
Risk cost total	**(47,645)**	**(190,875)**	**(75)**
Loss allowance / Release of loss allowance on loans, placements and repo receivables	(27,721)	(172,520)	(84)
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	(16,289)	(3,262)	399
Loss allowance / Release of loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost	(3,974)	(7,309)	(46)
Provision for commitments and guarantees given	(99)	(8,662)	(99)
Impairment / (Release of impairment) of assets subject to operating lease and of investment properties	438	878	(50)
NET INTEREST INCOME AFTER LOSS ALLOWANCE, IMPAIRMENT AND PROVISIONS	**826,665**	**591,796**	**40**
Income from fees and commissions	554,113	486,529	14
Expense from fees and commissions	(111,939)	(88,896)	26
Net profit from fees and commissions	**442,174**	**397,633**	**11**
Modification gain or loss	**(13,672)**	**(29,773)**	**(54)**
Foreign exchange gains / losses, net	2,723	19,204	(86)
Foreign exchange result	(4,075)	7,864	(152)
Gains and losses on derivative instruments	6,798	11,340	(40)
Gains / Losses on securities, net	5,560	7,465	(26)
Gain from derecognition of financial assets at amortized cost	1,885	3,380	(44)
Gains / Losses on financial assets /liabilities measured at fair value through profit or loss	(532)	4,843	(111)
Dividend income and gain / loss from associated companies	15,648	527	
Other operating income	81,328	33,461	143
Gains and losses on real estate transactions	6,424	3,631	77
Other non-interest income	74,246	29,109	155
Net insurance result	657	721	(9)
Other operating expense	(85,732)	(39,447)	117
Net operating income	**20,880**	**29,433**	**(29)**
Personnel expenses	(340,684)	(308,642)	10
Depreciation and amortization	(94,996)	(92,761)	2
Other administrative expenses	(311,932)	(289,722)	8
Other administrative expenses	**(747,612)**	**(691,125)**	**8**
PROFIT BEFORE INCOME TAX	**528,435**	**297,964**	**77**
Income tax expense	(72,123)	(43,918)	64
NET PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	**456,312**	**254,046**	**80**
From this, attributable to:			
Non-controlling interest	836	220	280
Owners of the company	455,476	253,826	79
DISCONTINUED OPERATIONS			
Gains from disposal of subsidiaries classified as held for sale	0	199	
Loss from discontinued operation	116	5,391	(98)
PROFIT FROM CONTINUING AND DISCOUNTINUED OPERATION	**456,428**	**259,636**	**76**

[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]

	2021 HUF million	2020 HUF million	Change %
Cash, amounts due from banks and balances with the National Banks	2,556,035	2,432,312	5
Placements with other banks, net of loss allowance for placements	1,584,861	1,148,743	38
Repo receivables	61,052	190,849	(68)
Financial assets at fair value through profit or loss	341,397	234,007	46
Securities at fair value through other comprehensive income	2,224,510	2,136,709	4
Loans at amortized cost	13,493,183	11,674,842	16
Loans mandatorily at fair value through profit or loss	1,068,111	802,605	33
Finance lease receivables	1,182,628	1,051,140	13
Associates and other investments	67,222	52,443	28
Securities at amortized cost	3,891,335	2,624,920	48
Property and equipment	411,136	322,766	27
Intangible assets and goodwill	248,631	239,004	4
Right-of-use assets	50,726	46,283	10
Investment properties	29,882	38,601	(23)
Derivative financial assets designated as hedge accounting	18,757	6,820	175
Deferred tax assets	15,109	22,317	(32)
Current income tax receivable	29,978	38,936	(23)
Other assets	276,785	266,474	4
Assets classified as held for sale / discontinued operations	2,046	6,070	(66)
TOTAL ASSETS	**27,553,384**	**23,335,841**	**18**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	1,567,348	1,185,315	32
Repo liabilities	79,047	117,991	(33)
Financial liabilities at fair value through profit or loss	41,184	34,131	21
Deposits from customers	21,068,644	17,890,863	18
Liabilities from issued securities	436,325	464,213	(6)
Derivative financial liabilities held for trading	202,716	104,823	93
Derivative financial liabilities designated as hedge accounting	11,228	11,341	(1)
Leasing liabilities	53,286	48,451	10
Deferred tax liabilities	24,045	25,990	(7)
Current income tax payable	36,581	27,684	32
Other liabilities	717,880	607,737	18
Subordinated bonds and loans	278,334	274,704	1
Liabilities directly associated with assets classified as held-for-sale / discontinued operation	0	5,486	(100)
TOTAL LIABILITIES	**24,516,618**	**20,798,729**	**18**
Share capital	28,000	28,000	0
Retained earnings and reserves	3,109,509	2,629,076	18
Treasury shares	(106,941)	(124,080)	(14)
Non-controlling interest	6,198	4,116	51
TOTAL SHARHOLDERS' EQUITY	**3,036,766**	**2,537,112**	**20**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**27,553,384**	**23,335,841**	**18**

[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).

FINANCIAL STATEMENTS ON 2021

IFRS (SEPARATE)

OTP BANK PLC.
SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021
(in HUF mn)

	Note	2021	2020 Reclassified
Cash, amounts due from banks and balances with the National Bank of Hungary	5.	474,945	579,120
Placements with other banks, net of allowance for placement losses	6.	2,567,212	1,535,884
Repo receivables	7.	33,638	183,364
Financial assets at fair value through profit or loss	8.	246,462	160,483
Financial assets at fair value through other comprehensive income	9.	641,939	911,950
Securities at amortised cost	10.	3,071,038	2,007,692
Loans at amortised cost	11.	4,032,465	3,417,760
Loans mandatorily measured at fair value through profit or loss	11.	662,012	480,937
Investments in subsidiaries	12.	1,573,008	1,548,972
Property and equipment	13.	81,817	77,974
Intangible assets	13.	62,161	57,639
Right of use assets	35.	17,231	13,479
Investment properties	14.	4,328	1,936
Current tax assets	34.	-	593
Derivative financial assets designated as hedge accounting relationships	15.	17,727	6,817
Other assets	16.	224,488	169,794
TOTAL ASSETS		**13,710,471**	**11,154,394**
Amounts due to banks and deposits from the National Bank of Hungary and other banks	17.	1,051,203	766,977
Repo liabilities	18.	86,580	109,612
Deposits from customers	19.	9,948,532	7,895,735
Leasing liabilities	35.	17,932	14,106
Liabilities from issued securities	20.	22,153	28,435
Financial liabilities at fair value through profit or loss	21.	20,133	25,902
Derivative financial liabilities designated as held for trading	22.	192,261	99,987
Derivative financial liabilities designated as hedge accounting relationships	23.	18,690	3,104
Deferred tax liabilities	34.	1,507	3,062
Current tax liabilities	34.	4,776	1,464
Provisions	24.	21,527	19,906
Other liabilities	24.	238,437	203,527
Subordinated bonds and loans	25.	271,776	304,243
TOTAL LIABILITIES		**11,895,507**	**9,476,060**
Share capital	26.	28,000	28,000
Retained earnings and reserves	27.	1,845,836	1,697,133
Treasury shares	28.	(58,872)	(46,799)
TOTAL SHAREHOLDERS' EQUITY		**1,814,964**	**1,678,334**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**13,710,471**	**11,154,394**

Budapest, 17 March 2022

Dr. Sándor Csányi
Chairman and Chief Executive Officer

OTP BANK PLC.
SEPARATE STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2021
(in HUF mn)

	Note	Year ended 31 December 2021	Year ended 31 December 2020 Reclassified
Interest Income:			
Interest income calculated using the effective interest method	29.	302,373	239,633
Income similar to interest income	29.	105,663	81,663
Interest income and similar to interest income total		**408,036**	**321,296**
Interest Expense:			
Interest expenses total	29.	**(155,491)**	**(99,630)**
NET INTEREST INCOME		**252,545**	**221,666**
Loss allowance on loan, placements and repo receivables losses	6., 7., 11., 30.	(38,841)	(57,671)
Loss allowance on securities at fair value through other comprehensive income and on securities at amortised cost	9., 10., 30.	(1,484)	(1,848)
Provision for loan commitments and financial guarantees given	24., 30.	(130)	(3,202)
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.	(16,255)	(405)
Risk cost total		**(56,710)**	**(63,126)**
NET INTEREST INCOME AFTER RISK COST		**195,835**	**158,540**
LOSSES ARISING FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST	32.	**(2,700)**	**(3,279)**
MODIFICATION LOSS	4.	**(7,017)**	**(17,358)**
Income from fees and commissions	31.	300,803	259,781
Expenses from fees and commissions	31.	(52,276)	(40,750)
NET PROFIT FROM FEES AND COMMISSIONS		**248,527**	**219,031**
Foreign exchange losses	32.	(5,638)	(4,518)
Gains on securities, net	32.	2,104	17,595
Losses on financial instruments at fair value through profit or loss	32.	(6,494)	(671)
Gains on derivative instruments, net	32.	3,436	7,057
Dividend income	32.	99,037	60,973
Other operating income	33.	11,265	7,900
Other operating expenses	33.	(41,636)	(28,064)
NET OPERATING INCOME		**62,074**	**60,272**
Personnel expenses	33.	(136,126)	(118,498)
Depreciation and amortization	33.	(40,692)	(38,948)
Other administrative expenses	33.	(178,611)	(154,165)
OTHER ADMINISTRATIVE EXPENSES		**(355,429)**	**(311,611)**
PROFIT BEFORE INCOME TAX		**141,290**	**105,595**
Income tax	34.	(15,951)	(13,121)
NET PROFIT FOR THE YEAR		**125,339**	**92,474**
Earnings per share (in HUF)			
Basic	43.	455	333
Diluted	43.	455	333

OTP BANK PLC.
SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021
(in HUF mn)

	Note	Year ended 31 December 2021	Year ended 31 December 2020
NET PROFIT FOR THE YEAR		125,339	92,474
Items that may be reclassified subsequently to profit or loss:			
Fair value adjustment of debt instruments at fair value through other comprehensive income		(37,163)	(14,459)
Deferred tax related to fair value adjustment of debt instruments at fair value through other comprehensive income	34.	3,410	1,262
Gains / (Losses) on separated currency spread of financial instruments designated as hedging instrument		1,681	(1,526)
Deferred tax related to (losses) / gains on separated currency spread of financial instruments designated as hedging instrument	34.	(151)	137
(Losses) / Gains on derivative financial instruments designated as cash flow hedge		(6,307)	(296)
Deferred tax related to gains on derivative financial instruments designated as cash flow hedge	34.	-	27
Items that will not be reclassified to profit or loss:			
Fair value adjustment of equity instruments at fair value through other comprehensive income		1,407	(3,275)
Deferred tax related to equity instruments at fair value through other comprehensive income	34.	(281)	310
Total		(37,404)	(17,820)
TOTAL COMPREHENSIVE INCOME		87,935	74,654

OTP BANK PLC.
SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021
(in HUF mn)

	Note	Share Capital	Capital reserve	Retained earnings and other reserves	Treasury Shares	Total
Balance as at 1 January 2020		**28,000**	**52**	**1,628,302**	**(2,636)**	**1,653,718**
Net profit for the period		-	-	92,474	-	92,474
Other comprehensive income		-	-	(17,820)	-	(17,820)
Total comprehensive income		**-**	**-**	**74,654**	**-**	**74,654**
Share-based payment	39.	-	-	3,394	-	3,394
Payments to ICES holders		-	-	(4,853)	-	(4,853)
Sale of treasury shares	28.	-	-	-	41,759	41,759
Acquisition of treasury shares	28.	-	-	-	(85,922)	(85,922)
Loss on treasury shares	28.	-	-	(4,416)	-	(4,416)
Other transaction with owners		**-**	**-**	**(5,875)**	**(44,163)**	**(50,038)**
Balance as at 31 December 2020		**28,000**	**52**	**1,697,081**	**(46,799)**	**1,678,334**
Balance as at 1 January 2021		**28,000**	**52**	**1,697,081**	**(46,799)**	**1,678,334**
Other modification		**-**	**-**	**1,034**	**-**	**1,034**
Balance as at 1 January 2021		**28,000**	**52**	**1,698,115**	**(46,799)**	**1,679,368**
Net profit for the period		-	-	125,339	-	125,339
Other comprehensive income		-	-	(37,404)	-	(37,404)
Total comprehensive income		**-**	**-**	**87,935**	**-**	**87,935**
Share-based payment	39.	-	-	3,589	-	3,589
Payments to ICES holders		-	-	(3,734)	-	(3,734)
Increase due to termination of ICES bonds		-	-	75,422	-	75,422
Sale of treasury shares	28.	-	-	-	264,360	264,360
Acquisition of treasury shares	28.	-	-	-	(276,433)	(276,433)
Loss on sale of treasury shares	28.	-	-	(15,543)	-	(15,543)
Other transaction with owners		**-**	**-**	**59,734**	**(12,073)**	**47,661**
Balance as at 31 December 2021		**28,000**	**52**	**1,845,784**	**(58,872)**	**1,814,964**

OTP BANK PLC.
SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021
(in HUF mn)

	Note	Year ended 31 December 2021	Year ended 31 December 2020
OPERATING ACTIVITIES			
Profit before income tax		**141,290**	**93,246**
Net accrued interest		(2,205)	(34,365)
Depreciation and amortization	*13.*	40,784	38,997
Loss allowance on loans and placements	*30.*	38,841	61,310
(Release of loss allowance) / Loss allowance on securities at fair value through other comprehensive income	*9.*	(551)	3
Impairment loss on investments in subsidiaries	*12.*	27,420	10,042
Loss allowance on securities at amortised cost	*10.*	2,035	1,845
(Release of loss allowance) / Loss allowance on other assets	*16.*	(961)	3,521
Provision on off-balance sheet commitments and contingent liabilities	*24.*	1,473	3,110
Share-based payment	*39.*	3,589	3,394
Unrealised losses / (gains) on fair value adjustment of financial instruments at fair value through profit or loss		23,051	3,549
Unrealised losses on fair value adjustment of derivative financial instruments		30,962	4,011
Gains on securities		6,212	(6,433)
Interest expense from leasing liabilities		(214)	(257)
Foreign exchange loss		35,136	(4,476)
Gains on sale of tangible and intangible assets		82	72
Net changing in assets and liabilities in operating activities			
Net (increase) / decrease in placements with other banks and repo receivables before allowance for placement losses	*6.*	(879,438)	(78,996)
Changes in held for trading securities	*8.*	(24,178)	34,976
Change in securities mandatorily measured at fair value through profit or loss	*8.*	6,687	(7,278)
Changes in derivative financial instruments at fair value through profit or loss	*8.*	(1,303)	2,895
Net increase in loans	*11.*	(835,520)	(499,065)
Increase in other assets, excluding advances for investments and before provisions for losses	*16.*	(49,201)	(43,471)
Net increase / (decrease) in amounts due to banks and deposits from the National Bank of Hungary and other banks and repo liabilities	*17.*	224,661	(363,140)
Net decrease of financial liabilities designated as fair value through profit or loss	*21.*	(1,853)	(4,219)
Net increase in deposits from customers	*19.*	1,989,941	1,218,775
Increase/(decrease) in other liabilities	*24.*	114,259	(17,368)
Net increase in the compulsory reserve established by the National Bank of Hungary	*5.*	(23,270)	(10,978)
Dividend income	*12.*	(99,037)	(60,913)
Income tax paid		(15,259)	(12,950)
Net cash provided by operating activities		**753,433**	**335,837**

OTP BANK PLC.
SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021
(in HUF mn) [continued]

	Note	Year ended 31 December 2021	Year ended 31 December 2020
INVESTING ACTIVITIES			
Purchase securities at fair value through other comprehensive income	*9.*	(850,030)	(1,079,151)
Proceeds from sale of securities at fair value through other comprehensive income	*9.*	1,081,372	1,652,131
Change in derivative financial instruments designated as hedge accounting		1,341	(190)
Increase in investments in subsidiaries	*12.*	(51,456)	(32,961)
Decrease in investments in subsidiaries	*12.*	-	16,485
Dividend income		98,091	60,913
Increase in securities at amortised cost	*10.*	(1,253,830)	(680,089)
Redemption of securities at amortised cost	*10.*	214,963	122,146
Additions to property, equipment and intangible assets	*13.*	(46,081)	(68,885)
Disposal of property, equipment and intangible assets	*13.*	529	29,433
Net (increase) / decrease in investment properties	*14.*	(2,484)	396
Net (used in) / provided by cash investing activities		**(807,585)**	**20,228**
FINANCING ACTIVITIES			
Leasing payments		(5,136)	(4,590)
Cash received from issuance of securities	*20.*	5,897	7,119
Cash used for redemption of issued securities	*20.*	(9,051)	(22,096)
Increase in subordinated bonds and loans	*25.*	1,874	773
Decrease in subordinated bonds and loans	*25.*	(35,518)	(5,373)
Payments to ICES holders	*27.*	(3,735)	(4,853)
Increase of Treasury shares	*28.*	(276,433)	(85,923)
Decrease of Treasury shares	*28.*	248,819	37,344
Dividends paid	*27.*	(10)	(10)
Net cash used in financing activities		**(73,293)**	**(77,609)**
Net (decrease) / increase in cash and cash equivalents		**(127,445)**	**278,456**
Cash and cash equivalents at the beginning of the year		503,087	224,631
Cash and cash equivalents at the end of the year		**375,642**	**503,087**
Interest received		*345,504*	*306,646*
Interest paid		*98,395*	*88,237*

OTP BANK PLC
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 (Budapest).

The Bank's owners have the power to amend the separate financial statements after issue if applicable.

These financial statements are authorised for issue on 17 March 2022 by the Board of Directors.

Responsible person for the control and management of accounting services: Zoltán Tuboly (Budapest), Managing Director of Accounting and Financial Directorate, Registration Number: 177289, IFRS qualified chartered accountant.

Due to Hungarian legislation audit services are statutory for OTP Bank. Disclosure information about the auditor: Ernst & Young Audit Ltd. (001165), 1132 Budapest Váci Street 20. Registered under 01-09-267553 by Budapest-Capital Regional Court, as registry court. Statutory registered auditor: Zsuzsanna Nagyváradiné Szépfalvi, registration number: 005313.

Audit service fee agreed by the Annual General Meeting of the Bank for the year ended 2021 is an amount of HUF 162 million + VAT.

All other fees charged by the Auditor for non-audit services during the financial year are disclosed in the consolidated financial statements of the Bank.

In 1995, the shares of the Bank were introduced on the Budapest and the Luxembourg Stock Exchanges and were also traded on the SEAQ board on the London Stock Exchange and PORTAL in the USA.

The structure of the Share capital by shareholders (%):

	2021	2020
Domestic and foreign private and institutional investors	98%	97%
Employees	1%	1%
Treasury shares	1%	2%
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 356 branches in Hungary.

	2021	2020
Number of employees	10,078	9,829
Average number of employees	9,934	9,654

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 2021

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2** adopted by EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021)
- **Amendments to IFRS 4 "Insurance Contracts" – "Deferral of IFRS 9" -** adopted by EU on 15 December 2020 (effective for annual periods beginning on or after 1 January 2021)
- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 16 "Leases" – "**Covid 19-Related Rent Concessions beyond 30 June 2021" (effective for annual periods beginning on or after 1 April 2021),

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 IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture"**– "Annual Improvements to IFRSs 2018-2020 Cycle" - adopted by EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 3 "Business Combinations"; IAS 16 "Property, Plant and Equipment"; IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** – adopted by the EU on 28 June 2021 Annual Improvements (effective fog annual periods beginning on or after 1 January 2022)
- **Amendments to IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2023),

1.2.3. Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at date of publication of these financial statements:

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2**-Disclosure of Accounting policies (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors"** – Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),
- **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).
- **Amendments to IAS 12 "Income Taxes" –** Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 17 "Insurance Contracts" –** Initial application of IFRS 17 and IFRS 9 – Comparative Information (effective date for annual periods beginning on or after 1 January 2023)

The Bank anticipates that the adoption of these new standards, amendments to the existing standards and new interpretations will have no material impact on the financial statements of the Bank in the period of initial application.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of the accompanying separate financial statements are summarized below:

2.1. Basis of presentation

These separate financial statements have been prepared under the historical cost convention with the exception of certain financial instruments, which are recorded at fair value. Revenues and expenses are recorded in the period in which they are earned or incurred. The Bank does not offset assets and liabilities or income and expenses unless it is required or permitted by an IFRS standard.

During the preparation of separate financial statements assets and liabilities, income and expenses are presented separately, except in certain cases, when one of the IFRS standards prescribes net presenting related to certain items. (See below 2.8.)

The presentation of separate financial statements in conformity with IFRS requires the Management of the Bank to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Future changes in economic conditions, business strategies, regulatory requirements, accounting rules and other factors could result in a change in estimates that could have a material impact on future separate financial statements.

2.2. Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into HUF that is the presentation currency, at exchange rates quoted by the National Bank of Hungary ("NBH") as at the date of the separate financial statements. Income and expenses arising in foreign currencies are converted at the rate of exchange on the transaction date. Resulting foreign exchange gains or losses are recorded to the separate statement of profit or loss.

2.3. Consolidated financial statements

These financial statements present the separate financial position and results of operations of the Bank. Consolidated financial statements are prepared by the Bank and consolidated net profit for the year and shareholders' equity differs significantly from that presented in these separate financial statements. See Note 2.4 for the description of the method of accounting for investments in subsidiaries and associated companies in these separate financial statements. The consolidated financial statements and the separate financial statements will be published on the same date.

2.4. Investments in subsidiaries, associated companies and other investments

Investments in subsidiaries comprise those investments where OTP Bank, through direct and indirect ownership interest, controls the investee. Control is achieved when the Bank has power over the investee, is exposed or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

Investments in subsidiaries are recorded at the cost of acquisition, less impairment for permanent diminution in value, when appropriate. After initial measurement investments in subsidiaries are measured at cost, in the case of foreign currency denominated investments for the measurement the Bank uses the exchange rate at the date of transaction.

Impairment is determined based on the future economic benefits of the subsidiary and macroeconomic factors.

OTP Bank calculates the fair value based on discounted cash flow model. The 3 year period explicit cash flow model serves as a basis for the impairment test by which the Bank defines the impairment need on investment in subsidiaries based on the strategic factors and financial data of its cash-generating units.

OTP Bank in its strategic plan has taken into consideration the cautious recovery of global economic situation and outlook, the associated risks and their possible effect on the financial sector as well as the current and expected availability of wholesale funding.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.5. Securities at amortised cost

The Bank measures at amortized cost those securities which are held for contractual cash collecting purposes, and contractual terms of these securities give rise to cash flows that are solely payment of principal and interest on the principal amount outstanding. The Bank initially recognises these securities at fair value. Securities at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. The amortisation of any discount or premium on the acquisition of a security at amortized cost is part of the amortized cost and is recognised as interest income so that the revenue recognized in each period represents a constant yield on the investment. Securities at amortized cost are accounted for on a trade date basis. Such securities comprise mainly securities issued by the Hungarian Government bonds and corporate bonds.

2.6. Financial assets at fair value through profit or loss

2.6.1. Securities held for trading

Investments in securities are accounted for on a trade date basis and are initially measured at fair value. Securities held for trading are measured at subsequent reporting dates at fair value. Unrealised gains and losses on held for trading securities are recognized in profit or loss and are included in the separate statement of profit or loss for the period. The Bank holds held for trading securities within the business model to obtain short-term gains, consequently realised and unrealised gains and losses are recognized in the net operating income, while interest income is recognised in income similar to interest income. The Bank applies FIFO[1] inventory valuation method for securities held for trading. Such securities consist of discounted and interest bearing Treasury bills, Hungarian Government bonds, mortgage bonds, shares in non-financial commercial companies, shares in investment funds, shares in venture capital funds and shares in financial institutions.

2.6.2. Derivative financial instruments

In the normal course of business, the Bank is a party to contracts for derivative financial instruments, which represent a low initial investment compared to the notional value of the contract and their value depends on value of underlying asset and are settled in the future. The derivative financial instruments used include interest rate forward or swap agreements and currency forward or swap agreements and options. These financial instruments are used by the Bank both for trading purposes and to hedge interest rate risk and currency exposures associated with its transactions in the financial markets.

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.

[1] First In First Out

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.6.2 Derivative financial instruments [continued]

Foreign exchange swaps and interest rate swaps

The Bank enters into foreign-exchange swap and interest rate swap (“IRS”) transactions. The swap transaction is a complex agreement concerning the swap of certain financial instruments, which usually consists of a spot and one or more forward contracts.
Interest rate swaps obligate two parties to exchange one or more payments calculated with reference to fixed or periodically reset rates of interest applied to a specific notional principal amount (the base of the interest calculation). Notional principal is the amount upon which interest rates are applied to determine the payment streams under interest rate swaps.
Such notional principal amounts are often used to express the volume of these transactions but are not actually exchanged between the counterparties. The Bank’s interest rate swap contracts can be hedging or held for trading contracts.

Cross-currency interest rate swaps

The Bank enters into cross-currency interest rate swap (“CCIRS”) transactions which have special attributes, i.e. the parties exchange the notional amount at the beginning and also at the maturity of the transaction. A special type of these deals is the mark-to-market CCIRS agreements. At this kind of deals the parties – in accordance with the foreign exchange prices – revalue the notional amount during lifetime of the transaction.

Equity and commodity swaps

Equity swaps obligate two parties to exchange more payments calculated with reference periodically reset rates of interest and performance of indices. A specific notional principal amount is the base of the interest calculation. The payment of index return is calculated on the basis of current market price compared to the previous market price. In case of commodity swaps payments are calculated on the basis of the strike price of a predefined commodity compared to its average market price in a period.

Forward rate agreements (“FRA”)

A forward rate agreement is an agreement to settle amounts at a specified future date based on the difference between an interest rate index and an agreed upon fixed rate. Market risk arises from changes in the market value of contractual positions caused by movements in interest rates.

The Bank limits its exposure to market risk by entering into generally matching or offsetting positions and by establishing and monitoring limits on unmatched positions. Credit risk is managed through approval procedures that establish specific limits for individual counter-parties. The Bank’s forward rate agreements were transacted for management of interest rate exposures.

Foreign exchange options

A foreign exchange option is a derivative financial instrument that gives the owner the right to exchange money denominated in one currency into another currency at a pre-agreed exchange rate at a specified future date. The transaction, for a fee, guarantees a worst-case exchange rate for the futures purchase of one currency for another. These options protect against unfavourable currency movements while preserving the ability to participate in favourable movements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.7. Derivative financial instruments designated as a fair value or cash flow hedge

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.
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.

2.8. 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.

2.9. Embedded derivatives

Sometimes, a derivative may be a component of a combined or hybrid contract that includes a host contract and a derivative (the embedded derivative) affecting cash flows or otherwise modifying the characteristics of the host instrument. An embedded derivative must be separated from the host instrument and accounted for as a separate derivative if, and only if:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- A separate financial instrument with the same terms as the embedded derivative would meet the definition of a derivative as a stand-alone instrument; and
- The host instrument is not measured at fair 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.10. 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[1] 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.

2.11. 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".

[1] First In First Out

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.11. Loans, placements with other banks, repo receivables and loss allowance for loan, placements and repo receivables losses [continued]

Initially, financial assets shall be recognised at fair value which is usually equal to the transaction value in case of loans and placements. However, when the amounts are not equal, the initial fair value difference should be recognized.

If the fair value of financial assets is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the initial fair value difference in the Separate Statement of Profit or Loss.

When the fair value of financial assets is based on models for which inputs are not observable, the difference between the transaction price and the fair value is deferred and only recognised in profit or loss when the instrument is derecognised or the inputs became observable.

Initial fair value of loans lent at interest below market conditions is lower than their transaction price.

Allowance for losses on loans, placements with other banks and repo receivables represent management assessment for potential losses in relation to these activities.

The Bank recognises a loss allowance for expected credit losses on a financial asset at each reporting date. The loss allowance for a financial asset equals to 12-month expected credit loss or equals to the lifetime expected credit losses. The maximum period over which expected credit losses shall be measured is the maximum contractual period over which the Bank is exposed to credit risk.

If the credit risk on a financial asset has not increased significantly since initial recognition then 12-month expected credit losses, otherwise (in case of significant credit risk increase) lifetime expected credit losses should be calculated. The expected credit loss is the present value of the difference between the contractual cash flows that are due to the Bank under the contract and the cash flows that the Bank expects to receive.

When the contractual cash flows of a financial asset are modified and the modification does not result in the derecognition of the financial asset the Bank recalculate the gross carrying amount of the financial asset by discounting the expected future cash flows with the original effective interest rate of the asset. The difference between the carrying amount and the present value of the expected cash flows is recognised as a "Modification gain or loss" in the statement of profit or loss. Interest income and amortised cost are accounted for using the effective interest rate method.

Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and the possibility of further recovery is considered to be remote. The loan is written off against the related account "Loss allowance on loan, placement and repo receivables losses" in the Statement of Profit or loss.

OTP Bank applies partial or full write-off for loans based on the definitions and prescriptions of financial instruments in accordance with IFRS 9. If OTP Bank has no reasonable expectations regarding a financial asset (loan) to be recovered, it will be written off partially or fully at the time of emergence.

The gross amount and loss allowance of the loans shall be written off in the same amount to the estimated maximum recovery amount while the net carrying value remains unchanged.

If there are reasonable expectations of recovery for a financial asset that is written-off fully or partially, OTP Bank shall re-estimate cash flows of a financial asset and write-off reversal is applied in the financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.11. Loans, placements with other banks, repo receivables and loss allowance for loan, placements and repo receivables losses [continued]

Modification of contractual cash flows

If the net present value of the contracted cash flows changes due to the modification of the contractual terms and it is not qualified as derecognition, modification gain or loss should be calculated and accounted for in the separate statement of profit or loss. Modification gain or loss is accounted in cases like restructuring – as defined in internal policies of the Bank – prolongation, renewal with unchanged terms, renewal with shorter terms and prescribing capital repayment rate, if it doesn't exist or has not been earlier.

The changes of net present value should be calculated on portfolio level in case of retail exposures. Each retail contract is restructured based on restructuring frameworks. The Bank has to evaluate these frameworks (and not individual contracts). The changes of net present value should be calculated individually on contract level in case of corporate portfolio.

Among the possible contract amendments, the Bank considers as a derecognition and a new recognition when the discounted present value – discounted at the original effective interest rate – of the cash flows under the new terms is at least 10 per cent different from the discounted present value of the remaining cash flows. In case of derecognition and new recognition the unamortised fees of the derecognised asset should be presented as Income similar to interest income. The newly recognised financial asset is initially measured at fair value and is placed in stage 1 if the derecognised financial asset was in stage 1 or stage 2 portfolio. The newly recognised financial asset will be purchased or originated credit impaired financial asset ("POCI") if the derecognised financial asset was in stage 3 portfolio or it was POCI.

The modification gain or loss shall be calculated at each contract amendments unless they are handled as a derecognition and new recognition. In case of modification the Bank recalculates the gross carrying amount of the financial asset. To do this, the new contractual cash flows should be discounted using the financial asset's original effective interest rate (or credit-adjusted effective interest rate for POCI financial asset). Any costs or fees incurred adjust the carrying amount of the modified financial asset are amortized over the remaining term of the modified financial asset.

Purchased or originated credit impaired financial assets

Purchased or originated financial assets are credit-impaired on initial recognition. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

A purchased credit-impaired asset is likely to be acquired at a deep discount. In unusual circumstances, it may be possible that an entity originates a credit-impaired asset, for example, following a substantial modification of a distressed financial asset that resulted in the derecognition of the original financial asset.

In the case of POCI financial assets, interest income is always recognized by applying the credit-adjusted effective interest rate.

For POCI financial assets, in subsequent reporting periods an entity is required to recognize:
- the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance,
- the impairment gain or loss which is the amount of any change in lifetime expected credit losses.
  An impairment gain is recognized (with the parallel increase of the net amortized cost of receivable) if due to the favourable changes after initial recognition the lifetime expected credit loss estimation is becoming lower than the original estimated credit losses at initial recognition.

The POCI qualification remains from initial recognition to derecognition in the Bank's books.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.12. Loss allowance

Loss Allowance for loans and placements with other banks and repo receivables are recognised by the Bank based on the expected credit loss model in accordance with IFRS 9. Based on the three stage model loss allowance is recognised in amount of 12 month expected credit loss from the initial recognition. Financial assets with significantly increased credit risk or credit impaired financial assets (based on objective evidences) loss allowance is recognised in amount of lifetime expected credit loss.

In case of purchased or originated credit impaired financial assets loss allowance is recognised in amount of lifetime expected credit loss since initial recognition. Impairment gain is recognised if lifetime expected credit loss for purchased or originated credit impaired financial assets at measurement date are less than the estimated credit loss at initial recognition.

Loss allowance for loan and placements are determined at a level that provides coverage for individually identified credit losses. Collective impairment loss is recognised for loans with similar credit risk characteristics when it is not possible to determine the amount of the individually identified credit loss in the absence of objective evidence. The expected cash flows for loan portfolios are estimated based on historical loss experience.

At subsequent measurement the Bank recognises through "Loss allowance on loan, placement and repo receivables losses" in the Statement of Profit or Loss impairment gain or loss as an amount of expected credit losses or reversal that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised in accordance with IFRS 9.

If a financial asset, which previously classified in the first stage, classified subsequently in the second or third stage than loss allowance is adjusted to lifetime expected credit loss. If a financial asset, which previously classified in the second or third stages, classified subsequently in the first stage than loss allowance is adjusted to level of 12 month expected credit loss.

Classification into risk classes

According to the requirements of the IFRS9 standard, the Bank classifies financial assets measured at amortised cost and fair value through other comprehensive income, and loan commitments and financial guarantees into the following categories in accordance with IFRS9:

Stage 1	Performing
Stage 2	Performing, but compared to the initial recognition it shows significant increase in credit risk
Stage 3	Non-performing
POCI	Purchased or originated credit impaired

In the case of trade receivables, contract assets and lease receivables the Group applies the simplified approach and calculates only lifetime expected credit loss. Simplified approach is the following:

- for the past 3 years the average annual balance of receivables under simplified approach is calculated,
- the written-off receivables under simplified approach are determined in the past 3 years,
- the loss allowance ratio will be the sum of the written-off amounts divided by the sum of the average balances,
- historical losses are adjusted to reflect information about current conditions and reasonable forecasts of future economic conditions,
- the loss allowance is multiplied by the end-of-year balance and it will be the actual loss allowance on these receivables,
- loss allowance should be recalculated annually.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.12. Loss allowance [continued]

Classification into risk classes [continued]

The Bank assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. This might occur if the financial asset has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Bank considers souvereign exposures having low credit risk.

Credit risk of financial assets increases significantly at the following conditions:

- the payment delay exceeds 30 days,
- it is classified as performing forborne,
- based on individual decision, its currency suffered a significant "shock" since the disbursement of the loan,
- the transaction/client rating exceeds a predefined value or falls into a determined range, or compared to the historic value it deteriorates to a predefined degree,
- in the case household mortgage loans, the loan-to-value ratio (“LTV”) exceeds a predefined rate,
- default on another loan of the retail client, if no cross-default exists,
- in case of corporate and municipal clients:
  - financial difficulty (capital requirements, liquidity, impairment of asset quality),
  - significant decrease of activity and liquidity in the market of the asset,
  - client’s rating reflects higher risk, but better than default,
  - collateral value drops significantly, from which the client pays the loan,
  - more than 50% decrease in owner’s equity due to net losses,
  - client under dissolution,
  - negative information from Central Credit Information System: the payment delay exceeds 30 days

Financial assets classifies as non-performing, if the following conditions are met:

- default,
- non-performing forborne exposures,
- in case of corporate and municipal clients:
  - breach of contract terms and conditions
  - critical financial difficulty of the client (capital requirements, liquidity, impairment of asset quality),
  - liquidation, dissolution or debt clearing procedures against client,
  - forced deregistration procedures from company registry,
  - terminated loans by the Bank,
  - in case of fraud,
  - negative information from Central Credit Information System: the payment delay exceeds 90 days,
  - cessation of active markets of the financial asset,
  - default of ISDA based contracts.

For lifetime expected credit losses, the Bank shall estimate the risk of a default occurring on the financial instrument during its expected life. 12-month expected credit losses are a portion of the lifetime expected credit losses and represent cash flow shortfalls that will result if a default occurs in the 12 months after the reporting date (or a shorter period fi the expected life of the financial instrument is less than 12 months), weighted by the probability of that default occurring.

Expected credit losses are measured in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes,
- the time value of money, and

reasonable and supportable information that is available without undue cost of effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.13. 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.

2.14. Sale and repurchase agreements, security lending

Where debt or equity securities are sold under a commitment to repurchase them at a pre-determined price, they remain on the statement of financial position and the consideration received is recorded in Other liabilities or Amounts due to banks and deposits from the National Bank of Hungary and other banks, or Deposits from customers. Conversely, debt or equity securities purchased under a commitment to resell are not recognized in the statement of financial position and the consideration paid is recorded either in Placements with other banks or Deposits from customers. Interest is accrued evenly over the life of the repurchase agreement. In the case of security lending transactions the Bank does not recognize or derecognize the securities because it is believed that the transferor retains substantially all the risks and rewards of the ownership of the securities. Only a financial liability or financial receivable is recognized for the consideration amount.

2.15. Property, equipment and intangible assets

Property, equipment and intangible assets are stated at cost, less accumulated depreciation and amortization and impairment, if any. The depreciable amount (book value less residual value) of the non-current assets must be allocated over their useful lives. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets based on the following annual percentages:

Intangible assets	
Software	20-33.3%
Property rights	16.7-33.3%
Property	1-2%
Office equipment and vehicles	9-33.3%

Depreciation and amortization on properties, equipment and intangible assets starts on the day when such assets are placed into service. At each balance sheet date, the Bank reviews the carrying value of its tangible and intangible assets to determine if there is any indication that those assets have suffered an impairment loss.

If such indication exists, the recoverable amount of the asset is estimated to determine the extent (if any) of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where the carrying value of property, equipment, other tangible fixed assets and intangible assets is greater than the estimated recoverable amount, it is impaired immediately to the estimated recoverable amount.

2.16. Inventories

The inventories shall be measured at the lower of cost and net realisable value. The cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The Bank uses generally FIFO formulas to the measurement of inventories. Inventories shall be removed from books when they are sold, unusable or destroyed. When inventories are sold, the carrying amount of those inventories shall be recognized as an expense in the period in which the related revenue is recognized. Repossessed assets are classified as inventories.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.17. Investment properties

Investment properties of the Bank are land, buildings, part of buildings which are held (as the owner or as the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use in the production or supply of services or for administrative purposes or sale in the ordinary course of business. The Bank measures the investment properties at cost less accumulated depreciation and impairment, if any. The depreciable amount (book value less residual value) of the investment properties must be allocated over their useful lives. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets based on the 1-2% annual percentages.

The fair value of the investment properties is established mainly by external experts. According to the opinion of the Management there is no significant difference between the fair value and the carrying value of these properties.

2.18. Financial liabilities

The financial liabilities are presented within financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost. In connection to the financial liabilities at fair value through profit or loss, the Bank presents the amount of change in their fair value originated from the changes of market conditions and business environment. Financial liabilities at fair value through profit or loss are either financial liabilities held for trading or they are designated upon initial recognition as at fair value through profit or loss. In the case of financial liabilities measured at amortised cost, fees and commissions related to the origination of the financial liability are recognised through profit or loss during the maturity of the instrument. In certain cases the Bank repurchases a part of financial liabilities (mainly issued securities or subordinated bonds) and the difference between the carrying amount of the financial liability and the amount paid for it is recognised in the statement of profit or loss and included in other operating income.

2.19. Leases

An agreement is a lease or contains a lease if it transfers the rights to control the use of an identified asset for a given period in exchange for compensation.

Expenses related to the use of lease assets, the majority of which were previously recognised in external services costs, will be currently classified as depreciation/amortisation and interest costs. Usufruct rights are depreciated using a straight line method, while lease liabilities are settled using an effective discount rate.

Recognition of lease liabilities

The Bank will recognise lease liabilities related to leases which were previously classified as "operating leases" in accordance with IAS 17 Leases. These liabilities will be measured at the present value of lease payments receivable as at the date of commencement of the application of IFRS 16. Lease payments shall be discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. Interest rate applied by the Bank: weighted average lessee's incremental borrowing rate: ~1,62%

At their date of initial recognition, lease payments contained in the measurement of lease liabilities comprise the following types of payments for the right to use the underlying asset for the life of the lease:

- fixed lease payments less any lease incentives,
- variable lease payments which are dependent on market indices,
- amounts expected to be payable by the lessee under residual value guarantees,
- the strike price of a purchase option, if it is reasonably certain that the option will be exercised, and
- payment of contractual penalties for terminating the lease, if the lease period reflects that the lessee used the option of terminating the lease.

The Bank makes use of expedients with respect to short-term leases (less than 12 months) as well as in the case of leases in respect of which the underlying asset has a low value (less than HUF 1.4 million) and for which agreements it will not recognise financial liabilities nor any respective right-of-use assets. These types of lease payments will be recognised as costs using the straight-line method during the life of the lease.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.20. Leases [continued]

Recognition of right-of-use assets

Right-of-use assets are initially measured at cost.

The cost of a right-of-use asset comprises:

- the amount of the initial measurement of lease liabilities,
- any lease payments made at or before the commencement date, less any lease incentives received,
- any initial direct costs incurred by the lessee,
- estimates of costs to be incurred by the lessee as a result of an obligation to disassemble and remove an underlying asset or to carry out renovation/restoration.

Right-of-use assets are presented separately in the financial statements.

2.20. Share capital

Share capital is the capital determined in the Articles of Association and registered by the Budapest-Capital Regional Court. Share capital is the capital the Bank raised by issuing common stocks at the date the shares were issued. The amount of share capital has not changed over the current period.

2.21. Treasury shares

Treasury shares are shares which are purchased on the stock exchange and the over-the-counter market by the Bank and are presented in the separate statement of financial position at acquisition cost as a deduction from shareholders' equity. Gains and losses on the sale of treasury shares are recognised directly to shareholder's equity. Derecognition of treasury shares is based on the FIFO method.

2.22. Interest income, income similar to interest income and interest expense

Interest income and expenses are recognised in profit or loss in the period to which they relate, using the effective interest rate method.

For exposures categorized into stage 1 and stage 2 the interest income is recognized on a gross basis. For exposures categorized into stage 3 (using effective interest rate) and for POCI (using credit-adjusted effective interest rate) the interest income is recognized on a net basis.

The time-proportional income similar to interest income of derivative financial instruments calculated without using the effective interest method and the positive fair value adjustment of interest rate swaps are also included in income similar to interest income. Interest income of FVTPL loans is calculated based on interest fixed in the contract and presented in "Income similar to interest income" line.

Interest from loans and deposits are accrued on a daily basis. Interest income and expense include certain transaction cost and the amortisation of any discount and premium between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

All interest income and expense recognised are arising from loans, placements with other banks, repo receivables, securities at fair value through other comprehensive income, securities at amortised cost, and amounts due to banks, repo liabilities, deposits from customers, liabilities from issued securities, subordinated bonds and loans are presented under these lines of financial statements

2.23. Fees and Commissions

Fees and commissions that are not involved in the amortised cost model are recognised in the Separate Statement of Profit or Loss on an accrual basis according to IFRS 15. These fees are related to deposits, cash withdrawal, security trading, bank card, etc.

The Bank recognise income if performance obligations related to the certain goods or service are satisfied, performed, and control over the asset is transferred to the customer, and it is probable that consideration payable will probably flow to the entity. In case of those service, where the Bank transfer control over the asset continuously, income is recognised on accrual basis. (For more details see note 31)

The Bank provides foreign exchange trading services to its customers, the profit margin achieved on these transactions is presented as Net profit from fees and commissions in the Separate Statement of Profit or Loss.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.24. Dividend income

Dividend income refers to any distribution of entity's earnings to shareholders from stocks or mutual funds that is owned by the Bank. The Bank recognizes dividend income in the separate financial statements when its right to receive the payment is established.

2.25. Income tax

The Bank considers corporate income tax and local business tax and the innovation contribution as income tax in Hungary. The annual taxation charge is based on the tax payable under Hungarian fiscal law, adjusted for deferred taxation. Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences between the tax bases of assets and liabilities and their carrying value for financial reporting purposes, measured at the tax rates that are expected to apply when the asset is realised or the liability is settled.

Deferred tax assets and liabilities are presented in a net way in the statement of financial position. Current tax asset or current tax liability is presented related to income tax and innovation contribution separately in the statement of financial position.

Deferred tax assets are recognized by the Bank for the amounts of income tax that are recoverable in future periods in respect of deductible temporary differences as well as the carry forward of unused tax losses and the carryforward of unused tax credits.

The Bank recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint arrangements, to the extent that, and only to the extent that, it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

The Bank considers the availability of qualifying taxable temporary differences and the probability of other future taxable profits to determine whether future taxable profits will be available.
The Bank recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, except to the extent that both of the following conditions are satisfied:

- the Bank is able to control the timing of the reversal of the temporary difference, and
- it is probable that the temporary difference will not reverse in the foreseeable future.

The Bank only offsets its deferred tax liabilities against deferred tax assets when:

- there is a legally enforceable right to set-off current tax liabilities against current tax assets, and
- the taxes are levied by the same taxation authorities on either
    - the same taxable entity or
    - different taxable entities which intend to settle current tax liabilities and assets on a net basis.

2.26. Banking tax

The Bank is obliged to pay banking tax based on Act LIX of 2006. As the calculation is not based on the taxable profit (but the adjusted Assets total calculated based on the Separate Financial Statements for the second period preceding the current tax year), banking tax is not considered as income tax. Therefore, the banking tax is considered as an other administrative expense, not as income tax.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.27. Off-balance sheet commitments and contingent liabilities, provisions

In the ordinary course of its business, the Bank has entered into off-balance sheet commitments such as guarantees, commitments to extend credit, letters of credit and transactions with financial instruments. The provision on off-balance sheet commitments and contingent liabilities is maintained at a level adequate to absorb probable future losses which are probable and relate to present obligations.

Those commitments and contingent liabilities Management determines the adequacy of the provision based upon reviews of individual items, recent loss experience, current economic conditions, the risk characteristics of the various categories of transactions and other pertinent factors.

The Bank recognizes a provision for off-balance sheet commitment and contingent liabilities in accordance with IAS 37 when it has a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the obligation.

Expected credit loss model is applied for given financial guarantees and loan commitments which are under IFRS 9 the, when the provision is calculated (see more details in Note 2.12.). After initial recognition the Group subsequently measures those contracts at a higher of the amount of the loss allowance or of the amount initially recognised less the cumulative amount of income recognized in accordance with IFRS 15.

2.28. Share-based payment and employee benefits

The Bank has applied the requirements of IFRS 2 Share-based Payment.

The Bank issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the year, based on the Bank's estimate of shares that will eventually vest.

Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on Management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The Bank has applied the requirement of IAS 19 Employee Benefits. The Bank's short-term employee benefits are wages, salaries and bonuses, premium, paid annual leave and paid sick leave and other free services (health care, reward holiday). Short-term employee benefits are expected to pay by the Bank within 12 month. These benefits are recognised as an expense and liability undiscounted in the separate financial statements.

Long-term employee benefits are mostly the jubilee reward. Long-term employee benefits are recognised as an expense and liability in the separate financial statements. Liabilities are regularly remeasured. Gains or losses due to the remeasurement are recognised in the separate statement of profit or loss.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.29. Separate statement of cash flows

Cash flows arising from the operating, investing or financing activities are reported in the Statement of Cash-Flows of the Bank primarily on a gross basis. Net basis reporting are applied by the Bank in the following cases:

- when the cash flows reflect the activities of the customer rather than those of the Bank, and
- for items in which the turnover is quick, the amounts are large, and the maturities are short.

For the purposes of reporting cash flows "Cash, due from banks and balances with the NBH" line item excluding compulsory reserve are considered as cash and cash equivalents by the Bank. This line item shows balances of HUF and foreign currency cash amounts, and sight depos from NBH and from other banks, furthermore balances of current accounts.

Cash flows from hedging activities are classified in the same category as the item being hedged. The unrealised gains and losses from the translation of monetary items to the closing foreign exchange rates and the unrealised gains and losses from derivative financial instruments are presented separately net in the statement of cash flows for the monetary items which have been revaluated.

2.30. Segment reporting

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Bank that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

At separate level, the Management does not separate and makes decisions based on different segments; the segments are identified by the Bank only at consolidated level in line with IFRS 8 paragraph 4. At Group level the segments identified by the Bank are the business and geographical segments.

The Group's operating segments under IFRS 8 are therefore as follows: OTP Core Hungary, Russia, Ukraine, Bulgaria, Romania, Serbia, Croatia, Montenegro, Albania, Moldova, Slovenia, Merkantil Group, Asset Management subsidiaries, other subsidiaries, Corporate Centre.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.31. Comparative figures

Reclassification of certain local taxes

The Bank has reviewed prescriptions related to local taxes, the determination of their tax base and their effects on payment obligation. As a result of the review the local business tax and innovation contribution have been reclassified to income tax in line with banking industry practice. In the financial statements prepared for the year ended 31 December 2021 the Bank presents these taxes as income tax and reclassified the financial information for comparative periods.

Derecognition of financial assets at amortized cost is presented separately in the separate statement of profit or loss. Those items are to be separated from those results which previously contained them. In the separate financial position there is provision for conditional liability to be separated from other liabilities which previously contained them. All these reclassifications were necessary to improve presentation.

The impact of the reclassification of comparative information is summarized in the following tables:

Statement of Financial Position

Line item	31 December 2021	31 December 2020 after reclassification	Reclassification of amounts related to local taxes	31 December 2020 Previously presented
Current tax liabilities	**4,776**	**1,464**	1,464	**-**
Other liabilities	**238,437**	**223,433**	(1,464)	**224,897**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**13,710,471**	**11,154,394**	**-**	**11,154,394**

Statement of Profit or Loss

Line item	Year ended 31 December 2021	Year ended 31 December 2020 After reclassification	Reclassification of amounts related to local taxes	Year ended 31 December 2020 Previously presented
Taxes, other than income tax	(81,171)	(73,384)	(12,349)	(85,733)
Other administrative expenses	**(178,611)**	**(154,165)**	**(12,349)**	**(166,514)**
OTHER ADMINISTRATIVE EXPENSES	**(355,429)**	**(311,611)**	**(12,349)**	**(323,960)**
PROFIT BEFORE INCOME TAX	**141,290**	**105,595**	**(12,349)**	**93,246**
Income tax	(15,951)	(13,121)	12,349	(772)
NET PROFIT FOR THE YEAR	**125,339**	**92,474**	**-**	**92,474**

Amendments to the information published in the supplementary annexes concerned the following supplementary notes

Note	Name of the Note
24	Other liabilities and provisions
33	Other operating income and expenses and other administrative expenses
34	Income tax

The Bank has reclassified the presentation of the detailed notes to the amended statement of financial position and statement of profit or loss line items for comparative information in accordance with the new values. These amendments have been marked “Reclassified” by the Bank.

NOTE 3: SIGNIFICANT ACCOUNTING ESTIMATES AND DECISIONS IN THE APPLICATION OF ACCOUNTING POLICIES

The presentation of separate financial statements in conformity with IFRS requires the Management of the Bank to make judgements about estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on expected loss and other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period. Actual results could differ from those estimates. Significant areas of subjective judgements include:

3.1. Loss allowance on financial instruments

The Bank regularly assesses its financial instruments for impairment. Management determines the adequacy of the allowances based upon reviews of individual loans and placements, recent loss experience, current economic conditions, the risk characteristics of the various categories of loans and other pertinent factors. The use of a new, three stage model was implemented for IFRS 9 purposes. The new impairment methodology is used to classify financial instruments in order to determine whether credit risk has significantly increased since initial recognition and able to identify credit-impaired assets. For instruments with credit-impairment or significant increase of credit risk lifetime expected losses will be recognized. (For details see note 36.1.1.)

3.2. Valuation of instruments without direct quotations

Financial instruments without direct quotations in an active market are valued using the valuation model technique. The models are regularly reviewed and each model is calibrated for the most recent available market data. While the models are built only on available data, their use is subject to certain assumptions and estimates (e.g. for correlations, volatilities, etc). Changes in the model assumptions may affect the reported fair value of the relevant financial instruments.

IFRS 13 Fair Value Measurement seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The Bank evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary, based on the facts at the beginning of the reporting period. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.

3.3. Provisions

Provision is recognised and measured for commitments to extend credit and for warranties arising from banking activities based on IFRS 9 Financial Instruments. Provision for these instruments is recognised based on the credit conversion factor, which shows the proportion of the undrawn credit line that will be probably drawn.

Other provision is recognised and measured based on IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The Bank is involved in a number of ongoing legal disputes. Based upon historical experience and expert reports, the Bank assesses the developments in these cases, and the likelihood and the amount of potential financial losses which are appropriately provided for. (See Note 24.)

Other provision for off-balance sheet items includes provision for litigation, provision for retirement and expected liabilities and provision for Confirmed letter of credit.

A provision is recognised by the Bank when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

NOTE 3: SIGNIFICANT ACCOUNTING ESTIMATES AND DECISIONS IN THE APPLICATION OF ACCOUNTING POLICIES [continued]

3.4. Business models

A business model refers how the Bank manages its financial instruments in order to generate cash flows. It is determined at a level that reflects how groups of financial instruments are managed rather than at an instrument level.

The financial assets held by the Bank are classified into three categories depending on the business model within the financial assets are managed.

- Business model whose objective is to hold financial assets in order to collect contractual cash flows. Some sales can be consistent with hold to collect business model and the Bank assesses the nature, frequency and significance of any sales occurring. The Bank does not consider the sale frequent when at least six months have elapsed between sales. The significant sales are those when the sales exceed 2% of the total hold to collect portfolio. Within this business model the Bank manages mainly loans and advances and long term securities and other financial assets.
- Business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Within this business model the Bank only manages securities.
- Business model whose objective is to achieve gains in a short term period. Within this business model the Bank manages securities and derivative financial instrument.

If cash flows are realised in a way that is different from the expectations at the date that the Bank assessed the business model, that does not give rise to a prior error in the Bank's financial statements nor does it change the classification of the remaining financial assets held in that business model.

When, and only when the Bank changes its business model for managing financial assets it reclassifies all affected assets. Such changes are determined by the Bank's senior management as a result of external or internal changes and must be significant to the Bank's operations and demonstrable to external parties. The Bank shall not reclassify any financial liability.

3.4. Contractual cash-flow characteristics of financial assets

Classification of a financial asset is based on the characteristics of its contractual cash flows if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

The Bank should determine whether the asset's contractual cash flows are solely payments of principal and interest on the principal amount outstanding (SPPI test). Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement.

Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The Bank assesses whether contractual cash flows are solely payments of principal and interest on the principal amount outstanding for the currency in which the financial asset is denominated.

Time value of money is the element of interest that provides consideration for only the passage of time. However, in some cases, the time value of money element may be modified. In such cases, the Bank assesses the modification to determine whether the contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

When assessing a modified time value of money element, the objective is to determine how different the undiscounted contractual cash flows could be from undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). The benchmark instrument can be an actual or a hypothetical financial asset. If the undiscounted contractual cash flows significantly – above 2% – differ from the undiscounted benchmark cash flows, the financial asset should be subsequently measured at fair value through profit or loss.

NOTE 4: COVID-19 (in HUF mn)

Covid-19 has had substantial implications for the operations of the Bank during 2021. Below are some of the more important Covid-19 related events that occurred in Hungary:

- Effective from 13 January 2021 the National Bank of Hungary extended the available amount for the Bond Funding for Growth scheme by HUF 750 billion to HUF 1,150 billion. At the same time it decided to increase the maximum maturity of corporate bonds that can be purchased by the central bank from 20 to 30 years. Also, the central bank's exposure limit to a company group was revised from HUF 50 billion to HUF 70 billion.
- On 4 February 2021 the Prime Minister announced an interest-free loan programme for companies in trouble in the wake of the pandemic. According to Government Resolution 1038/2021. (II. 5.) the programme will be administered by the Hungarian Development Bank, and the available amount under the programme will be HUF 100 billion. Companies can take out maximum HUF 10 million each for the purpose of covering wages and social contributions, overhead costs, general operating expenses and inventory financing. Client interest rate is 0%, the loan tenor can be up to 10 years, and the servicing of the loan will start after a 3 year grace period. The scope of eligible entities was determined in agreement with the Hungarian Chamber of Commerce and Industry.
- On 1 April 2021 Moody's rating agency upgraded the outlook on the Hungarian banking sector from negative to stable
- On 6 April 2021 the NBH raised the available amount for the Funding for Growth Go! Scheme by HUF 500 billion to HUF 3,000 billion.
- On 18 May 2021 the Hungarian Development Bank revealed that the interest-free, maximum HUF 10 million loan for micro- and small enterprises (the so-called interest-free restart quick loan) can be applied for by companies whose revenues in 2020 plummeted by more than 30%, irrespective of the scope of activities (certain other criteria must be met).
- On 25 May 2021 the National Bank of Hungary did not touch the benchmark interest rates, but stressed that the central bank is ready to tighten monetary conditions in a proactive manner to the extent necessary in order to ensure price stability and to mitigate inflation risks.
- On 9 June 2021 Viktor Orbán Prime Minister announced that their actual personal income tax payments (up to the tax burden of the average wage) will be refunded to families raising kids in early-2022 provided that the 2021 GDP growth surpasses 5.5%.
- According to Government Decree No. 317/2021. (VI. 9.) released on 9 June 2021 the payment moratorium was extended with unchanged conditions until 30 September 2021.
- On 9 June 2021 Viktor Orbán Prime Minister announced that once the central bank phases out its Funding for Growth scheme, the government will have to shoulder the financial burden of providing cheap (not higher than 0.5% interest rate) subsidized loans to domestic micro and small enterprises, through the Széchenyi Card programme by KAVOSZ. On 9 June László Krisán, CEO of KAVOSZ revealed the details of the Széchenyi Card GO! programme launched on 1 July 2021.
- On its 22 June 2021 meeting the Monetary Council embarked on a rate hike cycle: the base rate was increased by 30 bps to 0.9%. Also, effective from 24 June 2021 the National Bank of Hungary raised the one-week deposit rate to the level of the base rate.

NOTE 4: COVID-19 (in HUF mn) [continued]

- The Monetary Council has started to transform the use of instruments having an effect at longer maturities. Accordingly, with the exhaustion of the HUF 3,000 billion available amount, the Funding for Growth Go! programme will be phased out. However, the central bank continues to consider the government securities purchase programme to be crucial in its set of monetary policy instruments. The central bank will continue to use the programme by maintaining a lasting presence in the market, taking a flexible approach to changing the quantity and structure of weekly securities purchases, to the extent and for the time necessary.
- On 2 July 2021 the National Bank of Hungary recommended in its circular that financial institutions should abstain from charging prepayment fees in the case of full or partial prepayment of deferred interest and fee accumulated during the term of the moratorium. The central bank also recommended free of charge loan contract modification if borrowers voluntarily undertake higher monthy instalments in order to shorten the remaining maturity.
- On 6 July 2021 the National Bank of Hungary announced that with the aim of boosting green mortgage lending, it decided to launch the Green Mortgage Bond Purchase Programme and the FGS Green Home Programme as the first steps of the implementation of the new Green Monetary Policy Toolkit Strategy:

  The strategic goal of the Green Mortgage Bond Purchase Programme is to contribute to the development of the domestic green mortgage bond market through targeted purchases and, through this, encourage green mortgage loan activities. The central bank will review the programme when the HUF 200 billion purchase volume has been reached. Additionally, the central bank also decided to re-launch the Mortgage Bond Rollover Facility for mortgage bonds without green rating.
  The central bank will launch the Green Home Programme in October 2021 with a total limit of HUF 200 billion as part of the Funding for Growth Scheme (FGS). As in the previous phases of the FGS, the MNB will provide refinancing operation to credit institutions at 0% interest, which will be lent to residential customers at a maximum of 2.5%, fixed interest rate until the end of the maturity period. Under the scheme, loans of up to HUF 70 million and a maximum term of 25 years can be granted for constructions or purchases of new, highly energy-efficient residential real estates.

- On 23 July 2021 the European Central Bank announced that restrictions concerning dividend payments won't be prolonged beyond the previously effective deadline of 30 September 2021.
- A Government Decree was published on 23 July 2021 facilitating the VAT refund in the case of newly built houses in brownfield sites.
- On 27 July 2021 the National Bank of Hungary raised the base rate by 30 bps to 1.2%, then on 29 July the one-week deposit rate was hiked to the same level, by the same magnitude.
- On 30 July 2021 the results of the 2021 EU-wide stress test conducted by the European Banking Authority were revealed. The fully loaded consolidated Common Equity Tier 1 (CET1) ratio of OTP Bank Plc. would change to 16.3% under the baseline scenario and to 11.2% under the adverse scenario in 2023, compared to 14.2% as at the end of 2020.
- On 12 August 2021 the National Bank of Hungary announced that its management circular has been reviewed. According to one of the amendments, the central bank extended the deadline concerning restrictions on dividend payment and treasury share purchases until the end of 2021. Credit instititions might be exempted from the dividend payment ban only if they meet certain strict conditions.
- On 24 August 2021 the National Bank of Hungary raised the base rate by 30 bps to 1.5%. Additionally, the central bank decided to begin gradually withdrawing the government securities purchase programme while considering aspects of maintaining market stability. Also, the central bank increased the available amount under the Bond Funding for Growth scheme by HUF 400 billion to HUF 1,550 billion.
- Pursuant to Government Decree 536/2021. (IX. 15.) published on 15 September, the Government decided to extend the debt repayment moratorium with the following conditions:
- The blanket moratorium was extended by an additional month, until the end of October, in an unchanged form.

NOTE 4: COVID-19 (in HUF mn) [continued]

- From the beginning of November 2021 until 30 June 2022 only the eligible borrowers can participate in the moratorium provided that they submitted a request to their banks about their intention to stay. So, the extension beyond October is not automatic: borrowers had to submit a notification to their bank (opt-in). Eligible retail borrowers include private individuals whose income fell compared to the previous period, unemployed people, fostered workers, families raising children below the age of 25 or expecting a baby, and pensioners (for details see the relevant decree). Eligible companies shall fulfil the following criteria: more than 25% decline in revenues in the 18 months period preceding the submission of the request to participate, and if the company has not concluded a new subsidized loan contract since 18 March 2020.
- During the term of the one-month extension until the end of October, eligible clients could submit the necessary documents to their banks in order to stay in the scheme until June 2022, so this one-month lengthening could be regarded as technical.
- According to Government Decree 537/2021. (IX. 15.) published on 15 September, credit institutions shall re-calculate the interest deferred during the period spent in the moratorium in the case of overdraft loans and credit card exposures. The base for the re-calculation shall be the NBH's statistical data for the average annualized cash loan interest rate published for February 2020. The difference between the deferred interest booked according to the original contract and the re-calculated amount shall be refunded to the borrowers by way of crediting the borrowers' account with the due amount.
- On 21 September 2021 the National Bank of Hungary hiked the base rate by 15 bps to 1.65%. Furthermore, the NBH continued to gradually withdraw the government securities purchase programme.
- On 4 October 2021 the National Bank of Hungary launched the FGS Green Home Programme as part of its green monetary policy toolkit strategy.
- On 19 October 2021 the National Bank of Hungary increased the base rate by 15 bps to 1.8%.
- On 16 November 2021 the Monetary Council of the NBH hiked the base rate by 30 bps to 2.1%. The Deputy Governor of NBH stressed after the Monetary Council meeting that the NBH is ready to set the rate of the 1-week central bank deposit above the level of the base rate already from 18 November. Accordingly, on 18 November the NBH raised the rate of the 1-week deposit facility to 2.5%, and the central bank accepted all offers at the tender. Consequently, the 1-week deposit has become the effective rate for the banking sector determining the marginal asset yields.
- On its weekly one-week deposit tender on 25 November 2021 the NBH offered an interest rate of 2.9%.
- On 30 November 2021 the NBH's Monetary Council widened the interest rate corridor and also decided to make it asymmetric. Accordingly, the lower bound of the corridor was raised by 45 bps and the upper one by 105 bps.
- On 2 December 2021 the NBH hiked the rate of the 1-week central bank deposit by 20 bps to 3.1%.

NOTE 4: COVID-19 (in HUF mn) [continued]

- On 9 December 2021 the NBH hiked the rate of the 1-week central bank deposit by 20 bps to 3.3%.
- On 14 December 2021 the NBH's Monetary Council raised the base rate by 30 bps to 2.4% and made a decision to phase out both the Bond Funding for Growth programme and the government bond purchase programme.
- On 16 December 2021 the NBH hiked the rate of the 1-week central bank deposit by 30 bps to 3.6%.
- Mr. Viktor Orbán Prime Minister announced on 22 December 2021 that the government will introduce an interest rate cap for certain retail mortgage loans (for example whose pricing is linked to a reference rate, but the legislation does not apply to those with longer fixation periods) for the period between 1 January and 30 June 2022. Accordingly, the affected mortgages' reference rate cannot be higher than the relevant reference rate as at 27 October 2021. Furthermore, banks had to inform their borrowers about the interest rate risk and offer amendments to the contract until 31 January 2022. Details were laid down by Government Decree 782/2021 (XII. 24.) and Decree 1/2022 (I. 3.) by the Prime Minister's Office.
- On 23 December 2021 the NBH hiked the rate of the 1-week central bank deposit by 20 bps to 3.8%.
- In its release published on 27 December 2021 the NBH said that from 1 January 2022 Hungarian credit institutions can pay dividends and buy back shares with shareholder remuneration purposes again. Thus, the NBH did not extend these restrictions in line with the similar step taken by the ECB at the end of September.
- On 30 December 2021 the NBH hiked the rate of the 1-week central bank deposit by 20 bps to 4.0%.
- Against the initially planned 2 pps social security contribution cut effective from July 2022, the government reduced employers' taxes by 4 pps already from 1 January 2022 (the 1.5% vocational training contribution was abolished and the social contribution taxes were cut by 2.5 pps).
- On 25 January 2022 the NBH hiked the base rate by 50 bps to 2.9%.
- On 27 January 2022 the NBH hiked the rate of the 1-week central bank deposit by 30 bps to 4.3%.
- On 15 February 2022 the CSO revealed the final GDP growth figures: accordingly, in 4Q 2021 the quarterly expansion of 2.1% was stronger than expected, lifting the annual growth rate to 7.1% in 2021 as a whole (seasonally and working day adjusted). Mr. Mihály Varga (Minister of Finance) announced that the government expects 5.9% growth for 2022.

NOTE 4: COVID-19 (in HUF mn) [continued]

Interest rate cap

For the period between 1 January and 30 June 2022 the government introduced an interest rate cap for variable-rate retail mortgage loans, and with its decision announced on 18 February, for housing purposes financial leasing contracts, too. Accordingly, the affected exposures' reference rate cannot be higher than the relevant reference rate as at 27 October 2021.
The modification loss related to the interest rate cap for variable rate mortgage loans announced on 22 December 2021 was recognized in the Bank's 2021 financial accounts. The extension of the interest rate cap to housing purposes financial leasing contracts does not have a significant negative effect.

Moratorium one-off effect

In Hungary the first phase of the moratorium on loan payments was effective from 19 March 2020 to 31 December 2020. At the end of 2020 the moratorium was extended in unchanged form for the period between 1 January 2021 and 30 June 2021. Furthermore, according to Government Decree No. 317/2021. (VI. 9.) released on 9 June 2021 the payment moratorium was extended with unchanged conditions until 30 September 2021. Pursuant to Government Decree 536/2021. (IX. 15.) published on 15 September, the Government decided to extend the debt repayment moratorium: the blanket moratorium was extended by an additional month, until the end of October, in an unchanged form. Furthermore, from the beginning of November 2021 until 30 June 2022 only the eligible borrowers can participate in the moratorium provided that they submitted a request to their banks about their intention to stay.
During the term of the moratorium OTP Bank accrues the unpaid interest in its statement of recognized income, amongst the revenues. At the same time, due to the fact that interest cannot be charged on the unpaid interest, and the unpaid interest will be repaid later, in the course of 2020 and 2021 altogether HUF 43.3 billion after tax loss emerged in Hungary and Serbia altogether. Within that amount there was a -HUF 1.7 billion (after tax) negative impact booked in December 2020 in relation to the Serbian deferral scheme, as the original interest calculation method was changed by the local regulator (originally the compound interest method was allowed by the law in Serbia, but charging interest on deferred interest was later retroactively disallowed by the regulator).
Loan volumes under the Hungarian payment holiday followed a declining trend till the end of October 2021, then from November the participation dropped materially due to the changes to the structure. At the end of 2021 the total household and corporate exposures remaining under the moratorium comprised HUF 245 billion at OTP Core and Merkantil Group, which made up 4.1% of the total gross loan portfolio of those two entities.

Participation in COVID moratorium as at 31 December 2021

	Current volume in moratorium	Current participation ratio
OTP Bank	113,639	2.3%

Participation in COVID moratorium as at 31 December 2021

	Current volume in moratorium	Current participation ratio
OTP Bank	1,059,428	26.2%

NOTE 4: COVID-19 (in HUF mn) [continued]

Financial assets modified during the year ended 31 December 2021 related to covid moratorium

Modification due to prolongation of deadline of covid moratoria till 30 September

Gross carrying amount before modification	668,312
Modification loss due to covid moratoria	(5,284)
Gross carrying amount after modification	**663,028**
Loss allowance before modification	(55,180)
Net amortised cost after modification	**607,848**

Modification due to prolongation of deadline of covid moratoria till 31 October

Gross carrying amount before modification	665,620
Modification loss due to covid moratoria	(1,292)
Gross carrying amount after modification	**664,328**
Loss allowance before modification	(58,412)
Net amortised cost after modification	**605,916**

In case of credit card and overdraft loans interest charged during the moratoria period should be refunded to the debtors in amount determined as a difference between the charged interest and a premoratoria personal loan interest at 11,99%. The Bank has managed this government measure as loan agreement modification in the financial statements.

Gross carrying amount before modification	57,892
Modification loss due to covid moratoria	(1,983)
Gross carrying amount after modification	**55,909**
Loss allowance before modification	(9,234)
Net amortised cost after modification	**46,675**

Modification due to prolongation of deadline of covid moratoria till 30 June 2022

Gross carrying amount before modification	82,438
Modification loss due to covid moratoria	(1,614)
Gross carrying amount after modification	**80,824**
Loss allowance before modification	(23,516)
Net amortised cost after modification	**57,308**

On 24 December 2021 new regulation was issued on fixing of retail loan product's interest, under that interest rates of mortgage loans with variable interest shall be fixed at reference rates of 27 October 2021, predictably till 30 June 2022.

Gross carrying amount before modification	67,108
Modification loss due to covid moratoria	(703)
Gross carrying amount after modification	**66,405**
Loss allowance before modification	(1,625)
Net amortised cost after modification	**64,780**

NOTE 5: CASH, AMOUNTS DUE FROM BANKS AND BALANCES WITH THE NATIONAL BANK OF HUNGARY (in HUF mn)

	2021	2020
Cash on hand:		
In HUF	82,839	107,523
In foreign currency	21,182	18,899
	104,021	**126,422**
Amounts due from banks and balances with National Bank of Hungary:		
Within one year:		
In HUF	81,512	204,942
In foreign currency	289,596	247,756
	371,108	**452,698**
Loss allowance	**(185)**	**-**
Subtotal	**474,944**	**579,120**
Average amount of compulsory reserve	99,303	76,033
Total	**375,641**	**503,087**
Rate of the compulsory reserve	1%	1%

The Bank shall deposit compulsory reserve in a determined percent of its liabilities at NBH. Liabilities considered in compulsory reserve calculation are as follows:

a) deposits and loans,
b) debt instruments,
c) repo transactions.

The amount of the compulsory reserve is the multiplication of the daily average of the liabilities considered in the compulsory reserve calculation and compulsory reserve rate, which are determined by the NBH in a specific decree. The Bank is required to complete compulsory reserve requirements in average in the second month after the reserve calculation period, requirements shall be completed once a month on the last calendar day. The Bank complies with the compulsory reserve requirements by the deposit of the adequate amount of cash as the calculated compulsory reserve on the bank account at NBH in monthly average.

An analysis of the change in the loss allowance on placement losses is as follows:

	2021	2020
Balance as at 1 January	**-**	**-**
Loss allowance	185	-
Closing balance	**185**	**-**

NOTE 6: PLACEMENTS WITH OTHER BANKS, NET OF ALLOWANCE FOR PLACEMENT LOSSES (in HUF mn)

	2021	2020
Within one year:		
In HUF	1,388,709	905,241
In foreign currency	372,361	329,633
	1,761,070	**1,234,874**
Over one year		
In HUF	747,871	267,291
In foreign currency	65,761	39,538
	813,632	**306,829**
Total placements	**2,574,702**	**1,541,703**
Loss allowance on placement losses	(7,490)	(5,819)
Total	**2,567,212**	**1,535,884**

An analysis of the change in the loss allowance on placement losses is as follows:

	2021	2020
Balance as at 1 January	**5,819**	**3,592**
Loss allowance	20,524	12,548
Release of loss allowance	(18,911)	(10,497)
Use of loss allowance	(2)	-
FX movement	60	176
Closing balance	**7,490**	**5,819**

Interest conditions of placements with other banks (%):

	2021	2020
Placements with other banks in HUF	0% - 5.9%	0% - 3.84%
Placements with other banks in foreign currency	(0.59%) - 29%	(0.76%) - 29%
Average interest of placements with other banks	1.63%	0.78%

NOTE 7: REPO RECEIVABLES (in HUF mn)

	2021	2020
Within one year:		
In HUF	33,710	183,656
	33,710	183,656
Total gross amount	**33,710**	**183,656**
Loss allowance on repo receivables	(72)	(292)
Total repo receivables	**33,638**	**183,364**

An analysis of the change in the loss allowance on repo receivables is as follows:

	2021	2020
Balance as at 1 January	**292**	**6**
Loss allowance	449	362
Release of loss allowance	(669)	(76)
Closing balance	**72**	**292**

Interest conditions of repo receivables (%):

	2021	2020
Repo receivables in HUF	2%-3.2%	(0.1%) - 0.9%
Average interest of repo receivables	0.29%	0.09%

NOTE 8: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)

	2021	2020
Held for trading securities:		
Government bonds	30,827	6,031
Other non-interest bearing securities	1,134	1,964
Hungarian government discounted Treasury Bills	869	1,233
Corporate shares and investments	599	426
Mortgage bonds	116	-
Other securities	2,088	2,075
Subtotal	**35,633**	**11,729**
Securities mandatorily measured at fair value through profit or loss		
Shares in investment funds	25,126	23,818
Bonds	-	5,342
Shares	2,935	2,776
Subtotal	**28,061**	**31,936**
Held for trading derivative financial instruments:		
Foreign currency swaps	38,811	41,852
Interest rate swaps	59,097	34,256
CCIRS and mark-to-market CCIRS swaps	11,649	7,359
Other derivative transactions	73,211	33,351
Subtotal	**182,768**	**116,818**
Total	**246,462**	**160,483**

Interest conditions and the remaining maturities of securities held for trading are as follows:

	2021	2020
Within one year:		
variable interest	111	78
fixed interest	4,163	2,319
	4,274	**2,397**
Over one year:		
variable interest	1,544	1,355
fixed interest	28,083	5,587
	29,627	**6,942**
Non-interest bearing securities	1,732	2,390
Total	**35,633**	**11,729**

	2021	2020
Securities held for trading denominated in HUF	81%	71%
Securities held for trading denominated in foreign currency	19%	29%
Securities held for trading total	**100%**	**100%**
Government bonds denominated in HUF	83%	68%
Government bonds denominated in foreign currency	17%	32%
Government securities total	**100%**	**100%**
Interest rates on securities held for trading in HUF	0%-6.75%	0.5%-6.75%
Interest rates on securities held for trading in foreign currency	0%-5.75%	0.5%-6.375%
Average interest on securities held for trading	1.17%	0.63%

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:

	2021	2020
Within one year:		
variable interest	-	28
Over one year:		
variable interest	-	5,314
Non-interest bearing securities	28,061	26,594
Total	**28,061**	**31,936**
Securities mandatorily measured at fair value through profit or loss denominated in HUF	67%	58%
Securities mandatorily measured at fair value through profit or loss denominated in foreign currency	33%	42%
Securities mandatorily measured at fair value through profit or loss total	**100%**	**100%**
Interest rates on securities mandatorily measured at fair value through profit or loss	-	2.49%
Average interest on securities mandatorily measured at fair value through profit or loss	-	2.49%

NOTE 9: SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in HUF mn)

	2021	2020
Securities at fair value through other comprehensive income		
Government bonds	278,876	488,459
Mortgage bonds	217,941	332,667
Interest bearing treasury bills	63,115	9,957
Other securities	64,870	65,136
listed securities	43,759	42,776
in HUF	2,896	2,968
in foreign currency	40,863	39,808
-non-listed securities	21,111	22,360
in HUF	15,487	16,782
in foreign currency	5,624	5,578
Subtotal	**624,802**	**896,219**
Non-trading equity instruments		
-non-listed securities	17,137	15,731
in HUF	528	528
in foreign currency	16,609	15,203
	17,137	**15,731**
Securities at fair value through other comprehensive income total	**641,939**	**911,950**

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	2021	2020
Garantiqa	HUF	392	392
Hage / Közvil / Pénzügykut	HUF	136	136
OBS	EUR	13,221	12,081
VISA A Preferred	USD	3,388	3,122

Interest conditions and the remaining maturities of FVOCI securities can be analysed as follows:

	2021	2020
Within one year:		
variable interest	1,089	3,779
fixed interest	66,970	123,481
	68,059	**127,260**
Over one year:		
variable interest	71,344	101,555
fixed interest	485,398	667,404
	556,742	**768,959**
Non-interest bearing securities	17,138	15,731
Total	**641,939**	**911,950**

	2021	2020
FVOCI securities denominated in HUF	73%	83%
FVOCI securities denominated in foreign currency	27%	17%
FVOCI securities total	**100%**	**100%**
Interest rates on FVOCI securities denominated in HUF	1.25%-11%	0.5%-11%
Interest rates on FVOCI securities denominated in foreign currency	0%-16%	0.625%-7.25%
Average interest on FVOCI securities	2.85%	2.17%

Certain fixed-rate mortgage bonds and other securities are hedged against interest rate risk. (See Note 45.4.)

	2021	2020
Net gain / (loss) reclassified from other comprehensive income to statement of profit or loss	(26,440)	(2,008)
Fair value of the hedged securities:		
Government bonds	201,530	399,441
	201,530	**399,441**

During the year ended 31 December 2021 and 2020 the Bank didn’t sell any of equity instruments designated to measure at fair value through other comprehensive income.

NOTE 10: SECURITIES AT AMORTISED COST (in HUF mn)

	2021	2020
Government bonds	2,863,259	1,947,821
Other bonds	190,155	63,159
Mortgage bonds	24,309	-
Subtotal	**3,077,723**	**2,010,980**
Loss allowance	(6,685)	(3,288)
Total	**3,071,038**	**2,007,692**

Interest conditions and the remaining maturities of securities at amortised cost can be analysed as follows:

	2021	2020
Within one year:		
variable interest	8,101	-
fixed interest	305,694	57,746
	313,795	**57,746**
Over one year:		
variable interest	5,122	-
fixed interest	2,758,806	1,953,234
	2,763,928	**1,953,234**
Total	**3,077,723**	**2,010,980**

The distribution of the securities at amortised cost by currency (%):

	2021	2020
Securities at amortised cost denominated in HUF	83%	99%
Securities at amortised cost denominated in foreign currency	17%	1%
Securities at amortised cost total	**100%**	**100%**
Interest rates on securities at amortised cost	0.1%-12.75%	0.5%-7%
Average interest on securities at amortised cost denominated in HUF	2.84%	2.42%

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

	2021	2020
Balance as at 1 January	**3,288**	**1,443**
Reclassification	1,281	-
Balance as at 1 January	**4,569**	**1,443**
Loss allowance	4,404	4,820
Release of loss allowance	(2,370)	(2,977)
FX movement	82	2
Closing balance	**6,685**	**3,288**

NOTE 11: LOANS (in HUF mn)

Loans measured at fair value through profit or loss

	2021	2020
Within one year	32,091	25,732
Over one year	629,921	455,205
Loans measured at fair value through profit or loss total	**662,012**	**480,937**

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

	2021	2020
Within one year	2,125,908	1,793,352
Over one year	2,062,114	1,748,078
Loans at amortised cost gross total	**4,188,022**	**3,541,430**
Loss allowance on loan losses	(155,557)	(123,670)
Loans at amortised cost total	**4,032,465**	**3,417,760**

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

	2021	2020
In HUF	62%	61%
In foreign currency	38%	39%
Total	**100%**	**100%**

Interest rates of the loan portfolio mandatorily measured at fair value through profit or loss are as follows (%):

	2021	2020
Loans denominated in HUF	1.5% - 9.85%	1.5% - 9.85%
Average interest on loans denominated in HUF	4.56%	4.20%

Interest rates of the loan portfolio measured at amortised cost are as follows (%):

	2021	2020
Loans denominated in HUF	0%-37.5%	0%-37.5%
Loans denominated in foreign currency	(0.59%)-13%	(0.50%)-13%
Average interest on loans denominated in HUF	6.64%	6.41%
Average interest on loans denominated in foreign currency	1.48%	2.24%

NOTE 11: LOANS (in HUF mn) [continued]

For an analysis of the loan portfolio by type please see Note 36.1.

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

	2021	**2020**
Balance as at 1 January	**123,670**	**72,066**
Reclassification	(1,281)	-
Balance as at 1 January	**122,389**	**72,066**
Loss allowance	221,084	213,618
Release of loss allowance	(180,291)	(156,383)
Use of loss allowance	(6,951)	(6,228)
Partial write-off	(1,733)	(2,797)
FX movement	1,059	3,394
Closing balance	**155,557**	**123,670**

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)

	2021	2020
Investments in subsidiaries:		
Controlling interest	2,006,178	1,965,197
Other	16,086	8,938
Subtotal	**2,022,264**	**1,974,135**
Impairment loss	(449,256)	(425,163)
Total	**1,573,008**	**1,548,972**

Other investments contain certain securities accounted at cost. These instruments do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

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:

	2021		2020	
	% Held (direct/indirect)	**Gross book value**	**% Held (direct/indirect)**	**Gross book value**
OTP Bank JSC (Ukraine)	100%	311,390	100%	311,390
DSK Bank EAD (Bulgaria)	100%	280,692	100%	280,692
OTP banka Srbija akcionarsko drustvo Novi Sad (Serbia)	100%	262,759	100%	131,164
OTP banka Hrvatska d.d. (Croatia)	100%	205,349	100%	205,349
OTP Bank Romania S.A. (Romania)	100%	167,764	100%	133,987
OTP Mortgage Bank Ltd.	100%	154,294	100%	154,294
SKB Banka d.d. Ljubljana (Slovenia)	100.00%	107,689	100%	107,689
JSC "OTP Bank" (Russia)	98%	74,337	98%	74,335
Crnogorska komercijalna banka a.d. (Montenegro)	100%	72,784	100%	72,784
LLC Alliance Reserve (Russia)	100%	50,074	100%	50,074
Air-Invest Llc.	100%	39,248	100%	36,748
OTP Holding Malta Ltd.	100%	32,359	100%	32,359
Balansz Private Open-end Investment Fund	100%	29,150	100%	29,150
Bank Center No. 1. Ltd.	100%	26,063	100%	26,063
OTP Factoring Ltd.	100%	25,411	100%	25,411
OTP banka Srbija a.d. (Serbia)	-	-	100%	127,140
Other		166,815		166,568
Total		**2,006,178**		**1,965,197**

NOTE 12: INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS (in HUF mn) [continued]

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

	2021	2020
Balance as at 1 January	**425,163**	**427,770**
Impairment loss for the period	59,132	10,052
Reversal of impairment loss	(31,712)	(10)
Use of impairment loss	(3,327)	(12,649)
Closing balance	**449,256**	**425,163**

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:

	2021	2020
OTP Bank JSC (Ukraine)	207,397	207,397
OTP Bank Romania S.A. (Romania)	77,962	38,416
OTP Mortgage Bank Ltd.	65,096	65,096
OTP banka Srbija a.d. (Serbia)	43,477	53,383
OTP Life Annuity Ltd.	10,969	10,969
Air-Invest Ltd.	10,491	10,491
Monicomp Ltd.	8,632	-
Crnogorska komercijalna banka a.d. (Montenegro)	6,697	23,324
Balansz Private Open-end Investment Fund	5,566	-
OTP Real Estate Ltd.	5,557	5,557
R.E. Four d.o.o. (Serbia)	3,763	3,763
OTP Buildings s.r.o (Romania)	-	3,327
Total	**445,607**	**421,723**

Dividend income from significant subsidiaries and shares held-for-trading and shares measured at fair value through other comprehensive income is as follows:

	2021	2020
OTP Factoring Ltd.	44,000	45,463
OTP Bank JSC (Ukraine)	12,853	-
OTP banka dioničko društvo (Croatia)	12,244	-
Inga Kettő Llc.	11,000	-
OTP Holding Malta Ltd.	5,531	4,823
OTP Real Estate Investment Fund Management Ltd.	3,500	4,000
Monicomp Ltd.	1,173	3,800
Other	4,741	2,827
Subtotal	**95,042**	**60,913**
Dividend from shares held-for-trading	3,844	8
Dividend from shares fair value through other comprehensive income	151	52
Total	**99,037**	**60,973**

NOTE 12: INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS (in HUF mn) [continued]

Significant associates and joint ventures

The main figures of the Bank's indirectly owned associates and joint ventures at cost[1]:

As at 31 December 2021

List of associated entities	Carrying amount	Ownership of OTP Bank	Profit after tax	Country / Headquarter	Activity
OTP Kockázati Fund I.	526	44.12%	(52)	Hungary /Budapest	Trusts, funds and similar financial entities
OTP-DayOne Magvető Fund	288	22.00%	13	Hungary /Budapest	Trusts, funds and similar financial entities
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, exc. insurance and pension funding
Edrone spółka z ograniczoną odpowiedzialnością	779	17.34%	(293)	Poland / Krakow	Computer programming activities
Graboplast Closed Co. Plc.	700	7.00%	n.a.	Hungary / Győr	Manufacture of builders' ware of plastic
NovaKid Inc.	2,006	4.17%	(4,621)	USA / San Francisco	Online kids English learning platform operator
Banzai Cloud Closed Co. Plc.	374	17.42%	n.a.	Hungary /Budapest	Computer programming activities
ClodeCool Ltd.	1,770	20.15%	1	Hungary /Budapest	Other education n.e.c.
Pepita.hu Closed Co. Plc.	516	34.00%	(132)	Hungary / Szeghalom	Retail sale via mail order houses or via Internet
Seon Holdings Ltd.	4,756	23.86%	(4)	UK / London	Computer programming activities
Starschema Ltd.	3,944	36.19%	n.a.	Hungary /Budapest	Computer consultancy activities
VCC Live Group Closed Co. Plc.	1,672	49.56%	(203)	Hungary /Budapest	Computer programming activities
Virtual Solutaion Ltd.	-	8.33%	n.a.	Hungary /Budapest	Computer programming activities
Yieldigo s.r.o.	76	1.97%	(168)	Czech Republic/Prague	Computer programming activities
Szallas.hu Closed Co. Plc.[2]	8,809	51.19%	1,278	Hungary / Miskolc	Web portals
Cursor Insight LTD	146	6.75%	(247)	UK / London	Computer programming activities
Fabetker Ltd.	1	20.48%	132	Hungary / Nádudvar	Manufacture of concrete products for construction purposes
OneSoil Ag.	318	3.72%	(1,058)	Switzerland / Zurich	Computer programming activities
Packhelp Spółka Akcyjna	2,160	1.00%	(3,038)	Poland / Warsaw	Manufacture of corrugated paper and paperboard and of containers of paper and paperboard
PHOENIX PLAY Invest closed Co. Plc.	3,081	21.69%	(1)	Hungary /Budapest	Activities of holding companies
ALGORITHMIQ Invest Closed Co. Plc.	8,996	21.69%	792	Hungary /Budapest	Activities of holding companies
NGY Propertiers Investment SRL	12,331	14.54%	(22,567)	Romania / Bucharest	Renting and operating of own or leased real estate

[1] Based on unaudited financial statements.
[2] The Group does not control the entity even though it holds more than half of the voting rights.

NOTE 12: INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS (in HUF mn) [continued]

Significant associates and joint ventures [continued]

As at 31 December 2020

List of associated entities	Carrying amount	Ownership of OTP Bank	Profit after tax	Country / Headquarter	Activity
OTP Kockázati Fund I.	531	44.12%	(2)	Hungary /Budapest	Trusts, funds and similar financial entities
OTP-DayOne Magvető Fund	674	22.00%	(37)	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%	(254)	Bulgaria / Sofia	Other financial service activities, except insurance and pension funding n.e.c.
Edrone spółka z ograniczoną odpowiedzialnością	497	17.34%	(79)	Poland / Krakow	Computer programming activities
Graboplasr Closed Co. Plc.	711	7.00%	(1,349)	Hungary / Győr	Manufacture of builders' ware of plastic
NovaKid Inc.	497	4.17%	(398)	USA / San Francisco	Online kids English learning platform operator
Banzai Cloud Closed Co. Plc.	1,008	17.42%	13,430	Hungary /Budapest	Computer programming activities
ClodeCool Ltd.	1,797	20.15%	132	Hungary /Budapest	Other education n.e.c.
Pepita.hu Closed Co. Plc.	575	34.00%	3	Hungary / Szeghalom	Retail sale via mail order houses or via Internet
Seon Holdings Ltd.	378	23.86%	37	UK / London	Computer programming activities
Starschema Ltd.	1,310	36.19%	454	Hungary /Budapest	Computer consultancy activities
Tresorit S.A.	1,501	7.77%	232	Luxembourg/Luxembourg	Activities of holding companies
VCC Live Group Closed Co. Plc.	1,599	49.56%	(58)	Hungary /Budapest	Computer programming activities
Virtual Solutaion Ltd.	72	8.33%	(86)	Hungary /Budapest	Computer programming activities
Yieldigo s.r.o.	79	1.97%	103	Czech Republic / Prague	Computer programming activities
Szallas.hu Closed Co. Plc.[1]	7,456	51.19%	595	Hungary / Miskolc	Web portals

[1] The Group does not control the entity even though it holds more than half of the voting rights.

NOTE 12: INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS (in HUF mn) [continued]

Significant event related to investments

The Romanian Court of Registration registered a capital increase at OTP Bank Romania SA, the Romanian subsidiary of OTP Bank. Accordingly, the registered capital of the Romanian subsidiary of OTP Bank was increased to RON 2,079,253,200 from RON 1,829,253,120.

TP Bank signed a share sale and purchase agreement on purchasing 100% shareholding of Nova KBM d.d. and its subsidiaries, which are 80% owned by funds managed by affiliates of Apollo Global Management, Inc. and 20% by EBRD. With a market share of 20.5% by total assets as of December 2020, Nova KBM d.d. is the 2nd largest bank in the Slovenian banking market and as a universal bank it has been active in the retail and corporate segments as well.

Serbian Court of Registration registered a capital increase at OTP banka Srbija a.d. Novi Sad, the Serbian subsidiary of OTP Bank. Accordingly, the registered capital of the Serbian subsidiary of OTP Bank was increased to RSD 56,830,752,260 from RSD 55,330,780,140.

OTP Bank signed a non-binding Memorandum of Agreement regarding the potential acquisition of the majority stake of Ipoteka Bank and its subsidiaries with the Ministry of Finance of the Republic of Uzbekistan. Ipoteka Bank is the fifth largest bank in Uzbekistan, with a market share of 8.5% based on total assets at the end of July 2021, with more than 1.2 million retail customers and a large corporate clientele.

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 Euro 55 million.

NOTE 13: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn)

For the year ended 31 December 2021

	Intangible assets	Property	Office equipment and vehicles	Vehicles	Construction in progress	Right of use assets	Total
Cost							
Balance as at 1 January	**164,875**	**72,277**	**93,878**	**160**	**9,421**	**22,443**	**363,054**
Additions	52,130	4,074	13,434	87	20,394	8,675	98,794
Disposals	(28,152)	(1,845)	(3,843)	(48)	(20,390)	-	(54,278)
Balance as at 31 December	**188,853**	**74,506**	**103,469**	**199**	**9,425**	**31,118**	**407,570**
Depreciation and Amortization							
Balance as at 1 January	**107,236**	**25,789**	**71,899**	**74**	**-**	**8,964**	**213,962**
Charge for the year	23,032	3,284	9,190	25	-	5,161	40,692
Disposals	(3,576)	(757)	(3,685)	(37)	-	(238)	(8,293)
Balance as at 31 December	**126,692**	**28,316**	**77,404**	**62**	**-**	**13,887**	**246,361**
Net book value							
Balance as at 1 January	**57,639**	**46,488**	**21,979**	**86**	**9,421**	**13,479**	**149,092**
Balance as at 31 December	**62,161**	**46,190**	**26,065**	**137**	**9,425**	**17,231**	**161,209**

NOTE 13: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn) [continued]

For the year ended 31 December 2020

	Intangible assets	Property	Office equipment and vehicles	Vehicles	Construction in progress	Right of use assets	Total
Cost							
Balance as at 1 January	**139,026**	**69,380**	**87,235**	**126**	**10,523**	**17,827**	**324,117**
Additions	54,651	3,858	10,766	35	13,556	4,764	87,630
Disposals	(28,802)	(961)	(4,123)	(1)	(14,658)	(148)	(48,693)
Balance as at 31 December	**164,875**	**72,277**	**93,878**	**160**	**9,421**	**22,443**	**363,054**
Depreciation and Amortization							
Balance as at 1 January	**85,744**	**22,948**	**66,506**	**56**	**-**	**4,220**	**179,474**
Charge for the year	21,492	3,192	9,495	19	-	4,750	38,948
Disposals	-	(351)	(4,102)	(1)	-	(6)	(4,460)
Balance as at 31 December	**107,236**	**25,789**	**71,899**	**74**	**-**	**8,964**	**213,962**
Net book value							
Balance as at 1 January	**53,282**	**46,432**	**20,729**	**70**	**10,523**	**13,607**	**144,643**
Balance as at 31 December	**57,639**	**46,488**	**21,979**	**86**	**9,421**	**13,479**	**149,092**

The Bank has no intangible assets with indefinite useful life.

NOTE 14: INVESTMENT PROPERTIES (in HUF mn)

For the year ended 31 December 2021 and 2020, respectively

	2021	2020
Cost		
Balance as at 1 January	**2,577**	**3,061**
Additions result from subsequent expenditure	2,640	38
Disposals	(204)	(522)
Balance as at 31 December	**5,013**	**2,577**
Depreciation and Amortization		
Balance as at 1 January	**641**	**680**
Charge for the period	92	51
Disposals	(48)	(90)
Balance as at 31 December	**685**	**641**
Net book value		
Balance as at 1 January	1,936	2,381
Balance as at 31 December	**4,328**	**1,936**

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	**2021**	**2020**
Rental income	6	6
Depreciation	92	49

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:

	2021	2020
Interest rate swaps designated as fair value hedge	13,276	637
CCIRS designated as fair value hedge	5,471	6,180
Interest rate swaps designated as cash flow hedge	(1,020)	-
Total	**17,727**	**6,817**

NOTE 16: OTHER ASSETS[1] (in HUF mn)

	2021	2020
Other financial assets		
Receivables from OTP Employee Stock Ownership Program (OTP ESOP)	84,304	53,338
Prepayments and accrued income	16,391	14,721
Receivables from investment services	16,074	9,472
Stock exchange deposit	11,643	9,667
Trade receivables	10,519	9,731
Receivables from card operations	10,423	8,453
Accrued day one gain of loans provided at below-market interest	-	14,465
Receivables from suppliers	5,812	5,885
Other	3,729	9,375
	158,895	**135,107**
Loss allowance	(5,148)	(7,928)
Other financial assets total	**153,747**	**127,179**
Other non-financial assets		
Prepayments and accrued income	44,411	17,732
Receivable related to Hungarian Government subsidies	14,281	10,622
Other	12,563	14,743
	71,255	**43,097**
Provision for impairment on other assets	(514)	(482)
Other non-financial assets total	**70,741**	**42,615**
Total	**224,488**	**169,794**

An analysis of the movement in the loss allowance on other financial assets is as follows:

	2021	2020
Balance as at 1 January	**7,928**	**5,646**
Charge for the period	3,888	6,663
Release of loss allowance	(5,972)	(3,971)
Use of loss allowance	(707)	(537)
FX movement	11	127
Balance as at 31 December	**5,148**	**7,928**

An analysis of the movement in the loss allowance on other non-financial assets is as follows:

	2021	2020
Balance as at 1 January	**482**	**464**
Charge for the period	86	81
Release of provision	(74)	(67)
FX movement	20	4
Balance as at 31 December	**514**	**482**

[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)

	2021	2020
Within one year:		
In HUF	354,647	172,799
In foreign currency	81,550	41,643
	436,197	**214,442**
Over one year:		
In HUF	588,161	457,882
In foreign currency	26,845	94,653
	615,006	**552,535**
Subtotal	**1,051,203**	**766,977**
Total	**1,051,203**	**766,977**

Interest rates on amounts due to banks and deposits from the NBH and other banks are as follows (%):

	2021	2020
Within one year:		
In HUF	(2.4%) - 4.5%	0%-20%
In foreign currency	(2.4%) - 8.5%	(0.56%)-0.26%
Over one year:		
In HUF	(2.4%) - 1.3%	(2.4%)-1.43%
In foreign currency	(2.4%) - 1.5%	2.4%)-4.84%

Average interest on amounts due to banks in HUF	1.26%	0.72%
Average interest on amounts due to banks in foreign currency	1.14%	1.42%

NOTE 18: REPO LIABILITIES (in HUF mn)

	2021	2020
Within one year:		
In HUF	49,726	-
	49,726	**-**
Over one year:		
In HUF	-	73
In foreign currency	36,854	109,539
	36,854	**109,612**
Subtotal	**86,580**	**109,612**
Total	**86,580**	**109,612**

Interest rates on repo liabilities are as follows (%):

	2021	2020
Within one year:		
In HUF	1.5% - 2.8%	-
Over one year:		
In foreign currency	(0.35%)	0.63%-3.85%

Average interest on repo liabilities in HUF	11.67%	1.21%
Average interest on repo liabilities in foreign currency	0.67%	1.05%

NOTE 19: DEPOSITS FROM CUSTOMERS (in HUF mn)

	2021	2020
Within one year:		
In HUF	7,823,118	6,412,897
In foreign currency	2,079,643	1,438,255
	9,902,761	**7,851,152**
Over one year:		
In HUF	45,771	44,583
	45,771	**44,583**
Subtotal	**9,948,532**	**7,895,735**

Interest rates on deposits from customers are as follows (%):

	2021	2020
Within one year in HUF	(2.48%)-7.96%	(4.58%)-7.96%
Over one year in HUF	0.01%-2.4%	0.01%-0.4%
In foreign currency	(0.6%)-17.2%	(0.58%)-15.5%
Average interest on deposits from customers in HUF	0.16%	(0.07%)
Average interest on deposits from customers in foreign currency	0.01%	(0.04%)

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

	2021		2020	
Retail deposits	**4,475,933**	**45%**	**3,840,950**	**49%**
Household deposits	4,475,933	45%	3,840,950	49%
Corporate deposits	**5,472,599**	**55%**	**4,054,785**	**51%**
Deposits to medium and large corporates	4,639,198	47%	3,301,434	42%
Municipality deposits	833,401	8%	753,351	10%
Total	**9,948,532**	**100%**	**7,895,735**	**100%**

NOTE 20: LIABILITIES FROM ISSUED SECURITIES (in HUF mn)

	2021	2020
Within one year:		
In HUF	12,048	11,115
In foreign currency	-	1,356
	12,048	**12,471**
Over one year:		
In HUF	10,105	15,964
	10,105	**15,964**
Total	**22,153**	**28,435**

Interest rates on liabilities from issued securities are as follows (%):

	2021	2020
Issued securities denominated in HUF	0%-1.7%	0%-1.7%
Issued securities denominated in foreign currency	-	0.01%-1.11%
Average interest on issued securities denominated in HUF	4.9%	1.03%
Average interest on issued securities denominated in foreign currency	-	1.12%

NOTE 20: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

Term Note Program in the value of HUF 200 billion for the year of 2021/2022

On 28 May 2021 the Bank initiated term note program in the value of HUF 200 billion with the intention of issuing registered dematerialized bonds in public. The NBH approved on 8 July 2021 the prospectus of Term Note Program. The prospectus is valid for 12 months following the disclosure.

The Issuer can initiate to introduce the bonds issued under the program to the Hungarian and to other stock exchanges without any obligations.

Term Note Program in the value of HUF 200 billion for the year of 2020/2021

On 21 April 2020 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 9 July 2020 the prospectus of Term Note Program and the disclosure as at 10 July 2020. 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.

Hedge accounting

Certain issued structured securities are hedged by the Bank with interest rate swaps (“IRS”) which exchange the fixed and floating interest rate with the interest rate of the securities between the parties at a notional amount that equals the nominal amount of the hedged securities. These are considered as fair value hedge relationships as they cover the interest rate risk arising from the coupons of the hedged securities. OTP Bank does not intend to be exposed to the risk embedded in the structured bonds, consequently as part of interest rate swap transaction the structured interest payments are swapped to floating interest rate. This hedging relationship meets all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument
- the effect of credit risk does not dominate the value changes that result from that economic relationship
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Bank actually hedges and the quantity of the hedging instrument that the Bank actually uses to hedge that quantity of hedged item

The cash-flows of the fixed rate securities issued by the Bank are exposed to the changes in the HUF/EUR foreign exchange rate and the volatility of the quoted interest rates of EUR and HUF. The interest rate risk and foreign exchange risk related to these securities are hedged with EUR and HUF IRS transactions, where the fixed interests were swapped to payments linked to 3 month HUF BUBOR and EURIBOR, resulting in a decrease in the interest rate and foreign exchange exposure of issued securities.

NOTE 20: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

Issued securities denominated in HUF as at 31 December 2021

	Name	Date of issuance	Maturity	Nominal value in HUF million	Amortised cost in HUF million	Interest conditions		Hedged
1	OTP_DK_22/II	29/05/2020	31/05/2022	3,173	3,164	discount		
2	OTPRF2022A	22/03/2012	23/03/2022	2,321	2,513	indexed	1.70	hedged
3	OTP_DK_25/3	31/05/2021	31/05/2025	1,216	1,138	discount		
4	OTPRF2022B	22/03/2012	23/03/2022	934	1,011	indexed	1.70	hedged
5	OTP_DK_22/I	15/12/2018	31/05/2022	993	985	discount		
6	OTP_DK_23/II	29/05/2020	31/05/2023	997	981	discount		
7	OTPRF2023A	22/03/2013	24/03/2023	899	977	indexed	1.70	hedged
8	OTPRF2022E	29/10/2012	31/10/2022	862	933	indexed	1.70	hedged
9	OTP_DK_24/3	31/05/2021	31/05/2024	883	848	discount		
10	OTPRF2022F	28/12/2012	28/12/2022	708	773	indexed	1.70	hedged
11	OTP_DK_27/II	31/05/2021	31/05/2027	795	703	discount		
12	OTP_DK_23/I	15/12/2018	31/05/2023	717	694	discount		
13	OTP_DK_26/II	31/05/2021	31/05/2026	707	644	discount		
14	OTP_DK_24/II	29/05/2020	31/05/2024	592	573	discount		
15	OTP_DK_28/I	31/05/2021	31/05/2028	669	572	discount		
16	OTP_DK_25/II	29/05/2020	31/05/2025	592	564	discount		
17	OTPX2022B	18/07/2012	18/07/2022	164	549	indexed	1.70	hedged
18	OTP_DK_24/I	30/05/2019	31/05/2024	426	400	discount		
19	OTP_DK_26/I	29/05/2020	31/05/2026	392	366	discount		
20	OTPX2023A	22/03/2013	24/03/2023	312	366	indexed	1.70	hedged
21	OTPX2024B	10/10/2014	16/10/2024	295	336	indexed	0.70	hedged
22	OTP_DK_29/I	31/05/2021	31/05/2029	403	332	discount		
23	OTPRF2022D	28/06/2012	28/06/2022	286	324	indexed	1.70	hedged
24	OTPX2022C	29/10/2012	28/10/2022	177	317	indexed	1.70	hedged
25	OTPX2022D	28/12/2012	27/12/2022	238	290	indexed	1.70	hedged
26	OTPX2024A	18/06/2014	21/06/2024	241	277	indexed	1.30	hedged
27	OTPX2024C	15/12/2014	20/12/2024	242	275	indexed	0.60	hedged
28	OTPX2023B	28/06/2013	26/06/2023	198	272	indexed	0.60	hedged
29	OTPRF2022C	28/06/2012	28/06/2022	209	266	indexed	1.70	hedged
30	OTPX2022A	22/03/2012	23/03/2022	175	236	indexed	-	hedged
31	OTP_DK_25/I	30/05/2019	31/05/2025	104	94	discount		
32	OTP_DK_27/I	29/05/2020	31/05/2027	95	87	discount		
33	OTP_DK_30/I	31/05/2021	31/05/2030	104	82	discount		
	Other			211	211	indexed		
	Subtotal issued securities in HUF			21,330	22,153			
	Total			21,330	22,153			

NOTE 20: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

Issued securities denominated in foreign currency as at 31 December 2020

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)	hedged
1OTP_VK1_21/1	20/02/2020	20/02/2021	USD	1.39	414	1.39	414	variable 0.01	
2OTP_VK1_21/2	02/04/2020	02/04/2021	USD	1.24	370	1.24	370	variable 0.01	
3OTP_VK1_21/3	14/05/2020	14/05/2021	USD	1.18	351	1.18	351	variable 0.01	
4OTP_VK1_21/4	18/06/2020	18/06/2021	USD	0.74	221	0.74	221	variable 0.01	
Subtotal issued securities in foreign currency				**4.55**	**1,356**	**4.55**	**1,356**		

Issued securities denominated in HUF as at 31 December 2020

	Name	Date of issuance	Maturity	Nominal value in HUF million	Amortised cost in HUF million	Interest conditions	Hedged
1	OTP_DK_21/I	15/12/2018	31/05/2021	3,520	3,501	discount	
2	OTP_DK_22/II	29/05/2020	31/05/2022	3,175	3,133	discount	
3	OTPRF2021B	20/10/2011	25/10/2021	2,894	2,954	indexed -	hedged
4	OTPRF2021A	05/07/2011	13/07/2021	2,607	2,807	indexed -	hedged
5	OTPRF2022A	22/03/2012	23/03/2022	2,065	1,920	indexed 1.70	hedged
6	OTP_DK_23/II	29/05/2020	31/05/2023	997	970	discount	
7	OTP_DK_22/I	15/12/2018	31/05/2022	993	965	discount	
8	OTPRF2022B	22/03/2012	23/03/2022	831	772	indexed 1.70	hedged
9	OTPRF2023A	22/03/2013	24/03/2023	787	740	indexed 1.70	hedged
10	OTPRF2022E	29/10/2012	31/10/2022	761	715	indexed 1.70	hedged
11	OTP_DK_23/I	15/12/2018	31/05/2023	717	679	discount	
12	OTPRF2022F	28/12/2012	28/12/2022	623	592	indexed 1.70	hedged
13	OTP_DK_24/II	29/05/2020	31/05/2024	592	566	discount	
14	OTP_DK_25/II	29/05/2020	31/05/2025	592	555	discount	
15	OTPRF2021C	21/12/2011	30/12/2021	527	544	indexed -	hedged
16	OTPX2022B	18/07/2012	18/07/2022	172	440	indexed 1.70	hedged
17	OTP_DK_24/I	30/05/2019	31/05/2024	426	390	discount	
18	OTPRF2021D	21/12/2011	30/12/2021	372	381	indexed -	hedged
19	OTPX2021B	17/06/2011	21/06/2021	245	370	indexed -	hedged
20	OTP_DK_26/I	29/05/2020	31/05/2026	392	361	discount	
21	OTPX2023A	22/03/2013	24/03/2023	324	327	indexed 1.70	hedged
22	OTPX2021D	21/12/2011	27/12/2021	259	325	indexed -	hedged
23	OTPX2022D	28/12/2012	27/12/2022	248	299	indexed 1.70	hedged
24	OTPX2024B	10/10/2014	16/10/2024	295	284	indexed 0.70	hedged
25	OTPRF2022D	28/06/2012	28/06/2022	260	251	indexed 1.70	hedged
26	OTPX2021A	01/04/2011	01/04/2021	183	246	indexed -	hedged
27	OTPX2024A	18/06/2014	21/06/2024	241	237	indexed 1.30	hedged
28	OTPX2022C	29/10/2012	28/10/2022	201	233	indexed 1.70	hedged
29	OTPX2024C	15/12/2014	20/12/2024	242	232	indexed 0.60	hedged
30	OTPX2023B	28/06/2013	26/06/2023	198	225	indexed 0.60	hedged
31	OTPX2022A	22/03/2012	23/03/2022	201	214	indexed -	hedged
32	OTPRF2022C	28/06/2012	28/06/2022	190	196	indexed 1.70	hedged
33	OTPX2021C	19/09/2011	24/09/2021	231	192	indexed -	hedged
34	OTP_DK_25/I	30/05/2019	31/05/2025	104	91	discount	
35	OTP_DK_27/I	29/05/2020	31/05/2027	95	85	discount	
36	OTPRF2021E	21/12/2011	30/12/2021	76	74	indexed -	hedged
37	Other			213	213		
	Subtotal issued securities in HUF			**26,849**	**27,079**		
	Total			**28,205**	**28,435**		

NOTE 21: FINANCIAL LIABILITIES DESIGNATED AS FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)

	2021	2020
Within one year:		
In HUF	1,784	2,010
	1,784	**2,010**
Over one year:		
In HUF	18,349	23,892
	18,349	**23,892**
Total	**20,133**	**25,902**
Contractual amount outstanding	21,479	23,332

Interest rates on financial liabilities designated as fair value through profit or loss are as follows (%):

	2021	2020
Within one year:		
In HUF	0.46%-2.46%	0.51% - 2.5%
Over one year:		
In HUF	0.01%-2.9%	0% - 2.5%
Average interest on amounts due to banks in HUF	2.15%	2.46%

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:

	2021	2020
Interest rate swaps	78,066	28,812
Foreign currency swaps	45,884	34,327
CCIRS and mark-to-market CCIRS	7,786	7,285
Other derivative contracts	60,525	29,563
Total	**192,261**	**99,987**

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:

	2021	2020
IRS designated as fair value hedge	5,747	5,266
CCIRS designated as fair value hedge	5,325	5,865
IRS designated as cash flow hedge	7,618	(8,027)
Total	**18,690**	**3,104**

NOTE 24: OTHER LIABILITIES[1] AND PROVISIONS (in HUF mn)

	2021	2020 Reclassified
Other financial liabilities		
Liabilities from investment services	87,582	62,490
Accrued expenses	27,546	15,473
Accounts payable	18,754	24,121
Liabilities due to short positions	16,904	9,131
Liabilities from customer's credit card payments	14,574	11,195
Accrued day one gain of loan liabilities at below-market interest	-	14,391
Other	11,383	13,249
Other financial liabilities total	**176,743**	**150,050**
Other non-financial liabilities		
Technical accounts	41,186	37,304
Current income tax payable	10,080	8,216
Social contribution	4,516	3,746
Accrued expenses	3,062	2,902
Other	2,850	1,309
Other non-financial liabilities total	**61,694**	**53,477**
Other liabilities total	**238,437**	**203,527**

The provision on other liabilities, off-balance sheet commitments and contingent liabilities are detailed as follows:

	2021	2020
Provision for losses on other off-balance sheet commitments and contingent liabilities	17,768	17,490
Provisions in accordance with IFRS 9	**17,768**	**17,490**
Provision for litigation	259	199
Provision for retirement pension and severance pay	975	1,300
Provision on other long-term employee benefits	-	723
Provision on other liabilities	2,525	194
Provisions in accordance with IAS 37	**3,759**	**2,416**
Total	**21,527**	**19,906**

Movements in the provision for losses on commitments and contingent liabilities in accordance with IFRS 9 can be summarized as follows:

	2021	2020
Opening balance	**17,490**	**14,288**
Provision for the period	47,626	56,863
Release of provision for the period	(47,496)	(54,044)
FX revaluation	148	383
Closing balance	**17,768**	**17,490**

Movements in the provision for losses on commitments and contingent liabilities in accordance with IAS 37 can be summarized as follows:

	2021	2020
Opening balance	**2,416**	**2,508**
Provision for the period	14,286	20,970
Release of provision	(11,608)	(21,062)
Use of provision	(1,335)	-
Closing balance	**3,759**	**2,416**

[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)

	2021	2020
Within one year		
In foreign currency	2,841	2,972
Over one year:		
In foreign currency	268,935	301,271
Total	**271,776**	**304,243**

Interest rates on subordinated bonds and loans are as follows (%):

	2021	2020
Subordinated bonds and loans denominated in foreign currency	2.5%-2.9%	2.5%-2.9%
Average interest on subordinated bonds and loans denominated in foreign currency	2.74%	2.85%

Subordinated loans and bonds are detailed as follows as at 31 December 2021:

Type	Nominal value	Date of issuance	Date of maturity	Issue price	Interest conditions	Current interest rate
Subordinated bond	EUR 231 million	7 November 2006	Perpetual	99.375%	Three-month EURIBOR + 3%, variable (payable quarterly)	2.428%
Subordinated bond	EUR 500 million	15 July 2019	15 July 2029	99.738%	Fixed 2.875% annual in the first 5 years and callable after 5 years, variable after year 5 (payable annually) calculated as a sum of the initial margin (320 basis point) and the 5 year mid-swap rate prevailing at the and of the 5 year.	2.875%

NOTE 26: SHARE CAPITAL (in HUF mn)

	2021	2020
Authorized, issued and fully paid:		
Ordinary shares	28,000	28,000

The nominal value of the shares is HUF 100 per shares. All of the shares are ordinary shares representing the same rights to the shareholders. Furthermore there are no restrictions on the distribution of dividends and the repayment of capital.

NOTE 27: RETAINED EARNINGS AND RESERVES (in HUF mn)

Based on the instructions of Act C of 2000 on accounting ("Act on Accounting") financial statements of the Bank are prepared in accordance with IFRS as issued by the IASB as adopted by the EU.

In 2021, the Bank did not pay dividend based on the earlier NBH warnings issued due to covid moratoria. In 2022 dividend of HUF 119 billion from the profit of the years 2019 and 2020 and HUF 1 billion from the profit of the year 2021 (totally HUF 120 billion) are expected to be proposed by the Management, which means HUF 425,89 (for the year 2019 and 2020) and HUF 3,57 (for the year 2021) dividend per share payable to shareholders. In the opinion of the Management dividend is still considered to be payable, which will be decided on the Bank's Board meeting in March taken in consideration the Russian-Ukrainian conflict.

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.

On 19 October 2006 the Bank sold 14.5 million Treasury shares owned by OTP Group through an issue of Income Certificates Exchangeable for Shares ("ICES"). Within the transaction 10 million shares owned by OTP Bank and 4.5 million OTP shares owned by OTP Fund Management Ltd. were sold during the underwriting period of ICES on the weighted average market price (HUF 7,080) of the Budapest Stock Exchange. The shares have been purchased by Opus Securities S.A. ("OPUS"), which issued an exchangeable bond with a total face value of EUR 514,274,000 backed by those shares. The exchangeable bonds have been sold at a 32% premium over the selling price of the shares. The EUR denominated exchangeable bonds were perpetual and the investors could exercise the conversion right between year 6 and 10. The bonds carry a fixed coupon of 3.95% during the first 10 years thereafter the Issuer had the right to redeem the bonds at face value. Following the year 10, the bonds carry a coupon of 3 month EURIBOR +3%. OTP Bank had discretional right to cancel the payments. The interest payable was non-cumulative.

Due to the conditions described above, ICES was accounted as an equity instrument and therefore any payment was accounted as equity distribution paid to ICES holders.

On 14 September 2021 the Bank claimed to terminate the subordinated swap agreement related to ICES transaction as at 29 October 2021, and to exercise its option for repurchasing approximately 14.5 million OTP ordinary shares held by Opus at market price based on the agreement. On the same day the Bank recognised liability due to Opus as a reduction of EUR 514 million in the shareholder's equity.

Treasury shares were repurchased on 29 October 2021 on a price HUF 18.118 and on the same day the swap transaction was financially settled. As a result of the closure of the subordinated swap agreement the Bank's shareholder's equity increased by HUF 75.422 million as follows:

in HUF mn

Recognition of liability against shareholder's equity	179,767	equity decrease
Payment of price for treasury shares by Opus	262,648	equity increase
Tax effect accounted in retained earnings	7,459	equity decrease

Approximately 12 million treasury shares were sold to OTP SECOP I. ('OTP Special Employee Stock Ownership Program') and OTP SECOP II.

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.

NOTE 27: RETAINED EARNINGS AND RESERVES (in HUF mn) [continued]

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 final maturity of the share swap agreement is 11 July 2022, 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 2021:

31 December 2021 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**	**46,162**	**1,855,090**	**(55,468)**	**(58,872)**	**-**	**-**	**-**	**1,814,964**
Unused portion of reserve for developments	-	-	-	(497)	-	-	-	497	-	-
Other comprehensive income	-	-	-	(5,078)	-	-	5,078	-	-	-
Option reserve	-	(55,468)	-	-	55,468	-	-	-	-	-
Treasury shares	-	(58,872)	-	-	-	58,872	-	-	-	-
Share based payments	-	46,162	(46,162)	-	-	-	-	-	-	-
Net profit for the year	-	-	-	(125,339)	-	-	-	-	125,339	-
General reserve	-	-	-	(117,905)	-	-	-	117,905	-	-
Components of Shareholder's equity in accordance with paragraph 114/B of Act on Accounting	**28,000**	**(68,126)**	**-**	**1,606,271**	**-**	**-**	**5,078**	**118,402**	**125,339**	**1,814,964**

NOTE 27: RETAINED EARNINGS AND RESERVES (in HUF mn) [continued]

The equity correlation table of the Bank based on paragraph 114/B of Act on Accounting as at 1 January 2021:

1 January 2021 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**	**42,573**	**1,709,976**	**(55,468)**	**(46,799)**	**-**	**-**	**-**	**1,678,334**
Unused portion of reserve for developments	-	-	-	(998)	-	-	-	998	-	-
Other comprehensive income	-	-	-	(44,356)	-	-	44,356	-	-	-
Portion of supplementary payment recognised as an asset	-	-	-	-	-	-	-	-	-	-
Option reserve	-	(55,468)	-	-	55,468	-	-	-	-	-
Treasury shares	-	(46,799)	-	-	-	46,799	-	-	-	-
Share based payments	-	42,573	(42,573)	-	-	-	-	-	-	-
Net profit for the year	-	-	-	(92,474)	-	-	-	-	92,474	-
General reserve	-	-	-	(105,371)	-	-	-	105,371	-	-
Components of Shareholder's equity in accordance with paragraph 114/B of Act on Accounting	**28,000**	**(59,642)**	**-**	**1,466,777**	**-**	**-**	**44,356**	**106,369**	**92,474**	**1,678,334**

NOTE 27: RETAINED EARNINGS AND RESERVES (in HUF mn) [continued]

Calculated untied retained earnings in accordance with paragraph 114/B of Act on Accounting

	2021	2020
Retained earnings	1,606,271	1,466,777
Net profit for the year	125,339	92,474
Untied retained earnings	**1,731,610**	**1,559,251**

Items of retained earnings and other reserves

	2021	2020
Retained earnings	1,606,770	1,465,037
Capital reserve	52	52
Option reserve	(55,468)	(55,468)
Other reserves	117,903	105,370
Fair value reserve of financial instruments measured at fair value through other comprehensive income	8,646	44,356
Share-based payment reserve	46,162	42,573
Fair value reserve of derivative financial instruments designated as cash-flow hedge	(3,568)	2,739
Net profit for the period	125,339	92,474
Retained earnings and other reserves	**1,845,836**	**1,697,133**

Fair value adjustment of securities at fair value through other comprehensive income

	2021	2020
Balance as at 1 January	**36,441**	**51,011**
Change of fair value adjustment	(34,484)	(22,069)
Deferred tax related to change of fair value adjustment	2,801	1,973
Other transfer to retained earnings	(5,070)	-
Deferred tax related to other transfer to retained earnings	457	-
Transfer to p/l due to derecognition	-	6,073
Deferred tax related to accumulated transfer to p/l	-	(547)
Closing balance	**145**	**36,441**

Expected credit loss on securities at fair value through other comprehensive income

	2021	2020
Balance as at 1 January	**1,714**	**1,702**
Increase of loss allowance	1,103	795
Release of loss allowance	(1,654)	(783)
FX movement	11	-
Closing balance	**1,174**	**1,714**

Fair value changes of equity instruments as at fair value through other comprehensive income

	2021	2020
Balance as at 1 January	**6,201**	**10,262**
Change of fair value correction	1,407	(3,276)
Deferred tax related to change of fair value correction	(281)	310
Transfer to retained earnings	-	(1,095)
Closing balance	**7,327**	**6,201**

NOTE 28: TREASURY SHARES (in HUF mn)

	2021	2020
Nominal value (ordinary shares)	325	433
Carrying value at acquisition cost	58,872	46,799

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:

	2021	2020
Number of shares as at 1 January	**4,331,169**	**320,165**
Additions	16,251,451	8,296,388
Disposals	(17,332,636)	(4,285,384)
Number of shares at the end of the period	**3,249,984**	**4,331,169**

Change in carrying value:	2021	2020
Balance as at 1 January	**46,799**	**2,636**
Additions	276,433	85,922
Disposals	(264,360)	(41,759)
Closing Balance	**58,872**	**46,799**

	2021	2020
Face value of treasury shares held by OTP Group members	766	1,959

NOTE 29: INTEREST INCOME AND EXPENSES (in HUF mn)

	2021	2020
Interest income accounted for using the effective interest rate method from / on		
Loans at amortised cost	168,388	143,652
FVOCI securities	21,456	29,095
Securities at amortised cost	61,085	48,654
Placements with other banks	33,544	12,248
Financial liabilities	3,337	1,544
Amounts due from banks and balances with National Bank of Hungary	14,245	4,391
Repo receivables	318	49
Subtotal	**302,373**	**239,633**
Income similar to interest income		
Loans mandatorily measured at fair value through profit or loss	26,045	15,094
Swap and forward deals related to Placements with other banks	68,975	56,341
Swap and forward deals related to Loans at amortised cost	11,487	14,011
Swap and forward deals related to FVOCI securities	(850)	(3,789)
Other	6	6
Subtotal	**105,663**	**81,663**
Interest income total	**408,036**	**321,296**
Interest expense due to / from / on		
Amounts due to banks and deposits from the National Bank of Hungary and other banks	107,928	67,747
Deposits from customers	33,403	19,598
Leasing liabilities	214	257
Liabilities from issued securities	377	414
Subordinated bonds and loans	7,890	8,327
Other	92	49
Financial assets	2,193	1,622
Repo liabilities	3,394	1,616
Subtotal	**155,491**	**99,630**

NOTE 30: RISK COST (in HUF mn)

	2021	2020
Loss allowance of loans at amortised cost		
Loss allowance	218,534	211,543
Release of loss allowance	(181,270)	(156,385)
	37,264	**55,158**
Loss allowance of sight deposits and placements with other banks		
Loss allowance	20,709	12,724
Release of loss allowance	(18,912)	(10,497)
	1,797	**2,227**
Loss allowance of placements with other banks		
Loss allowance	449	362
Release of loss allowance	(669)	(76)
	(220)	**286**
Loss allowance of FVOCI securities		
Loss allowance	1,103	2,119
Release of loss allowance	(1,654)	(2,116)
	(551)	**3**
Loss allowance of securities at amortised cost		
Loss allowance	4,404	4,822
Release of loss allowance	(2,369)	(2,977)
	2,035	**1,845**
Provision on loan commitments and financial guarantees		
Provision for the period	47,626	57,246
Release of provision	(47,496)	(54,044)
	130	**3,202**
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	**16,255**	**405**
Risk cost total	**56,710**	**63,126**

- ## NOTE 31: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn)

Income from fees and commissions:

	2021	2020
Fees and commissions related to lending	**12,164**	**11,141**
Deposit and account maintenance fees and commissions	123,800	106,341
Fees and commission related to the issued bank cards	89,243	77,115
Fees and commissions related to security trading	28,227	25,414
Fx margin	16,155	6,159
Fees and commissions paid by OTP Mortgage Bank Ltd.	11,187	8,725
Net insurance fee income	8,481	7,155
Other	11,546	17,731
Fees and commissions from contracts with customers	**288,639**	**248,640**
Total Income from fees and commissions:	**300,803**	**259,781**

Contract balances

	2021	2020
Receivables, which are included in ‘other assets’	16,391	7,625
Loss allowance	196	(103)

NOTE 31: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn) [continued]

Performance obligations and revenue recognition policies:

<table>
<tr><th>Fee type</th><th>Nature and timing of satisfaction of performance obligations, and the significant payment terms</th><th>Revenue recognition under IFRS 15</th></tr>
<tr><td>Deposit and account maintenance fees and commissions</td><td>The Bank provides a number of account management services for both retail and corporate customers in which they charge a fee. Fees related to these services can be typically account transaction fees (money transfer fees, direct debit fees, money standing order fees, etc.), internet banking fees (e.g. OTP Direct fee), account control fees (e.g. sms fee), or other fees for occasional services (account statement fees, other administration fees, etc.).

Fees for ongoing account management services are charged to the customer’s account on a monthly basis. The fees are commonly fix amounts that can be vary per account package and customer category.

In the case of the transaction based fees where the services include money transfer the fee is charged when the transaction takes place. The rate of the fee is typically determined in a certain % of the transaction amount. In case of other transaction-based fees (e.g. SMS fee), the fee is settled monthly.

In case of occasional services the Bank basically charges the fees when the services are used by the customer. The fees can be fixed fees or they can be set in %.

The rates are reviewed by the Bank regularly.</td><td>Fees for ongoing account management services are charged on a monthly basis during the period when they are provided.

Transaction-based fees are charged when the transaction takes places or charged monthly at the end of the month.</td></tr>
<tr><td>Fees and commission related to the issued bank cards</td><td>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.</td><td>Fees for ongoing services are charged on a monthly basis during the period when they are provided.

Transaction-based fees are charged when the transaction takes places or charged monthly at the end of the month.</td></tr>
</table>

NOTE 31: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn) [continued]

Performance obligations and revenue recognition policies: [continued]

Fee type	Nature and timing of satisfaction of performance obligations, and the significant payment terms	Revenue recognition under IFRS 15
Fees and commissions related to security account management services	The Bank provides its clients with security account management services. Fees will be charged for account management and transactions on accounts. Account management fees are typically charged quarterly or annually. The amount is determined in%, based on the stocks of securities managed by the clients on the account in a given period. Fees for transactions on the securities account are charged immediately after the transaction. They are determined in%, based on the transaction amount. Fees for complex services provided to clients (e.g. portfolio management or custody) are typically charged monthly or annually. The fees are fixed monthly amounts and in some cases a bonus fee are charged.	Fees for ongoing services are charged quarterly or annually during the period when they are provided. The fees are accrued monthly. Transaction-based fees are charged when the transaction takes places.
Fees and commissions paid by OTP Mortgage Bank Ltd.	The Bank provides a number of services to its subsidiaries, in connection with fees are charged. These fees typically include services related to various warranties and guarantees, credit account management, agency activities, and marketing activities. The credit account management fee granted to OTP Mortgage Bank is settled on a monthly basis. It has a fixed part that is based on the number of the managed credit accounts, and a variable one determined by the profit split method. The fees for the guarantee services provided by the Bank are charged monthly. The fee is determined by% and based on the stock being guaranteed. Fees for agent services are charged monthly. The rate is %, based on the products sold during the period.	Fees for ongoing services are charged on a monthly basis during the period when they are provided. Transaction-based fees are charged when the transaction takes places.
Net insurance fee income	Due to the fact that the Bank does not provide insurance services to its clients, only acts as an agent, the fee income charged to the customers and fees payable to the insurance company are presented net in the fee income. In addition, agency fee charged for the sale of insurance contracts is also recorded in this line. The fee is charged on a monthly basis and determined in %.	Fees for ongoing services are charged on a monthly basis during the period when they are provided.
Other	Fees that are not significant in the Banks total income are included in Other fees category. Such fees are safe lease, special procedure fee, account rent fee, adlak service fee, fee of a copy of document, etc. Other fees may include charges for continuous services or for ad hoc administration services. Continuous fees are charged monthly (e.g., safe lease fees) at the beginning of the period, typically at a fixed rate. Fees for ad hoc services are charged immediately after the service obligation had been met, typically also in a fixed amount.	Fees for ongoing services are charged on a monthly basis during the period when they are provided. Fees for ad hoc services are charged when the transaction takes places.

NOTE 31: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn) [continued]

	2021	2020
Other fees and commissions related to issued bank cards	39,835	31,701
Insurance fees	771	758
Fees and commissions related to lending	5,011	3,432
Fees and commissions related to security trading	618	1,584
Fees and commissions relating to deposits	2,610	1,355
Trust activities related to securities	1,652	566
Postal fees	224	202
Money market transaction fees and commissions	265	91
Other	1,290	1,061
Total	**52,276**	**40,750**
	248,527	**219,031**

- **NOTE 32: GAINS AND LOSSES (in HUF mn)**

	2021	2020
Losses arising from derecognition of financial assets measured at amortised cost		
Gain from loans	93	894
Loss from loans	(818)	(4,533)
Gain from securities	968	360
Loss from securities	(2,520)	-
Other	(423)	-
Losses arising from derecognition of financial assets measured at amortised cost	**(2,700)**	**(3,279)**

Additional information to Gains or losses from operating income:

	2021	2020
Foreign exchange losses		
Loss from foreign exchange	(5,875)	(5,302)
Margin gains	3,597	2,592
Margin losses	(3,360)	(1,808)
Total	**(5,638)**	**(4,518)**

	2021	2020
Gains on derivative instruments, net		
Gains on FX spot, swap and option deals	41,224	53,171
Losses from FX spot, swap and option deals	(34,716)	(46,329)
Fees received related to option deals	2,203	17,983
Fees paid related to option deals	(2,830)	(17,912)
Gains on commodity deals	91,487	22,122
Losses from commodity deals	(91,474)	(22,123)
Gains on futures transactions	580	1,555
Losses from futures transactions	(208)	(1,410)
Losses from credit valuation adjustment related to FX spot, swap and option deals held for trading	(2,643)	-
Losses from credit valuation adjustment related to commodity deals held for trading	(187)	-
Total	**3,436**	**7,057**

	2021	2020
Losses on financial instruments at fair value through profit or loss		
Gains on securities mandatorily measured at fair value through profit or loss	2,285	2,725
Gains on loans mandatorily measured at fair value through profit or loss	12,069	2,328
Losses on loans mandatorily measured at fair value through profit or loss	(24,760)	(4,453)
Gains on financial liabilities designated at fair value through profit or loss	4,353	2,443
Losses on financial liabilities designated at fair value through profit or loss	(438)	(3,713)
Total	**(6,491)**	**(670)**

NOTE 32: GAINS AND LOSSES (in HUF mn) [continued]

Additional information to Gains or losses from operating income: [continued]

	2021	2020
Gains on securities, net		
Interest income from held for trading securities	277	368
Gains on held for trading securities	8,018	5,948
Losses on held for trading securities	(3,646)	(3,697)
Gains on FVOCI securities	2,138	6,639
Losses on FVOCI securities	(6,797)	(566)
Gains on derecognition of investments in subsidiaries	1,311	23,028
Losses on derecognition of investments in subsidiaries	(1,963)	(16,485)
Gains/losses from other securities	2,766	2,360
Total	**2,104**	**17,595**

	2021	2020
Dividend income		
Distribution from investments in subsidiaries	95,042	60,913
Distribution from held for trading securities	3,844	8
Distribution from FVOCI equity instruments	151	52
Total	**99,037**	**60,973**
Total gains and losses from operating income (without other operating income)	**92,445**	**80,436**

- **NOTE 33: OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn)**

Other operating income:	2021	2020
Intermediary and other services	2,272	2,677
Derecognition of financial liabilities at amortised cost	2,290	710
Non-repayable assets received	1,174	26
Income from lease of tangible assets	1,009	749
Gains on derecognition of deposits	281	710
Gains on discount from advertising agency fees	182	171
Income from written off receivables	281	206
Gains on sale of receivables	-	377
Gains on transactions related to property activities	239	266
Gains on IT services provided to subsidiaries	940	-
Other operating income from OTP Employee Stock Ownership Program (OTP ESOP)	2,234	236
Gains on sale of tangible assets	(81)	150
Other	444	1,772
Total	**11,265**	**7,900**

Net other operating expenses:	2021	2020
Release of loss allowance on other assets	961	(3,521)
Non-repayable assets contributed	(862)	(4,055)
Release of provision for off-balance sheet commitments and contingent liabilities	(1,343)	92
Financial support for sport association and organization of public utility	(10,960)	(7,999)
Losses on other assets	-	(697)
Loss allowance on investments in subsidiaries	(27,420)	(10,042)
Other	(2,012)	(1,842)
Total other operating expenses	**(41,636)**	**(28,064)**

NOTE 33: OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn) [continued]

Other administrative expenses:	2021	2020 Reclassified
Personnel expenses:		
Wages	105,176	89,705
Taxes related to personnel expenses	16,709	16,308
Other personnel expenses	14,241	12,485
Subtotal	**136,126**	**118,498**
Depreciation and amortization	**40,692**	**38,948**
Other administrative expenses:		
Taxes, other than income tax[1]	81,171	73,384
Services	57,290	41,590
Fees payable to authorities and other fees	17,362	13,769
Administration expenses, including rental fees	7,439	15,517
Professional fees	6,714	2,500
Advertising	8,635	7,405
Subtotal	**178,611**	**154,165**
Total	**355,429**	**311,611**

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:

	2021	2020 Reclassified
Current tax expense	14,528	14,198
Deferred tax expense/(benefit)	1,423	(1,077)
Total	**15,951**	**13,121**

A reconciliation of the deferred tax liability is as follows:

	2021	2020
Balance as at 1 January	**(3,062)**	**(5,875)**
Deferred tax (expense)/ benefit	(1,423)	1,077
Tax effect of fair value adjustment of FVOCI securities and ICES recognised in comprehensive income	2,978	1,736
Closing balance	**(1,507)**	**(3,062)**

[1] Special tax of financial institutions was paid by OTP Bank in the amount of HUF 13.1 and 11.6 billion for the for the year ended 31 December 2021 and 2020, recognized as an expense thus decreased the corporate tax base. For the year ended 31 December 2021 financial transaction duty was paid by the Bank in the amount of HUF 68 billion.

NOTE 34: INCOME TAX (in HUF mn) [continued]

A breakdown of the deferred tax liability is as follows:

	2021	2020
Unused tax allowance	-	1,321
Provision for untaken leave	282	-
Provision for termination benefits and jubilee	644	-
Amounts unenforceable by tax law	-	247
Deferred tax asset	**926**	**1,568**
Fair value adjustment of held for trading and securities at fair value through other comprehensive income	(1,312)	(4,199)
Difference in depreciation and amortization	(1,076)	(329)
Provision for developments	(45)	-
Amounts unenforceable by tax law	-	(102)
Deferred tax liabilities	**(2,433)**	**(4,630)**
Net deferred tax assets/(liabilities)	**(1,507)**	**(3,062)**

A reconciliation of the income tax (income) / expense is as follows:

	2021	2020
Profit before income tax	141,290	93,246
Income tax at statutory tax rate (9%)	12,717	8,392

A reconciliation of effective tax rate as follows:

	2021	2020
Share-based payment	323	305
Deferred use of tax allowance	90	-
Dividend income	(8,787)	(5,488)
Use of tax	(3,461)	(2,023)
Amounts unenforceable by tax law	(847)	(38)
Change due to accounting policy (Visa)	-	69
Use of tax losses	-	(167)
Deferred tax asset due to unused tax allowance	-	(1,039)
Other	1,618	761
Income tax	**1,653**	**772**
Effective tax rate	1.2%	0.8%

	2021	2020
(as presented in the separate statement of financial position)		
Current tax assets	-	593
Current tax liabilities	4,776	1,464
Net tax liabilities	**(4,776)**	**(871)**

NOTE 35: LEASE (in HUF mn)

The Bank as a lessee:

Amounts recognised in profit and loss	**2021**	**2020**
Interest expense on lease liabilities	214	257
Expense relating to short-term leases	2,143	2,128
Expense relating to variable lease payments not included in the measurement of lease liabilities	1,271	1,084

Leasing liabilities by maturities:

	2021	**2020**
Within one year	4,868	4,423
Over one year	13,064	9,683
Total	**17,932**	**14,106**

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 2020	17,790	37	17,827
Additions due to new contracts	3,707	-	3,707
Derecognition due to matured contracts	(18)	-	(18)
Change due to revaluation and modification	927	-	927
Balance as at 31 December 2020	**22,406**	**37**	**22,443**
Additions due to new contracts	5,788	-	5,788
Derecognition due to matured contracts	(263)	-	(263)
Change due to revaluation and modification	3,150	-	3,150
Balance as at 31 December 2021	**31,081**	**37**	**31,118**
Depreciation			
Balance as at 1 January	4,214		4,220
Depreciation charge	4,744	6	4,750
Derecognition due to matured contracts	(6)	-	(6)
Balance as at 31 December 2021	**8,952**	**12**	**8,964**
Depreciation charge	5,155	6	5,161
Derecognition due to matured contracts	(238)	-	(238)
Balance as at 31 December 2021	**13,869**	**18**	**13,887**
Net carrying amount			
Balance as at 31 December 2020	**13,454**	**25**	**13,479**
Balance as at 31 December 2021	**17,212**	**19**	**17,231**

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 2021:

		Gross carrying amount / Notional amount					Loss allowance					
	Carrying amount/ Exposure	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Total	Write-off
Cash, amounts due from banks and balances with the National Bank of Hungary	474,945	475,130	-	-	-	475,130	185	-	-	-	185	-
Placements with other banks, net of allowance for placement losses	2,567,212	2,573,226	-	1,476	-	2,574,702	6,014	-	1,476	-	7,490	-
Repo receivables	33,638	33,710	-	-	-	33,710	72	-	-	-	72	-
Retail consumer loans	*598,699*	*488,639*	*139,193*	*33,687*	*3*	*661,522*	*11,168*	*27,597*	*24,056*	*2*	*62,823*	-
Mortgage loans	*81,471*	*33,254*	*39,220*	*8,377*	*2,724*	*83,575*	*25*	*309*	*1,503*	*267*	*2,104*	-
Municipal loans	*71,328*	*70,311*	*1,346*	-	-	*71,657*	*223*	*106*	-	-	*329*	-
Corporate loans	*3,280,967*	*2,909,439*	*384,223*	*66,915*	*10,691*	*3,371,268*	*17,945*	*39,260*	*31,528*	*1,568*	*90,301*	*21,838*
Loans at amortised cost	4,032,465	3,501,643	563,982	108,979	13,418	4,188,022	29,361	67,272	57,087	1,837	155,557	21,838
FVOCI securities	641,939	641,939	-	-	-	641,939	1,174	-	-	-	1,174	-
Securities at amortised cost	3,071,038	3,064,500	13,223	-	-	3,077,723	5,882	803	-	-	6,685	-
Other financial assets	153,748	119,174	38,964	735	23	158,896	1,696	2,840	598	14	5,148	-
Total as at 31 December 2021	**10,974,985**	**10,409,322**	**616,169**	**111,190**	**13,441**	**11,150,122**	**44,384**	**70,915**	**59,161**	**1,851**	**176,311**	**21,838**
Loan commitments	1,665,288	1,615,196	56,838	4,996	-	1,677,030	5,620	3,968	2,154	-	11,742	-
Financial guarantees	1,500,977	1,491,470	14,883	244	-	1,506,597	4,820	749	51	-	5,620	-
Factoring loan commitments	423,267	412,692	5,847	5,133	-	423,672	228	32	145	-	405	-
Bill of credit	30,380	30,381	-	-	-	30,381	1	-	-	-	1	-
Loan commitments and financial guarantees total	***3,619,912***	***3,549,739***	***77,568***	***10,373***	***-***	***3,637,680***	***10,669***	***4,749***	***2,350***	***-***	***17,768***	***-***

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.1. Financial instruments by stages [continued]

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 2020:

Assets measured at amortised cost and FVOCI as at 31 December 2020	Carrying amount/ Exposure	Gross carrying amount / Notional amount: Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Total	Loss allowance: Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Total	Write-off
Cash, amounts due from banks and balances with the National Bank of Hungary	579,120	579,120	-	-	-	579,120	-	-	-	-	-	-
Placements with other banks, net of allowance for placement losses	1,535,884	1,540,240	2	1,461	-	1,541,703	4,356	2	1,461	-	5,819	-
Repo receivables	183,364	183,656	-	-	-	183,656	292	-	-	-	292	-
Retail consumer loans	*531,115*	*456,034*	*98,027*	*10,632*	*5*	*564,698*	*5,945*	*20,866*	*6,770*	*2*	*33,583*	-
Mortgage loans	*95,762*	*29,857*	*58,609*	*6,602*	*2,909*	*97,977*	*20*	*688*	*1,313*	*194*	*2,215*	-
Municipal loans	*86,061*	*72,406*	*15,564*	*43*	-	*88,013*	*227*	*1,709*	*16*	-	*1,952*	-
Corporate loans	*2,704,822*	*2,361,979*	*380,458*	*37,177*	*11,128*	*2,790,742*	*16,314*	*43,034*	*25,127*	*1,445*	*85,920*	*25,720*
Loans at amortised cost	3,417,760	2,920,276	552,658	54,454	14,042	3,541,430	22,506	66,297	33,226	1,641	123,670	25,720
FVOCI securities	911,950	911,950	-	-	-	911,950	1,714	-	-	-	1,714	-
Securities at amortised cost	2,007,692	2,010,980	-	-	-	2,010,980	3,288	-	-	-	3,288	-
Other financial assets	127,179	93,491	40,452	1,133	31	135,107	2,407	4,504	996	21	7,928	-
Total as at 31 December 2020	**8,762,949**	**8,239,713**	**593,112**	**57,048**	**14,073**	**8,903,946**	**34,563**	**70,803**	**35,683**	**1,662**	**142,711**	**25,720**
Loan commitments	1,429,732	1,369,379	69,998	1,683	-	1,441,060	5,442	5,047	839	-	11,328	-
Financial guarantees	1,412,663	1,409,766	8,609	161	-	1,418,536	5,087	738	48	-	5,873	-
Factoring loan commitments	304,993	299,908	3,551	1,810	-	305,269	175	35	66	-	276	-
Bill of credit	5,026	5,039	-	-	-	5,039	13	-	-	-	13	-
Loan commitments and financial guarantees total	**3,152,414**	**3,084,092**	**82,158**	**3,654**	**-**	**3,169,904**	**10,717**	**5,820**	**953**	**-**	**17,490**	**-**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.1. Financial instruments by stages [continued]

Changes in the Loss allowance of financial assets at amortised cost and fair value through other comprehensive income by IFRS 9 stages

Loans at amortised cost

	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January 2020	**26,777**	**18,678**	**25,841**	**770**	**72,066**
Transfer to Stage 1	633	(612)	(21)	-	-
Transfer to Stage 2	(4,374)	5,682	(1,308)	-	-
Transfer to Stage 3	(188)	(1,683)	1,871	-	-
Net remeasurement of loss allowance	(2,736)	40,164	9,196	839	47,463
New financial assets originated or purchased	11,393	7,498	2,918	45	21,854
Financial assets derecognised (other than write-offs)	(8,975)	(3,354)	(3,717)	(11)	(16,057)
Unwind of discount	-	-	1,613	217	1,830
Write-offs	(24)	(76)	(3,167)	(219)	(3,486)
Loss allowance as at 31 December 2020	**22,506**	**66,297**	**33,226**	**1,641**	**123,670**
Modification	-	(1,281)	-	-	**(1,281)**
Loss allowance as at 31 December 2020	**22,506**	**65,016**	**33,226**	**1,641**	**122,389**
Transfer to Stage 1	12,289	(11,919)	(370)	-	-
Transfer to Stage 2	(1,867)	3,241	(1,374)	-	-
Transfer to Stage 3	(369)	(5,636)	6,005	-	-
Net remeasurement of loss allowance	(10,705)	18,125	20,779	221	28,420
New financial assets originated or purchased	15,197	6,326	4,292	1	25,816
Financial assets derecognised (other than write-offs)	(7,638)	(7,540)	(5,323)	(16)	(20,517)
Unwind of discount	-	-	947	9	956
Write-offs	(52)	(341)	(1,095)	(19)	(1,507)
Loss allowance as at 31 December 2021	**29,361**	**67,272**	**57,087**	**1,837**	**155,557**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.1. Financial instruments by stages [continued]

Changes in the Loss allowance of financial assets at amortised cost and fair value through other comprehensive income by IFRS 9 stages [continued]

Loan commitments and financial guarantees

	Stage 1	Stage 2	Stage 3	Total
Provision as at 1 January 2020	**11,564**	**1,077**	**1,647**	**14,288**
Transfer to Stage 1	142	(125)	(17)	-
Transfer to Stage 2	(501)	522	(21)	-
Transfer to Stage 3	(9)	(28)	37	-
Net remeasurement of loss allowance	(939)	3,651	(642)	2,070
New financial assets originated or purchased	2,843	796	67	3,706
Decrease	(2,383)	(73)	(118)	(2,574)
Provision as at 31 December 2020	**10,717**	**5,820**	**953**	**17,490**
Transfer to Stage 1	2,910	(2,840)	(70)	-
Transfer to Stage 2	(200)	322	(122)	-
Transfer to Stage 3	(21)	(109)	130	-
Net remeasurement of loss allowance	(4,628)	1,371	1,500	(1,757)
New financial assets originated or purchased	3,215	904	98	4,217
Decrease	(1,324)	(719)	(139)	(2,182)
Loss allowance as at 31 December 2021	**10,669**	**4,749**	**2,350**	**17,768**

Placements with other banks, net of allowance for placement losses

	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2020	**3,590**	**2**	**-**	**3,592**
Net remeasurement of loss allowance	515	-	-	515
New financial assets originated or purchased	2,321	-	1,461	3,782
Financial assets derecognised (other than write-offs)	(2,070)	-	-	(2,070)
Loss allowance as at 31 December 2020	**4,356**	**2**	**1,461**	**5,819**
Net remeasurement of loss allowance	(303)	-	15	(288)
New financial assets originated or purchased	4,566	-	-	4,566
Financial assets derecognised (other than write-offs)	(2,605)	(2)	-	(2,607)
Loss allowance as at 31 December 2021	**6,014**	**-**	**1,476**	**7,490**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.1. Financial instruments by stages [continued]

Changes in the Loss allowance of financial assets at amortised cost and fair value through other comprehensive income by IFRS 9 stages [continued]

Repo Receivables

	Stage 1	Total
Loss allowance as at 1 January 2020	**6**	**6**
New financial assets originated or purchased	362	362
Financial assets derecognised (other than write-offs)	(76)	(76)
Loss allowance as at 31 December 2020	**292**	**292**
New financial assets originated or purchased	449	449
Financial assets derecognised (other than write-offs)	(669)	(669)
Loss allowance as at 31 December 2021	**72**	**72**

Securities at amortised cost

	Stage 1	Stage 2	Total
Loss allowance as at 1 January 2020	**1,443**	**-**	**1,443**
Net remeasurement of loss allowance	1,334	-	1,334
New financial assets originated or purchased	595	-	595
Financial assets derecognised (other than write-offs)	(84)	-	(84)
Loss allowance as at 31 December 2020	**3,288**	**-**	**3,288**
Modification	-	1,281	**1,281**
Loss allowance as at 31 December 2020	**3,288**	**1,281**	**4,569**
Net remeasurement of loss allowance	898	(478)	420
New financial assets originated or purchased	1,761	-	1,761
Financial assets derecognised (other than write-offs)	(65)	-	(65)
Loss allowance as at 31 December 2021	**5,882**	**803**	**6,685**

FVOCI Securities

	Stage 1	Total
Loss allowance as at 1 January 2020	**1,702**	**1,702**
Net remeasurement of loss allowance	286	286
New financial assets originated or purchased	509	509
Financial assets derecognised (other than write-offs)	(783)	(783)
Loss allowance as at 31 December 2020	**1,714**	**1,714**
Net remeasurement of loss allowance	(483)	(483)
New financial assets originated or purchased	348	348
Financial assets derecognised (other than write-offs)	(405)	(405)
Loss allowance as at 31 December 2021	**1,174**	**1,174**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.1. Financial instruments by stages [continued]

Loan portfolio by internal ratings

	Gross carrying amount				
Internal rating grade	**Stage1**	**Stage2**	**Stage3**	**POCI**	**Total**
High grade (1-4)	1,930,488	215,519	-	224	**2,146,231**
Medium grade (5-7)	1,459,861	238,767	-	10,522	**1,709,150**
Low grade (8-9)	111,294	109,696	-	253	**221,243**
Non performing	-	-	108,979	2,419	**111,398**
Total	**3,501,643**	**563,982**	**108,979**	**13,418**	**4,188,022**

	Accumulated loss allowance				
Internal rating grade	**Stage1**	**Stage2**	**Stage3**	**POCI**	**Total**
High grade (1-4)	11,870	21,906	-	4	**33,780**
Medium grade (5-7)	15,929	24,853	-	1,234	**42,016**
Low grade (8-9)	1,562	20,513	-	12	**22,087**
Non performing	-	-	57,087	587	**57,674**
Total	**29,361**	**67,272**	**57,087**	**1,837**	**155,557**

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 2021		31 December 2020	
Country	**Gross loan and placements with other banks portfolio**	**Loss allowance**	**Gross loan and placements with other banks portfolio**	**Loss allowance**
Hungary	5,039,601	(130,588)	3,797,729	(99,295)
Malta	792,943	(2,556)	759,425	(3,985)
Serbia	148,599	(2,048)	-	-
Romania	113,517	(3,695)	40,143	(4,220)
France	112,810	(321)	38,876	(8)
Bulgaria	105,899	(11,786)	102,067	(9,158)
Russia	85,420	(961)	124	(5)
Slovakia	76,373	(263)	73,808	(207)
Other	321,272	(10,901)	454,617	(12,903)
Loans, placements with other banks and repo receivables at amortised cost total	**6,796,434**	**(163,119)**	**5,266,789**	**(129,781)**
Hungary	662,008	-	480,933	-
Other	4	-	4	-
Loans at fair value total	**662,012**	**-**	**480,937**	**-**
Loans, placements with other banks and repo receivables total	**7,458,446**	**(163,119)**	**5,747,726**	**(129,781)**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

Loan portfolio classification by economic activities

Loans at amortised cost by economic activities	31 December 2021 Gross amount	31 December 2021 Loss allowance	31 December 2020 Gross amount	31 December 2020 Loss allowance
Retail	708,355	63,843	647,323	34,289
Agriculture, forestry and fishing	177,202	4,976	152,152	2,074
Manufacturing, mining and quarrying	320,990	7,249	241,763	6,765
and other industry	172,441	4,919	136,353	3,626
Construction	657,273	18,490	506,561	16,813
Wholesale and retail trade, transportation and	23,072	1,136	19,846	681
storage accommodation and food service activities	211,292	9,444	147,849	11,338
Information and communication	305,100	13,143	291,475	13,595
Financial and insurance activities	136,876	3,109	105,159	1,979
Real estate activities	72,027	472	70,640	672
Professional, scientific, technical, administration	1,403,394	28,776	1,222,309	31,838
Total	**4,188,022**	**155,557**	**3,541,430**	**123,670**

36.1.2. 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	2021	2020
Mortgages	1,602,913	1,450,951
Guarantees and warranties	1,554,921	1,074,420
Deposit	229,041	191,268
from this: Cash	*80,598*	*62,469*
Securities	*148,443*	*128,799*
Other	387	563
Total	**3,387,262**	**2,717,202**

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	2021	2020
Mortgage	753,222	687,688
Guarantees and warranties	1,196,385	836,874
Deposit	106,620	94,397
from this: Cash	*12,756*	*8,204*
Securities	*93,864*	*86,193*
Other	305	423
Total	**2,056,532**	**1,619,382**

The coverage level of loan portfolio to the extent of the exposures increased from 31.86% to 30.41% as at 2021, while the coverage to the total collateral value decreased from 53.46% to 50.09%.

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

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 2021	Gross carrying amount	Loss allowance	Carrying amount	Collateral value
Retail consumer loans	33,690	(24,058)	9,632	387
Mortgage loans	11,101	(1,770)	9,331	39,263
Corporate loans	77,606	(33,096)	44,510	56,960
Total	**122,397**	**(58,924)**	**63,473**	**96,610**

For the year ended 31 December 2020	Gross carrying amount	Loss allowance	Carrying amount	Collateral value
Retail consumer loans	10,637	(6,772)	3,865	128
Mortgage loans	9,511	(1,507)	8,004	32,302
Municipal loans	43	(16)	27	104
Corporate loans	48,305	(26,572)	21,733	46,210
Total	**68,496**	**(34,867)**	**33,629**	**78,744**

36.1.3. Restructured loans

	31 December 2021		31 December 2020	
	Gross portfolio	Loss allowance	Gross portfolio	Loss allowance
Consumer loans	118,094	(21,816)	5,399	(2,575)
Mortgage loans	36,413	(266)	2,156	(68)
Corporate loans	193,571	(25,865)	27,963	(8,283)
SME loans	33,388	(4,487)	6,295	(1,278)
Municipal loans	-	-	41	(16)
Total	**381,466**	**(52,434)**	**41,854**	**(12,220)**

Restructured portfolio definition

The forborne definition used by the Group is based on EU regulation 2015/227. 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 significant increase of the performing forborne loan volume is due to the forborne classification rules set by the MNB executive circulars of 21 January 2021 and 25 November 2021 for loans participating in phase 2 and phase 3 of the moratoria. The loan volume classified as performing forborne exclusively due to moratoria participation is HUF 290 billion. For the affected portfolios the earliest possible exit from the forborne status is 6 months after the exit from moratorium for retail and 2 years after the exit from moratorium for corporate exposures.

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

Financial instruments by rating categories[1]

Held-for-trading securities as at 31 December 2021

	A1	A2	A3	B1	Aa3	Ba2	Baa1	Baa2	Baa3	N/A	Total
Government bonds	-	16	-	-	-	3,634	-	26,024	1,153	-	30,827
Other bonds	-	-	485	-	-	-	-	1,348	97	158	2,088
Other non-interest bearing securities	-	-	-	-	-	-	-	-	-	1,134	1,134
Hungarian government discounted Treasury Bills	-	-	-	-	-	-	-	869	-	-	869
Shares	49	59	35	6	19	2	12	24	83	310	599
Mortgage bonds	-	-	-	-	-	-	-	16	-	100	116
Total	**49**	**75**	**520**	**6**	**19**	**3,636**	**12**	**28,281**	**1,333**	**1,702**	**35,633**

Held-for-trading securities 31 December 2020

	A2	A3	B1	Ba2	Ba3	Baa1	Baa2	Baa3	N/A	Total
Other non-interest bearing securities	-	-	-	-	-	-	-	-	1,964	1,964
Government bonds	-	-	-	-	465	-	-	5,566	-	6,031
Mortgage bonds	-	-	-	-	-	-	-	-	-	-
Hungarian government discounted Treasury Bills	-	-	-	-	-	-	-	1,233	-	1,233
Hungarian government interest bearing Treasury Bills	-	-	-	-	-	-	-	-	-	-
Shares	36	33	5	7	-	45	7	36	257	426
Other bonds	-	495	-	-	-	-	-	998	582	2,075
Total	**36**	**528**	**5**	**7**	**465**	**45**	**7**	**7,833**	**2,803**	**11,729**

Securities mandatorily measured at fair value through profit or loss as at 31 December 2021

	N/A	Total
Government bonds	25,126	25,126
Mortgage bonds	2,935	2,935
Total	**28,061**	**28,061**

[1] Moody's ratings

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

Financial instruments by rating categories[1]

Securities mandatorily measured at fair value through profit or loss as at 31 December 2020

	N/A	Total
Government bonds	23,818	23,818
Mortgage bonds	5,342	5,342
Shares	2,776	2,776
Total	**31,936**	**31,936**

FVOCI securities as at 31 December 2021

	A1	A2	A3	Ba1	Ba2	Baa1	Baa2	Baa3	N/A	Total
Government bonds	740	2,471	-	15,209	6,784	5,032	182,439	66,201	-	278,876
Mortgage bonds	47,568	-	-	-	-	-	156,027	-	14,346	217,941
Other bonds	-	-	2,896	4,001	-	-	1,622	37,606	18,745	64,870
Hungarian Treasury Bills	-	-	-	-	-	-	63,115	-	-	63,115
Non-treading equity instruments	-	-	-	-	-	-	-	-	17,137	17,137
Total	**48,308**	**2,471**	**2,896**	**19,210**	**6,784**	**5,032**	**403,203**	**103,807**	**50,228**	**641,939**

FVOCI securities as at 31 December 2020

	A2	A3	Ba1	Ba3	Baa2	Baa3	N/A	Total
Mortgage bonds	63,577	-	-	-	250,673	-	18,417	332,667
Government bonds	226	7,391	4,624	15,055	-	461,163	-	488,459
Hungarian interest bearing Treasury Bills	-	-	-	-	-	9,957	-	9,957
Shares	-	-	-	-	-	-	15,731	15,731
Other bonds	-	4,815	3,958	-	1,620	37,961	16,782	65,136
Total	**63,803**	**12,206**	**8,582**	**15,055**	**252,293**	**509,081**	**50,930**	**911,950**

[1] Moody's ratings

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

Financial instruments by rating categories[1]

Securities at amortised cost as at 31 December 2021

	A1	A2	Aaa	Ba1	Ba2	Baa1	Baa2	Baa3	N/A	Total
Government bonds	9,002	-	185,261	18,871	12,663	25,986	2,550,824	55,256	-	2,857,863
Corporate bonds	-	8,210	-	-	-	7,343	3,682	14,780	154,886	188,901
Mortgage bonds	12,992	-	-	-	-	-	-	-	11,282	24,274
Total	**21,994**	**8,210**	**185,261**	**18,871**	**12,663**	**33,329**	**-**	**70,036**	**166,168**	**3,071,038**

Securities at amortised cost as at 31 December 2020

	Ba2	Baa3	N/A	Total
Government bonds	2,816	1,941,855	-	1,944,671
Mortgage bonds	-	14,579	48,442	63,021
Total	**2,816**	**1,956,434**	**48,442**	**2,007,692**

[1] Moody's ratings

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

An analysis of securities (held for trading, mandatorily FVTPL, FVOCI and amortised cost) in a country breakdown is as follows:

Country	2021 Gross carrying amount	2021 Loss allowance	2020 Gross carrying amount	2020 Loss allowance
Hungary	2,709,786	(5,823)	1,986,362	(3,194)
United States of America	194,518	(149)	1,069	(4)
Portugal	36,268	(177)	-	-
Spain	33,659	(178)	-	-
Russia	32,901	(46)	2,757	(3)
Romania	22,527	(126)	-	-
Croatia	18,917	(46)	-	-
Luxembourg	-	-	20,792	(87)
Other	29,147	(140)	-	-
Securities at amortised cost total	**3,077,723**	**(6,685)**	**2,010,980**	**(3,288)**
Hungary	517,462	-	761,472	-
Russia	65,275	-	29,697	-
Croatia	15,209	-	-	-
Serbia	6,784	-	-	-
Spain	5,032	-	-	-
Luxembourg	-	-	85,006	-
Other	15,040	-	20,044	-
FVOCI securities total	**624,802**	**-**	**896,219**	**-**
Austria	13,223	-	3,122	-
United States of America	3,388	-	12,079	-
Other	526	-	530	-
Non-trading equity instruments designated to measure at fair value through other comprehensive income	**17,137**	**-**	**15,731**	**-**
Hungary	29,814	-	8,613	-
Serbia	3,634	-	465	-
Russia	1,278	-	808	-
Germany	420	-	410	-
Luxembourg	-	-	771	-
Other	487	-	662	-
Held for trading securities total	**35,633**	**-**	**11,729**	**-**
Hungary	18,807	-	18,470	-
Luxembourg	5,542	-	10,428	-
United States of America	2,935	-	2,776	-
Portugal	777	-	262	-
Securities mandatorily measured at fair value through profit or loss	**28,061**	**-**	**31,936**	**-**
Securities total	**3,783,356**	**(6,685)**	**2,966,595**	**(3,288)**

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 2021.

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 2021	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash, amounts due from banks and balances with the National Bank of Hungary	475,130	-	-	-	-	475,130
Placements with other banks, net of allowance for placement losses	1,176,184	585,499	609,182	204,493	-	2,575,358
Repo receivables	33,710	-	-	-	-	33,710
Financial assets at fair value through profit or loss	908	3,709	19,804	10,259	29,794	64,474
Securities at fair value through other comprehensive income	16,329	58,446	358,805	199,854	17,138	650,572
Loans at amortised cost	1,327,629	873,169	1,377,885	726,016	-	4,304,699
Loans mandatorily measured at fair value through profit or loss	16,516	15,575	121,104	553,569	-	706,764
Securities at amortised cost	28,514	308,921	1,792,058	938,902	-	3,068,395
Investments in subsidiaries, associates and other investments	-	-	-	-	1,573,008	1,573,008
Other financial assets	157,669	1,227	-	-	-	158,896
TOTAL ASSETS	**3,232,589**	**1,846,546**	**4,278,838**	**2,633,093**	**1,619,940**	**13,611,006**
Amounts due to banks and deposits from the National Bank of Hungary and other banks	297,779	138,418	506,233	108,773	-	1,051,203
Deposits from customers	9,844,911	57,851	33,112	12,658	-	9,948,532
Repo liabilities	49,726	-	36,854	-	-	86,580
Liabilities from issued securities	5,258	6,812	8,812	2,065	-	22,947
Subordinated bonds and loans	2,841	-	-	269,698	-	272,539
Financial liabilities at fair value through profit or loss	531	1,253	4,422	13,927	-	20,133
Leasing liabilities	1,078	3,791	9,356	3,707	-	17,932
Other financial liabilities	193,315	5,337	876	-	-	199,528
TOTAL LIABILITIES	**10,395,439**	**213,462**	**599,665**	**410,828**	**-**	**11,619,394**
NET POSITION[1]	**-7,162,850**	**1,633,084**	**3,679,173**	**2,222,265**	**1,619,940**	**1,991,612**
Receivables from derivative financial instruments classified as held for trading	4,573,312	1,957,498	339,869	135,728	-	7,006,407
Liabilities from derivative financial instruments classified as held for trading	(4,581,312)	(1,951,622)	(328,607)	(132,345)	-	(6,993,886)
Net position of derivative financial instruments classified as held for trading	***(8,000)***	***5,876***	***11,262***	***3,383***	**-**	***12,521***
Receivables from derivative financial instruments designated as hedge accounting	5,693	37,436	580,280	16,195	-	639,604
Liabilities from derivative financial instruments designated as hedge accounting	(7,658)	(46,925)	(595,692)	(16,417)	-	(666,692)
Net position of derivative financial instruments designated as hedging accounting	**(1,965)**	**(9,489)**	**(15,412)**	**(222)**	**-**	**(27,088)**
Net position of derivative financial instruments total	**(9,965)**	**(3,613)**	**(4,150)**	**3,161**	**-**	**(14,567)**
Commitments to extend credit	1,677,030	-	-	-	-	*1,677,030*
Confirmed letters of credit	30,381	-	-	-	-	*30,381*
Factoring loan commitment	423,673	-	-	-	-	*423,673*
Bank guarantees	133,460	189,747	247,886	936,824	-	*1,507,917*
Off-balance sheet commitments	**2,264,544**	**189,747**	**247,886**	**936,824**	**-**	**3,639,001**

[1] 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 2020	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	579,120	-	-	-	-	579,120
Placements with other banks, net of allowance for placement losses	578,907	656,143	273,834	33,027	-	1,541,911
Repo receivables	183,656	-	-	-	-	183,656
Financial assets at fair value through profit or loss	1,401	1,151	3,576	9,042	22,121	37,291
Securities at fair value through other comprehensive income	14,453	111,117	402,797	305,507	15,731	849,605
Loans at amortised cost	1,134,542	728,410	1,132,083	645,980	-	3,641,015
Loans mandatorily measured at fair value through profit or loss	14,850	11,674	85,000	383,775	-	495,299
Securities at amortised cost	19,735	37,950	1,354,479	559,171	-	1,971,335
Investment properties	-	-	-	-	1,936	1,936
Investments in subsidiaries, associates and other investments	-	-	-	-	1,548,972	1,548,972
Other financial assets	133,832	1,277	-	-	-	135,109
TOTAL ASSETS	**2,660,496**	**1,547,722**	**3,251,769**	**1,936,502**	**1,588,760**	**10,985,249**
Amounts due to banks and deposits from the National Bank of Hungary and other banks	152,633	62,871	492,291	73,574	-	781,369
Deposits from customers	7,716,000	131,890	30,628	14,115	-	7,892,633
Repo liabilities	-	-	109,612	-	-	109,612
Liabilities from issued securities	636	11,835	15,256	487	-	28,214
Subordinated bonds and loans	2,972	-	-	302,182	-	305,154
Financial liabilities at fair value through profit or loss	3,159	1,421	6,115	15,207	-	25,902
Leasing liabilities	1,073	3,350	7,213	2,470	-	14,106
Other financial liabilities	161,652	4,877	1,417	-	-	167,946
TOTAL LIABILITIES	**8,038,125**	**216,244**	**662,532**	**408,035**	**-**	**9,324,936**
NET POSITION[1]	**(5,377,629)**	**1,331,478**	**2,589,237**	**1,528,467**	**1,588,760**	**1,660,313**
Receivables from derivative financial instruments classified as held for trading	160,910	3,156,604	552,687	270,557	-	4,140,758
Liabilities from derivative financial instruments classified as held for trading	(88,685)	(3,774,109)	(490,468)	(226,529)	-	(4,579,791)
Net position of derivative financial instruments classified as held for trading	***72,225***	***(617,505)***	***62,219***	***44,028***	***-***	***(439,033)***
Receivables from derivative financial instruments designated as hedge accounting	183	7,286	168,912	173,109	-	349,490
Liabilities from derivative financial instruments designated as hedge accounting	(40,485)	(114,512)	(472,245)	(88,720)	-	(715,962)
Net position of derivative financial instruments designated as hedging accounting	**(40,302)**	**(107,226)**	**(303,333)**	**84,389**	**-**	**(366,472)**
Net position of derivative financial instruments total	**31,923**	**(724,731)**	**(241,114)**	**128,417**	**-**	**(805,505)**
	-	-	-	-	-	-
Commitments to extend credit	1,441,060	-	-	-	-	*1,441,060*
Confirmed letters of credit	5,039	-	-	-	-	*5,039*
Factoring loan commitment	305,269	-	-	-	-	*305,269*
Bank guarantees	115,485	136,569	305,714	861,775	-	*1,419,543*
Off-balance sheet commitments	**1,866,853**	**136,569**	**305,714**	**861,775**	**-**	**3,170,911**

[1] 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 2021

	USD	EUR	CHF	Others	Total
Assets	486,225	2,448,729	14,989	290,504	3,240,447
Liabilities	(296,903)	(2,121,543)	(42,590)	(59,350)	(2,520,386)
Derivative financial instruments	(197,080)	(321,377)	27,953	(229,089)	(719,593)
Net position	**(7,758)**	**5,809**	**352**	**2,065**	**468**

As at 31 December 2020

	USD	EUR	CHF	Others	Total
Assets	174,993	1,929,758	17,509	251,877	2,374,137
Liabilities	(291,985)	(1,623,605)	(35,701)	(105,346)	(2,056,637)
Derivative financial instruments	116,987	(350,237)	18,614	(146,208)	(360,844)
Net position	**(5)**	**(44,084)**	**422**	**323**	**(43,344)**

The table above provides an analysis of the Bank's main foreign currency exposures. The remaining foreign currencies are shown within 'Others'. The Bank monitors its foreign exchange position for compliance with the regulatory requirements of the NBH and its own limit system established in respect of limits on open positions. The measurement of the Bank's open its currency position involves monitoring the VaR limit on the foreign exchange exposure of the Bank.

In the table Derivative financial instruments are stated at fair value.

36.4. Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument, therefore, indicates to what extent it is exposed to interest rate risk.

The majority of the Bank's interest bearing assets and liabilities are structured to match either short-term assets and short-term liabilities, or long-term assets and liabilities with repricing opportunities within one year, or long-term assets and corresponding liabilities where repricing is performed simultaneously.

In addition, the significant spread existing between the different types of interest bearing assets and liabilities enables the Bank to benefit from a high level of flexibility in adjusting for its interest rate matching and interest rate risk exposure.

The following table presents the interest repricing dates of the Bank. Variable yield assets and liabilities have been reported in accordance with their next repricing date. Fixed income assets and liabilities have been reported in accordance with their maturity.

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.4. Interest rate risk management [continued]

As at 31 December 2021	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest -bearing		Total		Total
ASSETS	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	
Cash, amounts due from banks and balances with the National Bank of Hungary	**31,228**	**289,008**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**133,053**	**21,655**	**164,281**	**310,663**	**474,944**
fixed interest	31,228	289,008	-	-	-	-	-	-	-	-	-	-	31,228	289,008	**320,236**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	133,053	21,655	133,053	21,655	**154,708**
Placements with other banks	**1,353,059**	**127,852**	**148,091**	**165,940**	**31,821**	**79,243**	**76,105**	**29,677**	**499,636**	**27,178**	**24,416**	**4,194**	**2,133,128**	**434,084**	**2,567,212**
fixed interest	774,315	34,420	449	156,755	2,446	79,243	76,105	29,677	499,636	27,178	-	-	1,352,951	327,273	**1,680,224**
variable interest	578,744	93,432	147,642	9,185	29,375	-	-	-	-	-	-	-	755,761	102,617	**858,378**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	24,416	4,194	24,416	4,194	**28,610**
Repo receivables	**33,638**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**33,638**	**-**	**33,638**
fixed interest	33,638	-	-	-	-	-	-	-	-	-	-	-	33,638	-	**33,638**
Securities held for trading	**1,237**	**-**	**664**	**-**	**2,481**	**1,242**	**360**	**3,508**	**22,931**	**1,478**	**1,200**	**532**	**28,873**	**6,760**	**35,633**
fixed interest	32	-	487	-	2,208	1,242	360	3,508	22,931	1,478	-	-	26,018	6,228	**32,246**
variable interest	1,205	-	177	-	273	-	-	-	-	-	-	-	1,655	-	**1,655**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	1,200	532	1,200	532	**1,732**
Securities mandatorily measured at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**18,807**	**9,254**	**18,807**	**9,254**	**28,061**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	18,807	9,254	18,807	9,254	**28,061**
Securities at fair value through other comprehensive income	**50,774**	**-**	**22,420**	**-**	**65,666**	**432**	**40,185**	**39,228**	**289,634**	**116,463**	**528**	**16,609**	**469,207**	**172,732**	**641,939**
fixed interest	2,437	-	6,897	-	57,092	432	40,185	39,228	289,634	116,463	-	-	396,245	156,123	**552,368**
variable interest	48,337	-	15,523	-	8,574	-	-	-	-	-	-	-	72,434	-	**72,434**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	528	16,609	528	16,609	**17,137**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.4. Interest rate risk management [continued]

As at 31 December 2021	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest -bearing		Total		Total
ASSETS [continued]	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	
Loans measured at amortised cost	**639,477**	**339,611**	**424,299**	**1,161,425**	**53,018**	**126,963**	**185,264**	**10,912**	**829,049**	**89,993**	**121,277**	**51,177**	**2,252,384**	**1,780,081**	**4,032,465**
fixed interest	295	286	894	9,746	13,723	57,602	183,818	10,912	819,629	89,993	-	-	1,018,359	168,539	**1,186,898**
variable interest	639,182	339,325	423,405	1,151,679	39,295	69,361	1,446	-	9,420	-	-	-	1,112,748	1,560,365	**2,673,113**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	121,277	51,177	121,277	51,177	**172,454**
Loans mandatorily measured at fair value through profit or loss	**19,371**	**-**	**136**	**-**	**829**	**-**	**755**	**-**	**640,921**	**-**	**-**	**-**	**662,012**	**-**	**662,012**
variable interest	19,371	-	136	-	829	-	755	-	640,921	-	-	-	662,012	-	**662,012**
Securities at amortised cost	**-**	**7,609**	**-**	**4,811**	**304,051**	**1,069**	**215,615**	**343**	**2,044,502**	**493,038**	**-**	**-**	**2,564,168**	**506,870**	**3,071,038**
fixed interest	-	-	-	-	304,051	1,069	215,615	343	2,044,502	493,038	-	-	2,564,168	494,450	**3,058,618**
variable interest	-	7,609	-	4,811	-	-	-	-	-	-	-	-	-	12,420	**12,420**
Other financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**133,896**	**19,852**	**133,896**	**19,852**	**153,748**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	133,896	19,852	133,896	19,852	**153,748**
Derivative financial instruments	**1,507,306**	**1,256,601**	**395,623**	**936,093**	**675,976**	**863,692**	**10,760**	**57,437**	**183,617**	**54,913**	**181,095**	**675,035**	**2,954,377**	**3,843,771**	**6,798,148**
fixed interest	1,400,852	1,133,429	188,144	551,308	570,718	861,983	10,760	57,378	183,617	54,913	-	-	2,354,091	2,659,011	**5,013,102**
variable interest	106,454	123,172	207,479	384,785	105,258	1,709	-	59	-	-	-	-	419,191	509,725	**928,916**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	181,095	675,035	181,095	675,035	**856,130**

<u>NOTE 36:</u> FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.4. Interest rate risk management [continued]

As at 31 December 2021	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest -bearing		Total		Total
LIABILITIES	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	
Amounts due to banks and deposits with the National Bank of Hungary and other banks	**151,809**	**95,432**	**12,344**	**10,405**	**52,872**	**577**	**224,479**	**1,140**	**471,620**	**-**	**29,684**	**841**	**942,808**	**108,395**	**1,051,203**
fixed interest	106,028	22,624	12,344	10,405	52,872	577	224,479	1,140	471,620	-	-	-	867,343	34,746	**902,089**
variable interest	45,781	72,808	-	-	-	-	-	-	-	-	-	-	45,781	72,808	**118,589**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	29,684	841	29,684	841	**30,525**
Financial liabilities designated to measure at fair value through profit or loss	**20,133**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**20,133**	**-**	**20,133**
variable interest	20,133	-	-	-	-	-	-	-	-	-	-	-	20,133	-	**20,133**
Repo liabilities	**49,726**	**36,854**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**49,726**	**36,854**	**86,580**
fixed interest	49,726	36,854	-	-	-	-	-	-	-	-	-	-	49,726	36,854	**86,580**
Deposits from customers	**7,628,098**	**2,039,650**	**197,780**	**18,468**	**30,063**	**11,066**	**-**	**-**	**-**	**-**	**12,948**	**10,459**	**7,868,889**	**2,079,643**	**9,948,532**
fixed interest	496,069	131,836	197,780	18,468	30,063	11,066	-	-	-	-	-	-	723,912	161,370	**885,282**
variable interest	7,132,029	1,907,814	-	-	-	-	-	-	-	-	-	-	7,132,029	1,907,814	**9,039,843**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	12,948	10,459	12,948	10,459	**23,407**
Liabilities from issued securities	**865**	**-**	**8,514**	**-**	**4,696**	**-**	**1,676**	**-**	**6,402**	**-**	**-**	**-**	**22,153**	**-**	**22,153**
fixed interest	212	-	-	-	4,147	-	1,676	-	6,402	-	-	-	12,437	-	**12,437**
variable interest	653	-	8,514	-	549	-	-	-	-	-	-	-	9,716	-	**9,716**
Subordinated bonds and loans	**-**	**-**	**-**	**85,551**	**-**	**186,225**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**271,776**	**271,776**
variable interest	-	-	-	85,551	-	186,225	-	-	-	-	-	-	-	271,776	**271,776**
Leasing liabilities	**192**	**380**	**236**	**522**	**1,004**	**2,535**	**1,362**	**1,321**	**4,838**	**5,542**	**-**	**-**	**7,632**	**10,300**	**17,932**
fixed interest	108	25	72	34	538	123	717	144	2,118	485	-	-	3,553	811	**4,364**
variable interest	84	355	164	488	466	2,412	645	1,177	2,720	5,057	-	-	4,079	9,489	**13,568**
Other financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**156,012**	**38,499**	**156,012**	**38,499**	**194,511**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	156,012	38,499	156,012	38,499	**194,511**
Derivative financial instruments	**840,797**	**2,004,808**	**220,053**	**1,083,211**	**709,776**	**870,457**	**12,937**	**54,862**	**96,350**	**73,700**	**411,167**	**430,486**	**2,291,080**	**4,517,524**	**6,808,604**
fixed interest	728,548	1,814,645	151,791	579,843	525,835	868,689	12,360	54,789	96,350	73,700	-	-	1,514,884	3,391,666	**4,906,550**
variable interest	112,249	190,163	68,262	503,368	183,941	1,768	577	73	-	-	-	-	365,029	695,372	**1,060,401**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	411,167	430,486	411,167	430,486	**841,653**
NET POSITION	**(5,055,530)**	**(2,156,443)**	**552,306**	**1,070,112**	**335,431**	**1,781**	**288,590**	**83,782**	**3,931,080**	**703,821**	**4,461**	**318,023**	**56,338**	**21,076**	**77,414**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.4. Interest rate risk management [continued]

As at 31 December 2020	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	**144,030**	**239,960**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**168,435**	**26,695**	**312,465**	**266,655**	**579,120**
fixed interest	144,030	239,960	-	-	-	-	-	-	-	-	-	-	144,030	239,960	**383,990**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	168,435	26,695	168,435	26,695	**195,130**
Placements with other banks	**783,024**	**80,732**	**177,155**	**189,231**	**43,239**	**64,447**	**23,378**	**3,629**	**122,035**	**27,080**	**19,194**	**2,740**	**1,168,025**	**367,859**	**1,535,884**
fixed interest	220,175	17,719	15,106	179,174	13,934	64,447	23,378	3,629	122,035	27,080	-	-	394,628	292,049	**686,677**
variable interest	562,849	63,013	162,049	10,057	29,305	-	-	-	-	-	-	-	754,203	73,070	**827,273**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	19,194	2,740	19,194	2,740	**21,934**
Repo receivables	**183,364**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**183,364**	**-**	**183,364**
fixed interest	183,364	-	-	-	-	-	-	-	-	-	-	-	183,364	-	**183,364**
Securities held for trading	**1,260**	**526**	**287**	**567**	**608**	**465**	**1,250**	**298**	**2,983**	**1,095**	**1,926**	**464**	**8,314**	**3,415**	**11,729**
fixed interest	354	-	287	567	608	465	1,250	298	2,983	1,095	-	-	5,482	2,425	**7,907**
variable interest	906	526	-	-	-	-	-	-	-	-	-	-	906	526	**1,432**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	1,926	464	1,926	464	**2,390**
Securities mandatorily measured at fair value through profit or loss	**-**	**5,342**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**18,470**	**8,124**	**18,470**	**13,466**	**31,936**
variable interest	-	5,342	-	-	-	-	-	-	-	-	-	-	-	5,342	**5,342**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	18,470	8,124	18,470	8,124	**26,594**
Securities at fair value through other comprehensive income	**79,240**	**5,717**	**16,218**	**-**	**111,153**	**10,223**	**3,533**	**19,578**	**551,328**	**99,229**	**528**	**15,203**	**762,000**	**149,950**	**911,950**
fixed interest	600	5,717	673	-	100,003	10,223	3,533	19,578	551,328	99,229	-	-	656,137	134,747	**790,884**
variable interest	78,640	-	15,545	-	11,150	-	-	-	-	-	-	-	105,335	-	**105,335**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	528	15,203	528	15,203	**15,731**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.4. Interest rate risk management [continued]

As at 31 December 2020	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	**555,311**	**252,682**	**391,295**	**1,112,003**	**54,263**	**66,998**	**45,539**	**15,984**	**709,929**	**56,172**	**125,861**	**31,723**	**1,882,198**	**1,535,562**	**3,417,760**
fixed interest	2,769	8,967	1,285	74,088	11,731	8,970	33,604	15,984	700,585	56,172	-	-	749,974	164,181	**914,155**
variable interest	552,542	243,715	390,010	1,037,915	42,532	58,028	11,935	-	9,344	-	-	-	1,006,363	1,339,658	**2,346,021**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	125,861	31,723	125,861	31,723	**157,584**
Loans mandatorily measured at fair value through profit or loss	**24,870**	**-**	**59**	**-**	**334**	**-**	**368**	**-**	**455,306**	**-**	**-**	**-**	**480,937**	**-**	**480,937**
variable interest	24,870	-	59	-	334	-	368	-	455,306	-	-	-	480,937	-	**480,937**
Securities at amortised cost	**-**	**-**	**-**	**1,065**	**38,112**	**-**	**393,442**	**1,092**	**1,551,614**	**22,367**	**-**	**-**	**1,983,168**	**24,524**	**2,007,692**
fixed interest	-	-	-	1,065	38,112	-	393,442	1,092	1,551,614	22,367	-	-	1,983,168	24,524	**2,007,692**
Other financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**112,055**	**15,124**	**112,055**	**15,124**	**127,179**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	112,055	15,124	112,055	15,124	**127,179**
Derivative financial instruments	**936,413**	**706,442**	**880,140**	**378,405**	**557,115**	**419,548**	**26,738**	**7,333**	**39,765**	**101,640**	**733,551**	**248,095**	**3,173,724**	**1,861,463**	**5,035,187**
fixed interest	920,404	567,652	658,754	183,228	559,258	387,941	26,799	7,333	40,012	101,640	-	-	2,205,227	1,247,793	**3,453,020**
variable interest	16,010	138,790	221,387	195,178	(2,143)	31,607	(61)	-	(247)	-	-	-	234,945	365,575	**600,520**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	733,551	248,095	733,551	248,095	**981,646**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.4. Interest rate risk management [continued]

As at 31 December 2020	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	**106,883**	**86,885**	**12,008**	**40,429**	**3,363**	**7,491**	**39,270**	**-**	**467,479**	**-**	**1,678**	**1,491**	**630,681**	**136,296**	**766,977**
fixed interest	36,937	15,136	12,008	8,569	3,363	1,490	39,270	-	467,479	-	-	-	559,057	25,195	**584,252**
variable interest	69,946	71,749	-	31,860	-	6,001	-	-	-	-	-	-	69,946	109,610	**179,556**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	1,678	1,491	1,678	1,491	**3,169**
Financial liabilities designated to measure at fair value through profit or loss	**25,902**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**25,902**	**-**	**25,902**
fixed interest	79	-	-	-	-	-	-	-	-	-	-	-	79	-	**79**
variable interest	25,823	-	-	-	-	-	-	-	-	-	-	-	25,823	-	**25,823**
Repo liabilities	**-**	**-**	**-**	**-**	**-**	**109,612**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**109,612**	**109,612**
variable interest	-	-	-	-	-	109,612	-	-	-	-	-	-	-	109,612	**109,612**
Deposits from customers	**6,211,090**	**1,404,362**	**133,886**	**15,540**	**101,496**	**13,367**	**227**	**-**	**-**	**-**	**10,782**	**4,985**	**6,457,481**	**1,438,254**	**7,895,735**
fixed interest	325,464	116,385	133,886	15,540	101,496	13,367	227	-	-	-	-	-	561,073	145,292	**706,365**
variable interest	5,885,626	1,287,977	-	-	-	-	-	-	-	-	-	-	5,885,626	1,287,977	**7,173,603**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	10,782	4,985	10,782	4,985	**15,767**
Liabilities from issued securities	**3,090**	**221**	**11,691**	**414**	**4,502**	**721**	**4,098**	**-**	**3,698**	**-**	**-**	**-**	**27,079**	**1,356**	**28,435**
fixed interest	213	-	-	-	3,500	-	4,098	-	3,698	-	-	-	11,509	-	**11,509**
variable interest	2,877	221	11,691	414	1,002	721	-	-	-	-	-	-	15,570	1,356	**16,926**
Subordinated bonds and loans	**-**	**-**	**-**	**120,153**	**-**	**184,090**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**304,243**	**304,243**
variable interest	-	-	-	120,153	-	184,090	-	-	-	-	-	-	-	304,243	**304,243**
Leasing liabilities	**149**	**187**	**260**	**477**	**1,267**	**2,082**	**1,333**	**1,233**	**5,747**	**1,371**	**-**	**-**	**8,756**	**5,350**	**14,106**
fixed interest	103	11	69	40	528	170	707	65	2,796	37	-	-	4,203	323	**4,526**
variable interest	46	176	191	437	739	1,912	626	1,168	2,951	1,334	-	-	4,553	5,027	**9,580**
Other financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**138,508**	**29,032**	**138,508**	**29,032**	**167,540**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	138,508	29,032	138,508	29,032	**167,540**
Derivative financial instruments	**1,264,723**	**383,260**	**1,035,481**	**206,796**	**479,506**	**492,403**	**9,453**	**24,907**	**49,757**	**89,983**	**724,945**	**253,430**	**3,563,865**	**1,450,778**	**5,014,643**
fixed interest	1,111,371	376,748	648,762	188,722	481,293	469,699	9,514	24,907	50,004	89,802	-	-	2,300,945	1,149,878	**3,450,822**
variable interest	153,351	6,512	386,719	18,074	(1,787)	22,704	(61)	-	(247)	181	-	-	537,975	47,471	**585,446**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	724,945	253,430	724,945	253,430	**978,374**
NET POSITION	**(4,904,324)**	**(583,514)**	**271,828**	**1,297,462**	**214,690**	**(248,085)**	**439,867**	**21,774**	**2,906,279**	**216,230**	**304,108**	**59,231**	**(767,552)**	**763,097**	**(4,455)**

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.

The VaR of the trading portfolio can be summarized as follows (in HUF mn):

Historical VaR (99%, one-day) by risk type	**Average**	
	2021	**2020**
Foreign exchange	1,560	1,507
Interest rate	135	77
Equity instruments	20	141
Diversification	-	-
Total VaR exposure	**1,715**	**1,725**

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 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.5. Market risk [continued]

36.5.2. Foreign currency sensitivity analysis

The Bank changed its methodology of foreign currency sensitivity analysis and has been using a historical VaR calculation since 31 March 2021. The former Monte Carlo simulation represented the Group's sensitivity to the rise and fall in the HUF exchange rate against EUR, over a 3 months period. The sensitivity analysis included only outstanding foreign currency denominated monetary items as strategic open positions related to foreign activities. In line with the Management's intention, the former EUR -310 million strategic open position was fully closed as of 31 March 2021.

Since the closing of the strategic open position, the Group has been using a historical VaR calculation with 1 day holding period. The analysis includes the same net open foreign exchange position as used under the internal capital adequacy assessment process (ICAAP). The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets.

Additionally, the Bank determines the foreign currency risk of assets evaluated through the Other Comprehensive Income (OCI), which includes securities valuated on FVOCI and the foreign currency translation reserves.

The following table shows the result of the foreign currency sensitivity analysis. Numbers below indicate the expected daily profit or loss of the portfolio beside the given confidence level.

	Effects to the P&L in 3 months period	
Probability	**2021**	**2020**
	In HUF billion	**In HUF billion**
1%	(178)	(274)
5%	(119)	(151)
25%	(39)	(44)
50%	2	4
25%	49	57
5%	126	157
1%	187	197

Notes:

(1) Historical VaR simulation is based on the empirical distribution of the historical exchange rate movements between 31 December 2020 and 31 December 2021.

NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.5. Market risk [continued]

36.5.3. Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. The analysis is prepared assuming the amount of assets and liabilities outstanding at the balance sheet date was outstanding for the whole year. The analysis was prepared by assuming only adverse interest rate changes. The main assumptions were as follows:

● Floating rate assets and liabilities were repriced to the modelled benchmark yields at the repricing dates assuming the unchanged margin compared to the last repricing.

● Fixed rate assets and liabilities were repriced at the contractual maturity date.

● As for liabilities with discretionary repricing feature by the Bank were assumed to be repriced with two-weeks delay, assuming no change in the margin compared to the last repricing date.

● Deposits with an interest rate lower than 0.3% even at high market rates were assumed to be unchanged for the whole period.

The sensitivity of interest income to changes in BUBOR was analysed by assuming two interest rate path scenarios:

(1) HUF base rate and BUBOR increases gradually by 100 bps over the next year (probable scenario)

(2) HUF base rate and BUBOR decreases gradually by 50 bps over the next year (alternative scenario)

The net interest income in a one year period after 1 January 2022 would be increased by HUF 1,238 million (probable scenario) and decreased by HUF 919 million (alternative scenario) as a result of these simulation. The same simulation indicated HUF 1,476 million (probable scenario) and HUF 6,420 million (alternative scenario) decrease in the Net interest income in a one year period after 1 January 2021. This effect is counterbalanced by capital gains HUF -619 million (or probable scenario), HUF 322 million (for alternative scenario) as at 31 December 2021 and (HUF 584 million for probable scenario, HUF 2,329 million for alternative scenario as at 31 December 2020) 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):

	2021		2020	
Description	**Effects to the net interest income (one-year period)**	**Effects to the net interest income (one-year period)**	**Effects to the net interest income (one-year period)**	**Effects to the net interest income (one-year period)**
HUF (0.1%) parallel shift	(25)	64	(1,991)	389
HUF 0.1% parallel shift	(40)	(64)	1,715	389
EUR (0.1%) parallel shift	(483)	-	(676)	-
USD (0.1%) parallel shift	(23)	-	(165)	-
Total	**(546)**	**(64)**	**(2,832)**	**389**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.5. Market risk [continued]

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	2021	2020
VaR (99%, one day, million HUF)	12	141
Stress test (million HUF)	(21)	(233)

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

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 2021 as well as in 2020.

The Bank's capital adequacy calculation is in line with IFRS and based on Basel III as at 31 December 2021 and 2020. 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).

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.6. Capital management [continued]

Capital adequacy [continued][1]

The calculation of the Capital Adequacy ratio as at 31 December 2021 and 2020 is as follows:

	2021 Basel III	**2020 Basel III**
Core capital (Tier 1)	1,747,480	1,598,295
Primary core capital (CET1)	*1,747,480*	*1,598,295*
Supplementary capital (Tier 2)	264,396	295,795
Regulatory capital	**2,011,876**	**1,894,090**
Credit risk capital requirement	603,253	526,283
Market risk capital requirement	7,519	11,550
Operational risk capital requirement	31,629	27,597
Total eligible regulatory capital	**642,401**	**565,430**
Surplus capital	**1,369,475**	**1,328,660**
CET 1 ratio	21.76%	22.61%
Capital adequacy ratio	**25.05%**	**26.80%**

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.

[1] The dividend amount planned to pay out after the profit of financial year 2019, 2020 and 2021 is also deducted from CET 1 capital.

NOTE 37: TRANSFER AND RECLASSIFICATION OF FINANCIAL INSTRUMENTS (in HUF mn)

Reclassification from securities held-for-trading to securities measured at fair value through other comprehensive income

As at 31 December 2021

Date of reclassification	Reason	Type of securities	Nominal value at reclassification	Fair value at the date of reclassification	EIR at the date of reclassification	Interest income
1 September 2018	Change in business model	retail hungarian government bonds	1,069	1,087	2%-3%	38

During the year 2018, securities issued by the Hungarian Government with the nominal value of HUF 66.506 million were transferred from the trading portfolio to the securities measured at fair value through other comprehensive income, of which HUF 1,087 million remaining amount was presented as at 31 December 2021. The Bank has previously held retail government bonds in the portfolio measured at fair value through other comprehensive income. During 2018 the Bank changed the business model of the retail government bonds to manage all on the basis of a single business model aimed at collecting the future contractual cash flows and/or selling them.

In 2018, the terms and conditions of sale of retail government bonds and the pricing environment have changed significantly, as a result of which the Bank is no longer able to maintain its sole trading intent with these securities that the Bank applied earlier. Furthermore there is an option-agreement between the Bank and the Government Debt Management Agency ("GDMA") that GDMA will buy back this portfolio therefore it has been reclassified.

Financial assets transferred but not derecognised

	2021		2020	
	Transferred assets	Associated liabilities	Transferred assets	Associated liabilities
	Carrying amount			
Financial assets at amortised cost				
Debt securities	88,181	86,580	125,244	109,612
Total:	**88,181**	**86,580**	**125,244**	**109,612**
Total:	**88,181**	**86,580**	**125,244**	**109,612**

As at 31 December 2021 and 2020, the Bank had obligation from repurchase agreements about HUF 87 billion and HUF 110 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

	2021	**2020**
Loan commitments	1,677,030	1,441,060
Guarantees arising from banking activities	1,507,917	1,419,543
from this: Payment undertaking liabilities (related to issue of mortgage bonds) of OTP Mortgage Bank	746,476	*683,736*
Factoring loan commitments	423,673	305,269
Confirmed letters of credit	30,381	5,039
Contingent liabilities and commitments total in accordance with IFRS 9	**3,639,001**	**3,170,911**
Legal disputes (disputed value)	3,204	4,720
Contingent liabilities related to payments from shares in venture capital fund	47,550	32,712
Other	408	602
Contingent liabilities and commitments total in accordance with IAS 37	**51,162**	**38,034**
Total	**3,690,163**	**3,208,945**

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 259 million and HUF 199 million as at 2021 and 2020, 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.

NOTE 38: OFF-BALANCE SHEET ITEMS (in HUF mn) [continued]

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. A contract of guarantee is subject to the statute of frauds (or its equivalent local laws) and is only enforceable if recorded in writing and signed by the surety and the principal.

If the surety is required to pay or perform due to the principal's failure to do so, the law will usually give the surety a right of subrogation, allowing the surety to use the surety's contractual rights to recover the cost of making payment or performing on the principal's behalf, even in the absence of an express agreement to that effect between the surety and the principal.

Contingent liabilities related to OTP Mortgage Bank Ltd.

Under a syndication agreement with its wholly owned subsidiary, OTP Mortgage Bank Ltd., the Bank had guaranteed, in return for an annual fee, to purchase all mortgage loans held by OTP Mortgage Bank Ltd. that become non-performing. The repurchase guarantee contract of non-performing loans between OTP Mortgage Bank Ltd. and OTP Bank Plc. was modified in 2010. According to the arrangement the repurchase guarantee was cancelled and OTP Bank Plc. gives bail to the loans originated or purchased by the Bank.

NOTE 39: SHARE-BASED PAYMENT AND EMPLOYEE BENEFIT (in HUF mn)

Previously approved option program required a modification thanks to the introduction of the Bank Group Policy on Payments accepted in resolution of Annual General Meeting regarding to the amendment of CRD III. Directives and Act on Credit Institutions and Financial Enterprises.

Key management personnel affected by the Bank Group Policy receive compensation based on performance assessment generally in the form of cash bonus and equity shares in a ratio of 50-50%. Assignment is based on OTP shares, furthermore performance based payments are deferred in accordance with the rules of Credit Institutions Act.

OTP Bank ensures the share-based payment part for the management personnel of OTP Group members.

During implementation of the Remuneration Policy of the Group it became apparent that in case of certain foreign subsidiaries it is not possible to ensure the originally determined share-based payment because of legal reasons – incompatible with relevant EU-directives –, therefore a decision was made to cancel the share-based payment in affected countries, and virtual share based payment – cash payment fixed to share price - was made from 2017. In case of foreign subsidiaries virtual share based payment was made uniformly from 2021 (in case of payments related to 2021).

The quantity of usable shares for individuals calculated for settlement of share-based payment shall be determined as the ratio of the amount of share-based payment and share price determined by Supervisory Board.

The value of the share-based payment at the performance assessment is determined within 10 days by Supervisory Board based on the average of the three previous trade day's middle rate of OTP Bank's equity shares fixed on the Budapest Stock Exchange.

At the same time the conditions of discounted share-based payment are determined, and share-based payment shall contain maximum HUF 6,000 discount at the assessment date, and earnings for the shares at the payment date is maximum HUF 12,000.

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. IAS 19 Employee Benefits shall be applied in accounting for all employee benefits, except those to which IFRS 2 Share-based Payment applies.

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Post-employment benefits are employee benefits (other than termination and short-term employee benefits) that are payable after the completion of employment. Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees. Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans, depending on the economic substance of the plan as derived from its principal terms and conditions.

NOTE 39: SHARE-BASED PAYMENT AND EMPLOYEE BENEFIT (in HUF mn) [continued]

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.

The parameters for the share-based payment relating to ongoing years 2016-2020 by 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 per share		Exercise price	Maximum earnings per share		Exercise price	Maximum earnings per share	
	HUF per share								
	for the year 2016			for the year 2017			for the year 2018		
2017	7,200	2,500	9,200	-	-	-	-	-	-
2018	7,200	3,000	9,200	8,064	3,000	10,064	-	-	-
2019	7,200	3,500	9,200	8,064	3,500	10,064	10,413	4,000	12,413
2020	7,200	4,000	9,200	8,064	4,000	10,064	10,413	4,000	12,413
2021	-	-	-	8,064	4,000	10,064	10,413	4,000	12,413
2022	-	-	-	8,064	4,000	10,064	10,913	4,000	12,413
2023	-	-	-	-	-	-	10,913	4,000	12,413
2024	-	-	-	-	-	-	10,913	4,000	12,413
2025	-	-	-	-	-	-	10,913	4,000	12,413

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 2019			for the year 2020		
2020	9,553	4,000	11,553	-	-	-
2021	9,553	4,000	11,553	12,644	9,000	16,644
2022	9,553	4,000	11,553	12,644	8,000	16,644
2023	9,553	4,000	11,553	13,644	8,000	16,644
2024	9,553	4,000	11,553	13,644	8,000	16,644
2025	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

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%

Year	Expected dividends (HUF/Share)							Pricing model
	1Y	2Y	3Y	4Y	5Y	6Y	7Y	
2017	219	219	252	290	334	384	442	Binomial
2018	219	219	219	219	219	219	219	Binomial
2019	252	290	333	383	440	507	583	Binomial
2020	219	252	290	333	383	440	507	Binomial
2021	371	321	357	393	432	475	523	Binomial

NOTE 39: SHARE-BASED PAYMENT AND EMPLOYEE BENEFIT (in HUF mn) [continued]

Based on parameters accepted by Supervisory Board, relating to the year 2016 effective pieces are follows As at 31 December 2021:

	Approved pieces of shares	Exercised until 31 December 2021	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable at 31 December 2021
Share-purchasing period started in 2017	147,984	147,984	9,544	-	-
Remuneration exchanged to share provided in 2017	4,288	4,288	9,194	-	-
Share-purchasing period started in 2018	321,528	321,528	10,387	-	-
Remuneration exchanged to share provided in 2018	8,241	8,241	10,098	-	-
Share-purchasing period started in 2019	161,446	161,446	12,415	-	-
Remuneration exchanged to share provided in 2019	4,033	4,033	11,813	-	-
Share-purchasing period starting in 2020	166,231	166,231	13,629	-	-
Remuneration exchanged to share applying in 2020	4,303	4,303	11,897	-	-

Based on parameters accepted by Supervisory Board, relating to the year 2017 effective pieces are follows As at 31 December 2021:

	Approved pieces of shares	Exercised until 31 December 2021	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable at 31 December 2021
Share-purchasing period started in 2018	108,243	108,243	11,005	-	-
Remuneration exchanged to share provided in 2018	11,926	11,926	10,098	-	-
Share-purchasing period started in 2019	212,282	212,282	12,096	-	-
Remuneration exchanged to share provided in 2019	26,538	26,538	11,813	-	-
Share-purchasing period starting in 2020	101,571	101,565	12,084	6	-
Remuneration exchanged to share applying in 2020	11,584	11,584	11,897	-	-
Share-purchasing period starting in 2021	109,460	106,719	16,441	-	2,741
Remuneration exchanged to share applying in 2021	11,531	11,531	16,477	-	-
Share-purchasing period starting in 2022	-	-	-	-	42,820
Remuneration exchanged to share applying in 2022	-	-	-	-	3,003

NOTE 39: SHARE-BASED PAYMENT AND EMPLOYEE BENEFIT (in HUF mn) [continued]

Based on parameters accepted by Supervisory Board, relating to the year 2018 effective pieces are follows As at 31 December 2021:

	Approved pieces of shares	Exercised until 31 December 2021	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable at 31 December 2021
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	-	-	-	-	99,341
Remuneration exchanged to share applying in 2022	-	-	-	-	17,042
Share-purchasing period starting in 2023	-	-	-	-	45,155
Remuneration exchanged to share applying in 2023	-	-	-	-	4,114
Remuneration exchanged to share applying in 2024	-	-	-	-	864
Remuneration exchanged to share applying in 2025	-	-	-	-	432

Based on parameters accepted by Supervisory Board, relating to the year 2019 effective pieces are follows As at 31 December 2021:

	Approved pieces of shares	Exercised until 31 December 2021	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable at 31 December 2021
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	192,577	16,523	-	8,696
Remuneration exchanged to share applying in 2021	30,834	30,834	17,618	-	-
Share-purchasing period starting in 2022	-	-	-	-	109,567
Remuneration exchanged to share applying in 2022	-	-	-	-	15,554
Share-purchasing period starting in 2023	-	-	-	-	125,771
Remuneration exchanged to share applying in 2023	-	-	-	-	18,025
Share-purchasing period starting in 2024	-	-	-	-	44,421
Remuneration exchanged to share applying in 2024	-	-	-	-	6,279
Remuneration exchanged to share applying in 2025	-	-	-	-	1,000
Remuneration exchanged to share applying in 2026	-	-	-	-	500

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 2021:

	Approved pieces of shares	Exercised until 31 December 2021	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable at 31 December 2021
Share-purchasing period started in 2021	41,098	8,184	18,471	-	32,914
Remuneration exchanged to share provided in 2021	17,881	17,881	17,498	-	-
Share-purchasing period starting in 2022	-	-	-	-	82,826
Remuneration exchanged to share applying in 2022	-	-	-	-	19,390
Share-purchasing period starting in 2023	-	-	-	-	47,826
Remuneration exchanged to share applying in 2023	-	-	-	-	9,292
Share-purchasing period starting in 2024	-	-	-	-	51,002
Remuneration exchanged to share applying in 2024	-	-	-	-	9,518
Share-purchasing period starting in 2025	-	-	-	-	13,080
Remuneration exchanged to share applying in 2025	-	-	-	-	3,443
Remuneration exchanged to share applying in 2026	-	-	-	-	680
Remuneration exchanged to share applying in 2027	-	-	-	-	680

Effective pieces relating to the periods starting in 2022-2027 settled during valuation of performance of year 2017-2020, 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 2021 based on performance assessment accounted as equity-settled share based transactions HUF 3,589 million was recognized as expense for the year ended 31 December 2021.

NOTE 40: RELATED PARTY TRANSACTIONS (in HUF mn)

Outstanding balances and transactions with related parties are summarized below in aggregate:

Statement of financial position

	2021		2020	
	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	1,675	-	7,301	-
Placements with other banks, net of allowance for placement losses	1,557,437	-	1,177,504	-
Held for trading securities	16	-	526	-
Securities mandatorily measured at fair value through profit or loss	-	-	5,342	-
Held for trading derivative financial instruments:	19,397	-	21,587	-
Financial assets at fair value through other comprehensive income	156,162	-	250,673	-
Securities at amortised cost	-	596	-	590
Loans at amortised cost	960,288	105,503	834,555	92,889
Loans mandatorily measured at fair value through profit or loss	-	9	-	10
Right of use assets	5,713	-	6,567	-
Derivative financial assets designated as hedge accounting relationships	(9)	-	-	-
Other assets	101,569	5	67,077	557
Total Assets	**2,802,248**	**106,113**	**2,371,132**	**94,046**
Amounts due to banks and deposits from the National Bank of Hungary and other banks	(115,042)	-	(151,254)	-
Repo liabilities	(36,854)	-	-	-
Deposits from customers	(263,139)	(27,174)	(249,410)	(4,027)
Leasing liabilities	(5,926)	-	(6,736)	-
Liabilities from issued securities	(12,232)	-	(11,299)	-
Derivative financial liabilities designated as held for trading	(5,344)	-	(9,957)	-
Derivative financial liabilities designated as hedge accounting relationships	(61)	-	-	-
Other liabilities	(4,599)	(551)	(7,014)	(400)
Total Liabilities	**(443,197)**	**(27,725)**	**(435,670)**	**(4,427)**
Off balance sheet items				
Guarantees	(921,818)	-	(870,892)	-
Loan commitments	(85,810)	(44,812)	(96,032)	(37,051)
Factoring loan commitments	(1,475)	-	(37)	-
Total	**(1,009,103)**	**(44,812)**	**(966,961)**	**(37,051)**

Statement of Profit or Loss

	2021	**2020**
Interest Income	42,706	39,193
Interest Expense	(11,449)	(11,186)
Risk cost	904	(1,925)
(Losses)/Gains arising from derecognition of financial assets measured at amortised cost	(2,198)	914
Income from fees and commissions	33,128	28,951
Expenses from fees and commissions	(2,859)	(1,971)
Other administrative expenses	(7,570)	(8,465)

NOTE 40: RELATED PARTY TRANSACTIONS (in HUF mn) [continued]

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:

	2021	2020
Short-term employee benefits	2,957	2,923
Share-based payment	2,740	2,619
Long-term employee benefits (on the basis of IAS 19)	246	278
Total	**5,943**	**5,820**

	2021	2021
Loans provided to companies owned by the Management (in the normal course of business)	105,503	92,889
Commitments to extend credit and bank guarantees	44,812	37,051

An analysis of payment to Executives related to their activity in Board of Directors and Supervisory Board is as follows (in HUF mn):

	2021	2020
Members of Board of Directors	1,489	969
Members of Supervisory Board	173	57
Total	**1,662**	**1,026**

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.

	2021	2020
Loans managed by the Bank as a trustee	27,532	28,055

NOTE 42: CONCENTRATION OF ASSETS AND LIABILITIES

	2021	2020
In the percentage of the total assets		
Receivables from, or securities issued by the Hungarian Government or the NBH	22.79%	22.69%
Securities issued by the OTP Mortgage Bank Ltd.	1.77%	2.24%
Loans at amortised cost	6.51%	6.48%

There were no other significant concentrations of the assets or liabilities of the Bank as at 31 December 2021 or 31 December 2020.

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 893 billion and HUF 722 billion as at 31 December 2021 and 31 December 2020 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.

	2021	2020
Net profit for the year attributable to ordinary shareholders (in HUF mn)	125,339	92,474
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	275,523,535	277,301,936
Basic Earnings per share (in HUF)	**455**	**333**
Separate net profit for the year attributable to ordinary shareholders (in HUF mn)	125,339	92,474
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	275,538,262	277,310,069
Diluted Earnings per share (in HUF)	**455**	**333**

	2021	2020
Weighted average number of ordinary shares	280,000,010	280,000,010
Average number of Treasury shares	(4,476,475)	(2,698,074)
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS	**275,523,535**	**277,301,936**
Dilutive effect of options issued in accordance with the Remuneration Policy / Management Option Program and convertible into ordinary shares[1]	14,727	8,133
The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS	**275,538,262**	**277,310,069**

The ICES bonds could potentially dilute basic EPS in the future, but were not included in the calculation of diluted EPS because they are antidilutive for the period presented.

[1] In 2021 and 2020 dilutive effect is in connection with the Remuneration Policy.

NOTE 44: NET GAIN OR LOSS REALISED ON FINANCIAL INSTRUMENTS (in HUF mn)

Year ended 31 December 2021	Net interest income and expense	Net non-interest gain and loss	Loss allowance	Other comprehensive income
Financial assets measured at amortised cost				
Cash, amounts due from banks and balances with the National Bank of Hungary	14,124	-	-	-
Placements with other banks, net of allowance for placement losses	31,981	-	1,797	-
Repo receivables	315	-	(220)	-
Loans at amortised cost	167,882	13,591	37,264	-
Securities at amortised cost	61,085	(1,552)	2,035	-
Financial assets measured at amortised cost total	**275,387**	**12,039**	**40,876**	**-**
Financial assets measured at fair value				
Securities held for trading	277	6,657	-	-
Securities at fair value through other comprehensive income	21,456	(4,659)[1]	(551)	(35,756)
Loans mandatorily measured at fair value through profit or loss	26,045	(8,671)	16,255	-
Financial assets measured at fair value total	**47,778**	**(6,673)**	**15,704**	**(35,756)**
Financial liabilities measured at amortised cost				
Amounts due to banks and deposits from the National Bank of Hungary and other banks	(11,177)	-	-	-
Repo liabilities	(2,860)	-	-	-
Deposits from customers	(10,162)	170,598	-	-
Leasing liabilities	(214)	-	-	-
Liabilities from issued securities	(1,166)	-	-	-
Subordinated bonds and loans	(7,890)	-	-	-
Financial liabilities measured at amortised cost total	**(33,469)**	**170,598**	**-**	**-**
Financial liabilities designated to measure at fair value through profit or loss	**(493)**	**3,916**	**-**	**-**
Derivative financial instruments[2]	**(36,295)**	**3,436**	**-**	**-**
Total	**252,908**	**183,316**	**56,580**	**(35,756)**

[1] For the year ended 31 December 2021 HUF (4,659) million net non-interest gain on securities at fair value through other comprehensive income was transferred from other comprehensive income to profit or loss.
[2] Gains/losses from derivative financial instruments recognised in net interest income as Income similar to interest income.

NOTE 44: NET GAIN OR LOSS REALISED ON FINANCIAL INSTRUMENTS (in HUF mn) [continued]

Year ended 31 December 2020	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	4,369	-	-	-
Placements with other banks, net of allowance for placement losses	10,650	-	2,227	-
Repo receivables	49	-	286	-
Loans at amortised cost	143,650	23,298	55,444	-
Securities at amortised cost	48,654	360	1,845	-
Financial assets measured at amortised cost total	**207,372**	**23,658**	**59,802**	**-**
Financial assets measured at fair value				
Securities held for trading	368	2,251	-	-
Securities at fair value through other comprehensive income	29,095	6,073[1]	3	(17,734)
Loans mandatorily measured at fair value through profit or loss	15,094	2,125	-	-
Financial assets measured at fair value total	**44,557**	**10,449**	**3**	**(17,734)**
Financial liabilities measured at amortised cost				
Amounts due to banks and deposits from the National Bank of Hungary and other banks	(9,862)	-	-	-
Repo liabilities	(1,476)	-	-	-
Deposits from customers	(3,985)	216,512	-	-
Leasing liabilities	(244)	-	-	-
Liabilities from issued securities	(598)	-	-	-
Subordinated bonds and loans	(8,327)	-	-	-
Financial liabilities measured at amortised cost total	**(24,492)**	**216,512**	**-**	**-**
Financial liabilities designated to measure at fair value through profit or loss	**(307)**	**1,270**	**-**	**-**
Derivative financial instruments[2]	**(5,053)**	**5,818**	**-**	**-**
Total	**222,077**	**257,707**	**59,805**	**(17,734)**

[1] For the year ended 31 December 2020 HUF 6,073 million net non-interest gain on securities at fair value through other comprehensive income was transferred from other comprehensive income to profit or loss.
[2] Gains/losses from derivative financial instruments recognised in net interest income as Income similar to interest income.

NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn)

In determining the fair value of a financial asset or liability the Bank in the case of instruments that are quoted on an active market uses the market price. In most cases market price is not publicly available so the Bank has to make assumptions or use valuation techniques to determine the fair value of a financial instrument. See Note 45. d) for more information about fair value classes applied for financial assets and liabilities measured at fair value in these financial statements.

To provide a reliable estimate of the fair value of those financial instrument that are originally measured at amortised cost, the Bank used the discounted cash flow analysis (loans, placements with other banks, amounts due to banks, deposits from customers). The fair value of issued securities and subordinated bonds is based on quoted prices (e,g, Reuters), Cash and amounts due from banks and balances with the National Bank of Hungary represent amounts available immediately thus the fair value equals to the cost.

The assumptions used when calculating the fair value of financial assets and liabilities when using valuation technique are the following:

- the discount rates are the risk free rates related to the denomination currency adjusted by the appropriate risk premium as of the end of the reporting period,
- the contractual cash flows are considered for the performing loans and for the non-performing loans, the amortised cost less impairment is considered as fair value,
- the future cash flows for floating interest rate instruments are estimated from the yield curves as of the end of the reporting period,
- the fair value of the deposit which can be due in demand cannot be lower than the amount payable on demand.

For classes of assets and liabilities not measured at fair value in the statement of financial position, the income approach was used to convert future cash flows to a single current amount. Fair value of current assets is equal to carrying amount, fair value of liabilities from issued securities and other bond-type classes of assets and liabilities not measured at fair value measured based on Reuters market rates and, fair value of other classes not measured at fair value of the statement of financial position are measured using the discounted cash flow method. Fair value of loans, net of allowance for loan losses measured using discount rate adjustment technique, the discount rate is derived from observed rates of return for comparable assets or liabilities that are traded in the market.

Fair value measurements – in relation to instruments measured not at fair value – are categorized in level 3 of the fair value hierarchy.

NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

a) Fair value of financial assets and liabilities

	31 December 2021		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash, amounts due from banks and balances with the National Bank of Hungary	474,945	474,945	579,120	579,120
Placements with other banks, net of allowance for placement losses	2,567,212	2,548,809	1,535,884	1,550,747
Repo receivables	33,638	33,707	183,364	183,664
Financial assets at fair value through profit or loss	246,462	246,462	160,483	160,483
Held for trading securities	*35,633*	*35,633*	*11,729*	*11,729*
Derivative financial instruments classified as held for trading	*182,768*	*182,768*	*116,818*	*116,818*
Securities mandatorily measured at fair value through profit or loss	*28,061*	*28,061*	*31,936*	*31,936*
Securities at fair value through other comprehensive income	641,939	641,939	911,950	911,950
Securities at amortised cost	3,071,038	2,877,380	2,007,692	2,085,881
Loans at amortised cost	4,032,465	3,576,519	3,417,760	3,178,368
Loans mandatorily measured at fair value through profit or loss	662,012	662,012	480,937	480,937
Derivative financial assets designated as hedge accounting relationships	17,727	17,727	6,817	6,817
Other financial assets	153,747	153,747	127,179	127,179
FINANCIAL ASSETS TOTAL	**11,901,185**	**11,233,248**	**9,411,186**	**9,265,147**
Amounts due to banks, deposits from the National Bank of Hungary and other banks	1,051,203	958,463	766,977	754,573
Repo liabilities	86,580	86,543	109,612	111,548
Deposits from customers	9,948,532	9,946,444	7,895,735	7,895,211
Leasing liabilities	17,932	17,928	14,106	14,105
Liabilities from issued securities	22,153	21,006	28,435	31,588
Financial liabilities at fair value through profit or loss	20,133	20,133	25,902	25,902
Derivative financial liabilities designated as held for trading	192,261	192,261	99,987	99,987
Derivative financial liabilities designated as hedge accounting relationships	18,690	18,690	3,104	3,104
Subordinated bonds and loans	271,776	278,151	304,243	295,218
Other financial liabilities	194,511	194,511	167,540	167,540
FINANCIAL LIABILITIES TOTAL	**11,823,771**	**11,734,130**	**9,415,641**	**9,398,776**

b) Derivative financial instruments

OTP Bank regularly enters into hedging transactions in order to decrease its financial risks. However some economically hedging transaction do not meet the criteria to account for hedge accounting, therefore these transactions were accounted as derivatives held for trading. Net investment hedge in foreign operations is not applicable in separate financial statements.

The assessment of the hedge effectiveness (both for fair value hedges and cash flow hedges) to determine the economic relationship between the hedged item and the hedging instrument is accomplished with prospective scenario analysis via different rate shift scenarios of the relevant risk factor(s) of the hedged risk component(s). The fair value change of the hedged item and the hedging instrument is compared in the different scenarios. Economic relationship is justified if the change of the fair value of the hedged item and the hedging instrument are in the opposite direction and the absolute changes are similar amounts. The hedge ratio is determined as the ratio of the notional of the hedged item and the notional of the hedging instrument. The sources of hedge ineffectiveness are the not hedged risk components (e,g, change of cross currency basis spreads in case of interest rate risk hedges), slight differences in maturity dates and interest payment dates in case of fair value hedges, and differences between the carrying amount of the hedged item and the carrying amount of the hedging instrument in case of FX hedges (e,g, caused by interest rate risk components in the fair value of the hedging instrument).

NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

b) Derivative financial instruments [continued]

Fair value of derivative financial instruments[1]

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

	31 December 2021					31 December 2020				
	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	54,251	(53,720)	40,783	13,468	(12,937)	30,216	(28,474)	8,984	21,232	(19,490)
Cross currency interest rate swaps	7,207	(7,618)	-	7,207	(7,618)	7,315	(7,285)	-	7,315	(7,285)
OTC options	479	(479)	-	479	(479)	356	(356)	-	356	(356)
Total interest rate derivatives (OTC derivatives)	**61,937**	**(61,817)**	**40,783**	**21,154**	**(21,034)**	**37,887**	**(36,115)**	**8,984**	**28,903**	**(27,131)**
From this: Interest rate derivatives cleared by NBH	*1,276*	*-*	*-*	*1,276*	*-*	*5*	*(72)*	*-*	*5*	*(72)*
Foreign exchange derivatives										
Foreign exchange swaps	36,896	(40,639)	-	36,896	(40,639)	39,644	(30,374)	-	39,644	(30,374)
Foreign exchange forward	8,854	(6,819)	-	8,854	(6,819)	6,990	(9,869)	-	6,990	(9,869)
OTC options	804	(180)	-	804	(180)	3,909	(3,836)	-	3,909	(3,836)
Foreign exchange spot conversion	175	(246)	-	175	(246)	619	(704)	-	619	(704)
Total foreign exchange derivatives (OTC derivatives)	**46,729**	**(47,884)**	**-**	**46,729**	**(47,884)**	**51,162**	**(44,783)**	**-**	**51,162**	**(44,783)**
From this: Foreign exchange derivatives cleared by NBH	*3,447*	*(1,480)*	*-*	*3,447*	*(1,480)*	*5,211*	*(1,852)*	*-*	*5,211*	*(1,852)*

[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 2021					31 December 2020				
	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	52,197	(52,166)	-	52,197	(52,166)	13,999	(12,901)	-	13,999	(12,901)
Equity swaps	10,538	(357)	-	10,538	(357)	7,071	(560)	-	7,071	(560)
OTC derivatives	**62,735**	**(52,523)**	**-**	**62,735**	**(52,523)**	**21,070**	**(13,461)**	**-**	**21,070**	**(13,461)**
Exchange traded futures and options	164	(278)	-	164	(278)	379	(1,262)	-	379	(1,262)
Total equity stock and index derivatives	**62,899**	**(52,801)**	**-**	**62,899**	**(52,801)**	**21,449**	**(14,723)**	**-**	**21,449**	**(14,723)**
Derivatives held for risk management not designated in hedges										
Interest rate swaps	51,311	(70,811)	5,682	45,629	(65,129)	25,760	(22,058)	12,736	13,024	(9,322)
Foreign exchange swaps	1,915	(5,245)	-	1,915	(5,245)	2,208	(3,953)	-	2,208	(3,953)
Forward	-	-	-	-	-	28	(75)	-	28	(75)
Cross currency interest rate swaps	4,442	(168)	-	4,442	(168)	44	-	-	44	-
Total derivatives held for risk management not designated in hedges	**57,668**	**(76,224)**	**5,682**	**51,986**	**(70,542)**	**28,040**	**(26,086)**	**12,736**	**15,304**	**(13,350)**
From this: Total derivatives cleared by NBH held for risk management	*35,226*	*(497)*	-	*35,226*	*(497)*	*759*	*(6,269)*	-	*759*	*(6,269)*
Total Held for trading derivative financial instruments	**229,233**	**(238,726)**	**46,465**	**182,768**	**(192,261)**	**138,538**	**(121,707)**	**21,720**	**116,818**	**(99,987)**
Derivative financial instruments designated as hedge accounting relationships										
Derivatives designated in cash flow hedges										
Interest rate swaps	-	(8,638)	1,020	(1,020)	(7,618)	8,027	-	8,027	-	8,027
Total derivatives designated in cash flow hedges	**-**	**(8,638)**	**1,020**	**(1,020)**	**(7,618)**	**8,027**	**-**	**8,027**	**-**	**8,027**
Derivatives designated in fair value hedges										
Interest rate swaps	25,407	(17,878)	12,131	13,276	(5,747)	2,432	(7,061)	1,795	637	(5,266)
Cross currency interest rate swaps	5,471	(5,325)	-	5,471	(5,325)	6,180	(5,865)	-	6,180	(5,865)
Total derivatives designated in fair value hedges	**30,878**	**(23,203)**	**12,131**	**18,747**	**(11,072)**	**8,612**	**(12,926)**	**1,795**	**6,817**	**(11,131)**
From this: Total derivatives cleared by NBH held for hedging	-	*(2,249)*	-	-	*(2,249)*	-	*(1,691)*	-	-	*(1,691)*
Total derivatives held for risk management (OTC derivatives)	**30,878**	**(31,841)**	**13,151**	**17,727**	**(18,690)**	**16,639**	**(12,926)**	**9,822**	**6,817**	**(3,104)**

[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 Group. 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.

NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Hedge accounting [continued]

Amount, timing and uncertainty of future cash flows - hedging instruments as at 31 December 2021 (amounts in million currency)

31 December 2021

Type of hedge	Type of risk	Type of instrument	Within one month	Within three months and over one month	Within one year and over three months	Within five years and over one year	More than five years	Total
Fair Value Hedge	Interest rate risk	Interest rate swap						
		HUF						
		Notional	-	2,000	900	(52,474)	42,950	**(6,624)**
		Average Interest Rate (%)	-	1.09%	0.49%	1.65%	1.31%	
		EUR						
		Notional	-	-	1	111	50	**162**
		Average Interest Rate (%)	-	-	0.23%	0.24%	0.05%	
		USD						
		Notional	-	-	-	119	47	**166**
		Average Interest Rate (%)	-	-	-	2.54%	4.18%	
		JPY						
		Notional	-	-	-	4,500	-	**4,500**
		Average Interest Rate (%)	-	-	-	0.22%	-	
Fair Value Hedge	FX & IR risk	Cross currency interest rate swap						
		EUR/HUF						
		Notional	-	1	2	12	12	**27**
		Average Interest Rate (%)	-	(1.68%)	(1.67%)	(1.69%)	(1.82%)	
		Average FX Rate	-	310.29	310.26	310.01	307.81	
Fair Value Hedge	FX risk	Cross currency interest rate swap						
		EUR/HUF						
		Notional	-	-6	35	572	-	**601**
		Average FX Rate	-	354.22	356.94	355.93	-	
		RON/HUF						
		Notional	-	-	200	2,225	-	**2,425**
		Average FX Rate	-	-	66.21	73.08	-	
		RUB/HUF						
		Notional	-	-	-	11,200	-	**11,200**
		Average FX Rate	-	-	-	4.15	-	
		JPY/HUF						
		Notional	-	-	-	4,500	-	**4,500**
		Average FX Rate	-	-	-	2.79	-	
		USD/HUF						
		Notional	-	-	(3)	306	-	**303**
		Average FX Rate	-	-	323.77	323.77	-	
Fair Value Hedge	Other	Interest rate swap						
		HUF						
		Notional	-	3,345	1,823	3,093	-	**8,261**
Cash flow Hedge	Interest rate risk	Interest rate swap						
		HUF						
		Notional	-	-	-	7,819	28,027	**35,846**
		Average FX Rate	-	-	-	1.80	2.46	

NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Hedge accounting [continued]

Amount, timing and uncertainty of future cash flows - hedging instruments as at 31 December 2020 (amounts in million currency)

31 December 2020

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	-	-	60,000	(89,622)	173,810	**144,188**
		Average Interest Rate (%)	-	-	1.31%	1.06%	1.35%	
		EUR						
		Notional	15	-	5	102	10	**132**
		Average Interest Rate (%)	(0.11%)	-	0.09%	0.24%	0.22%	
		USD						
		Notional	-	-	21	171	29	**221**
		Average Interest Rate (%)	-	-	2.00%	2.38%	2.35%	
		RUB						
		Notional	-	-	-	2,100	-	**2,100**
		Average Interest Rate (%)	-	-	-	7.38%	-	
Fair Value Hedge	**FX & IR risk**	**Cross currency interest rate swap**						
		EUR/HUF						
		Notional	-	-	2	12	14	**28**
		Average Interest Rate (%)	-	-	(1.60%)	(1.63%)	(1.67%)	
		Average FX Rate	-	-	310.82	310.14	308.15	
Fair Value Hedge	**FX risk**	**Cross currency interest rate swap**						
		EUR/HUF						
		Notional	1	92	123	613	-	**829**
		Average FX Rate	360.19	354.92	360.47	356.03	-	
		RON/HUF						
		Notional	-	-	-	1,550	-	**1,550**
		Average FX Rate	-	-	-	72.60	-	
		RUB/HUF						
		Notional	-	-	-	4,100	-	**4,100**
		Average FX Rate	-	-	-	4.46	-	
Fair Value Hedge	**Other**	**Interest rate swap**						
		HUF						
		Notional	-	(183)	6,940	8,342	-	**15,099**
Cash flow Hedge	**Interest rate risk**	**Interest rate swap**						
		HUF						
		Notional	-	-	-	12,194	28,027	**40,221**
		Average FX Rate	-	-	-	1.77	2.46	

NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Hedge accounting [continued]

Derivative financial instruments designated as hedge accounting as follows:

Type of instrument	Type of risk	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument for the year ended 31 December 2021					Line item in the statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge ineffectiveness for the year ended 31 December 2021
			Before netting		Netting	After netting			
			Assets	Liabilities		Assets	Liabilities		
Fair value hedge									
Interest rate swap	Interest rate risk	409,595	23,976	(17,878)	12,131	11,845	(5,747)	Derivative assets (liabilities) held for risk management	6,494
Cross-currency swap	FX & IR risk	8,175	-	(2,249)	-	-	(2,249)	Derivative assets (liabilities) held for risk management	4
Cross-currency swap	FX risk	566,936	5,471	(3,076)	-	5,471	(3,076)	Derivative assets (liabilities) held for risk management	(1,687)
Interest rate swap	Other	8,261	1,431	-	-	1,431	-	Derivative assets (liabilities) held for risk management	3
Cash flow hedge									
Interest rate swap	Interest rate risk	35,846	-	(8,638)	1,020	(1,020)	(7,618)	Derivative assets (liabilities) held for risk management	(101)

31 December 2021	Type of risk	Carrying amount of the hedged item		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Line item in the statement of financial position in which the hedged item is included
		Assets	Liabilities	Assets	Liabilities	
Fair value hedges						
- Loans	***Interest rate risk***	57,176	-	637	-	Loans
- Loans	***Interest rate risk***	-	142,649	-	(16,858)	Amounts due to banks and deposits from the National Bank of Hungary and other banks
- Government bonds	***Interest rate risk***	13,921	-	1,230	-	Securities at amortised cost
- Government bonds	***Interest rate risk***	152,830	-	22,457	-	Securities at fair value through other comprehensive income
- Government bonds	***Interest rate risk***	-	-	-	-	Financial assets at fair value through profit or loss
- Other securities	***Interest rate risk***	42,008	-	318	-	Securities at fair value through other comprehensive income
- Loans	***FX & IR risk***	10,595	-	611	-	Loans
- Loans	***FX risk***	458,312	-	-	-	Loans
- Government bonds	***FX risk***	12,811	-	-	-	Securities at amortised cost
- Government bonds	***FX risk***	98,668	-	-	-	Securities at fair value through other comprehensive income
- Other securities	***Other risk***	-	8,261	-	(161)	Liabilities from issued securities
Fair value hedges total		**846,321**	**150,910**	**25,253**	**(17,019)**	

NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Hedge accounting [continued]

Derivative financial instruments designated as hedge accounting as follows:

For the year ended 31 December 2021 OCI related to cash flow hedges as follows:

Type of risk	Carrying amount of the hedged item		Cash flow hedge reserve Year ended 2021	Line item in the statement of financial position in which the hedged item is included
	Assets	Liabilities		
Interest rate risk	35,965	-	3,568	Loans at amortised cost

For the year ended 31 December 2020 OCI related to cash flow hedges as follows:

Type of risk	Carrying amount of the hedged item		Cash flow hedge reserve Year ended 2021	Line item in the statement of financial position in which the hedged item is included
	Assets	Liabilities		
Interest rate risk	40,221	-	(2,739)	Loans at amortised cost

For the year ended 31 December 2021 change in basis swap spread recognised in OCI related to fair value hedges as follows:

Type of risk	Carrying amount of the hedged item		Items recognised in other comprehensive income Year ended 2021	Change in the items recognized in other comprehensive income Year ended 2021	Line item in the statement of financial position in which the hedged item is included
	Assets	Liabilities			
FX risk	458,312	-	(1,032)	(1,681)	Loans at amortised cost
FX risk	12,811	-	64	-	FVOCI securities
	471,123	**-**	**(968)**	**(1,681)**	

For the year ended 31 December 2020 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 Year ended 2021	Change in the items recognized in other comprehensive income Year ended 2021	Line item in the statement of financial position in which the hedged item is included
	Assets	Liabilities			
FX risk	303,572	-	713	-	Loans at amortised cost
	303,572	**-**	**713**	**-**	

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 2020					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 2020
			Before netting		Netting	After netting			
			Assets	Liabilities		Assets	Liabilities		
Fair value hedge									
Interest rate swap	Interest rate risk	468,574	1,900	(7,062)	1,795	105	(5,267)	Derivative assets (liabilities) held for risk management	(370)
Cross-currency swap	FX & IR risk	8,874	-	(1,408)	-	-	(1,408)	Derivative assets (liabilities) held for risk management	(36)
Cross-currency swap	FX risk	438,401	6,182	(4,456)	-	6,182	(4,456)	Derivative assets (liabilities) held for risk management	(809)
Interest rate swap	Other	16,224	530	-	-	530	-	Derivative assets (liabilities) held for risk management	2
Cash flow hedge									-
Interest rate swap	Interest rate risk	40,221	8,027	-	8,027	-	8,027	Derivative assets (liabilities) held for risk management	(85)

31 December 2020	Type of risk	Carrying amount of the hedged item		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Line item in the statement of financial position in which the hedged item is included
		Assets	Liabilities	Assets	Liabilities	
Fair value hedges						
- Loans	***Interest rate risk***	35,256	-	1,679	-	Loans
- Loans	***Interest rate risk***	-	100,299	-	(235)	Loans
- Government bonds	***Interest rate risk***	8,678	-	(106)	-	Securities at amortised cost
- Government bonds	***Interest rate risk***	269,838	-	2,518	-	Securities at fair value through other comprehensive income
- Other securities	***Interest rate risk***	47,560	-	781	-	Securities at fair value through other comprehensive income
- Loans	***FX & IR risk***	10,378	-	284	-	Loans
- Loans	***FX risk***	303,572	-	-	-	Loans
- Other securities	***Other risk***	-	15,032	-	(528)	Liabilities from issued securities
Fair value hedges total		**675,282**	**115,331**	**5,156**	**(763)**	

NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Hedge accounting [continued]

31 December 2021

Type of instrument	Type of risk	Change in the value of the hedging instrument recognised in cash flow hedge reserve	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
Interest rate swap	Interest rate risk	6,307	(101)	Interest Income from Placements with other banks, net of allowance for placement losses

For the year ended 31 December 2021 an amount HUF 171 million reclassified from cash flow hedge reserve to profit or loss due to termination of hedging relationship.

31 December 2020

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	296	(85)	Interest Income from Placements with other banks, net of allowance for placement losses

d) Fair value classes

Methods and significant assumptions used to determine fair value of the different classes of financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly, Fair value measurements – in relation with instruments measured not at fair value – are categorized in level 2;
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

31 December 2021	Total	Level 1	Level 2	Level 3
Loans at fair value through other comprehensive income	662,012	-	-	662,012
Financial assets at fair value through profit or loss	246,462	37,537	189,501	19,424
from this: securities held for trading	*35,633*	*18,566*	*17,067*	-
from this: positive FVA of derivative financial instruments designated as held for trading	*182,768*	*164*	*172,434*	*10,170*
from this: securities mandatorily measured at fair value through profit or loss	*28,061*	*18,807*	-	*9,254*
Securities at fair value through other comprehensive income	641,939	315,147	326,792	-
Positive fair value of derivative financial instruments designated as hedge accounting	17,727	-	17,727	-
Financial assets measured at fair value total	**1,568,140**	**352,684**	**534,020**	**681,436**
Financial liabilities at fair value through profit or loss	20,133	-	-	20,133
Negative fair value of derivative financial instruments classified as held for trading	192,261	278	191,983	-
Short position	16,904	16,904	-	-
Negative fair value of derivative financial instruments designated as hedge accounting	18,690	-	18,690	-
Financial liabilities measured at fair value total	**247,988**	**17,182**	**210,673**	**20,133**

NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

d) Fair value classes [continued]

As at 31 December 2020	Total	Level 1	Level 2	Level 3
Loans at fair value through other comprehensive income	480,937	-	-	480,937
Financial assets at fair value through profit or loss	160,483	34,643	111,130	14,710
from this: securities held for trading	*11,729*	*10,453*	*1,276*	-
from this: positive FVA of derivative financial instruments designated as held for trading	*116,818*	*378*	*109,854*	*6,586*
from this: securities mandatorily measured at fair value through profit or loss	*31,936*	*23,812*	-	*8,124*
Securities at fair value through other comprehensive income	911,950	426,566	485,384	-
Positive fair value of derivative financial instruments designated as hedge accounting	6,817	-	6,817	-
Financial assets measured at fair value total	**1,560,187**	**461,209**	**603,331**	**495,647**
Financial liabilities at fair value through profit or loss	25,902	-	-	25,902
Negative fair value of derivative financial instruments classified as held for trading	99,987	1,263	98,724	-
Short position	9,131	9,131	-	-
Negative fair value of derivative financial instruments designated as hedge accounting	3,104	-	3,104	-
Financial liabilities measured at fair value total	**138,124**	**10,394**	**101,828**	**25,902**

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.

Unobservable inputs used in measuring fair value

Type of financial instrument	Valuation technique	Significant unobservable input	Range of estimates for unobservable input
VISA C shares	Market approach combined with expert judgement	Discount applied due to illiquidity and litigation	+/-12%
MFB refinancing loans	Discounted cash flow model	Probability of default	+/- 20%
Subsidised personal loans	Discounted cash flow model	Probability of default	+/- 20%
Subsidised personal loans	Discounted cash flow model	Operational costs	+/- 20%
Subsidised personal loans	Discounted cash flow model	Demography	Change in the cash flow estimation +/- 5%

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 2021	Unobservable inputs	Fair values		Effect on profit and loss	
		Favourable	Unfavourable	Favourable	Unfavourable
VISA C shares	Illiquidity	3,339	2,529	405	(405)
MFB refinancing loans	Probability of default	19,218	18,972	123	(123)
Subsidised personal loans	Probability of default	639,006	631,855	3,590	(3,561)
Subsidised personal loans	Operational costs	647,291	623,933	11,875	(11,483)
Subsidised personal loans	Demography	635,484	635,387	68	(29)

31 December 2020	Unobservable inputs	Fair values		Effect on profit and loss	
		Favourable	Unfavourable	Favourable	Unfavourable
VISA C shares	Illiquidity	3,150	2,402	374	(374)
MFB refinancing loans	Probability of default	24,876	24,690	93	(93)
Subsidised personal loans	Probability of default	452,781	447,647	2,579	(2,555)
Subsidised personal loans	Operational costs	464,974	436,194	14,772	(14,008)
Subsidised personal loans	Demography	451,419	448,987	1,217	(1,215)

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 2021 and 2020 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. According to the current assumptions 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.

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 2021

	Opening balance	Issuance/ Disbursement	Change in FVA due to credit risk	Change in FVA due to market factors	Settlement	Closing balance
Loans mandatorily measured at fair value through profit or loss	480,937	227,324	(16,255)	(12,692)	(17,302)	662,012
Securities mandatorily measured at fair value through profit or loss	8,124	390	-	740	-	9,254
Derivative financial instruments designated as held for trading	6,586	-	-	3,584	-	10,170
Financial liabilities at fair value through profit or loss	(25,902)	-	-	(3,916)	9,685	(20,133)
Total	**469,745**	**227,714**	**(16,255)**	**(12,284)**	**(7,617)**	**661,303**

Reconciliation of the opening and closing balances of Level 3 instruments for the year ended 31 December 2020

	Opening balance	Issuance/ Disbursement	Change in FVA due to credit risk	Change in FVA due to market factors	Reclassification	Settlement	Closing balance
Loans mandatorily measured at fair value through profit or loss	238,538	257,055	(405)	(2,125)	-	(12,126)	480,937
Securities mandatorily measured at fair value through profit or loss	4,644	1,204	-	23	5,188	(2,935)	8,124
Securities at fair value through other comprehensive income	4,735	-	-	453	(5,188)	-	-
Derivative financial instruments designated as held for trading	4,227	-	-	2,359	-	-	6,586
Financial liabilities at fair value through profit or loss	(28,861)	-	-	1,270	-	1,689	(25,902)
Total	**223,283**	**258,259**	**(405)**	**1,980**	**-**	**(13,372)**	**469,745**

NOTE 46: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2021

1) Capital increase in OTP Bank Romania

2) Acquisition at Slovenia

3) Capital increase in OTP Bank Srbija

4) Potential acquisition of Uzbek Ipoteka Bank

5) Acquisition of Alpha Banka

See details about the event above in Note 11.

6) Discontinuance of international arbitration proceedings

On 30th June 2021 OTP Bank Plc. has jointly with the Republic of Croatia requested the discontinuance of the international arbitration proceedings - registered on 16th October 2020 relating to mandatory exchange of FX loans and FX based consumer loans - from the Centre for Settlement of Investment Disputes (ICSID), due to the fact that the parties have resolved their disputes by way of mutual consent. The ICSID Secretary has on 30th June 2021 acknowledged receipt of the joint claim of the contending parties relating the discontinuance of the proceedings. According to the request of the parties, ICSID shall also formerly confirmed the termination of the litigation during 2021.

7) Termination of ICES bond

See details about the event above in Note 27.

8) Resolutions made at OTP Bank's Extraordinary General Meeting

The Extraordinary General Meeting hold on 15 October, 2021 resolved that, the Bank shall sell its treasury shares on the stock exchange to those two Special Employee Stock Ownership Program organizations being established by the Bank employees ("OTP SECOP I." and "OTP SECOP II.").

The Extraordinary General Meeting decided that if additional SECOP organisations will be initiated, those will be given one-off support on a yearly basis, under defined conditions, defined extent and in specified manner.

9) Interest benchmark reform

OTP Bank was actively involved in industry efforts supporting transition to IBOR alternatives. The bank 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 Bank 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 Bank's priority was to ensure that the Bank can continue to offer clients the products and services they need, while also supporting them in the transition to the new alternative Risk Free Rates.

NOTE 46: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2021 [continued]

9) 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 June 30, 2023: overnight and 1, 3, 6 and 12 Months. The affected USD LIBOR contracts will be handled on an ongoing basis until the remaining USD LIBOR settings' cessation date.
**In the case of CHF LIBOR, OTP Bank acts in accordance with the implementing regulation of the European Commission (https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=PI_COM:C(2021)7488&from=EN).

Amounts effected by IBOR reform as at 31 December 2021

Reference rate	Type of the contract	Nominal value of the contract	Pieces of contracts
USD LIBOR	Loan	49.116	12
USD LIBOR	Deposit	3.579	7
USD LIBOR	Derivatives	802.854	190
Other LIBOR	Loan	1.166	42
Other LIBOR	Deposit	25.864	98
Other LIBOR	Derivatives	25.464	4
Other LIBOR	Bonds (assets)	13.162	3
Total		**921.205**	**356**

The above LIBOR-based amounts outstanding as at 31 December 2021 will be managed at the first interest period in 2022 therefore they do not cause a risk to the Bank or to the customers.

NOTE 47: SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In the second half of February 2022 the military conflict between Russia and Ukraine escalated.
It is difficult to quantify the effect of the Ukrainian-Russian conflict regarding the Ukrainian and the Russian operations, the possible scenarios are covering a wide range of spectrum. According to the worst possible scenario, the Bank may lose its control over its investments, which under extreme conditions could result in the full write-off of the invested amount. These Consolidated Financial Statements do not contain any write-offs as possible consequences of the Ukrainian-Russian conflict, the Group recognizes it as not adjusting, post balance sheet event.

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 984 billion at the end of 2021 (3.6% of total consolidated assets), while net loans comprised HUF 614 billion (3.9% of consolidated net loans) and shareholders' equity HUF 160 billion (5.3% of the consolidated total equity). At the end of 2021 the book value of the capital investment in the Ukrainian subsidiaries comprised HUF 105 billion; there was no goodwill at all, it was already written down entirely in 2014.

The gross intragroup funding towards the Ukrainian operation represented HUF 72 billion, and taking into account the Ukrainian deposits placed with the HQ, i.e. the net group funding represented HUF 29 billion equivalent. According to the 28 February 2022 figures, the gross funding amounted to HUF 75 billion equivalent and the net intragroup funding stood at HUF 9 billion equivalent.

The Ukrainian RWA ("risk-weighted asset") was HUF 230 billion by the end of 2021 (2.9% of the total RWA).

The maximum capital effect on the potential write-off of the Ukrainian operation, taking into account the equity, the intragroup funding and the Ukrainian risk weighted assets, is estimated at 148 bps on the CET1 ratio, according to year-end figures.

Russia

The total assets of the Group's Russian operation represented HUF 800 billion at the end of 2021 (2.9% of consolidated total assets), while net loans comprised HUF 621 billion (3.9% of consolidated net loans) and shareholders' equity HUF 241 billion (7.9% of consolidated total equity). At the end of 2021 the book value of the capital investment in the Russian subsidiaries comprised directly HUF 74 billion and indirectly HUF 50 billion.

The gross intragroup funding towards the Russian operation represented HUF 73 billion, and taking into account the Russian deposits placed with the Headquarter, i.e. the net group funding represented HUF 14 billion equivalent. On 28 February 2022 the gross intragroup funding reached HUF 52 billion equivalent, which equalled the net figure because there was no deposit placement by the Russian operation at other Group members.

The Russian RWA was HUF 276.6 billion by the end of 2021 (3.4% of the total RWA).

The capital maximum effect on the potential write-off of the Russian operation, taking into account the equity, the intragroup funding and the Russian risk weighted assets, is estimated at 173 bps on the CET1 ratio, according to year-end figures.

Although the impact of the Russian-Ukrainian conflict on the Group's Russian and Ukrainian operations is currently difficult to quantify, and as such uncertain, based on the current estimation of the Bank's Management the Ukrainian-Russian conflict does not have considerably negative impact on the business activity, financial position, efficiency, liquidity and capital position of OTP Bank. Even after the recognition of the potential losses and write-offs outlined above, the Group's capital adequacy remains above the expected regulatory level. There is no sign of significant uncertainties having been arisen regarding carrying out its business as a going concern.

The Bank's Management is monitoring the situation of the Ukrainian-Russian conflict continuously and will take the necessary steps in order to moderate the business risk.

PROPOSAL FOR THE USE OF AFTER-TAX PROFIT OF THE PARENT COMPANY AND FOR DIVIDEND PAYMENT

A PART OF THE PROPOSAL OF RESOLUTION

The Annual General Meeting determines the statement of financial position for the year ended 2021 with total assets of HUF 13,710,471 million and with net profit for the period of HUF 125,339 million. The net profit for the period is allocated as follows: the general reserve must be increased by HUF 12,534 million, HUF 120,248 million shall be paid as dividend from the net profit for the period of which the amount for 2019 and 2020 is HUF 119,248 million and the amount for 2021 is HUF 1,000 million.

The dividend per share is HUF 425.89 for the 2019 and 2020, and HUF 3.57 for 2021, in total HUF 429.46, compared to the face value of shares it's 429.46%. The actual rate of dividend paid to shareholders is calculated and paid based on the Articles of Association, so the Company distributes the dividends for its own shares among the shareholders who are entitled for dividends. The dividends shall be paid from 30 May 2022 in accordance with the policy determined in the Articles of Association.

(The text above is part of the proposal of Annual General Meeting resolution)

FINANCIAL STATEMENTS ON 2021

IFRS (CONSOLIDATED)

OTP BANK PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021
(in HUF mn)

	Note	2021	2020 Reclassified
Cash, amounts due from banks and balances with the National Banks	5.	2,556,035	2,432,312
Placements with other banks, net of loss allowance for placements	6.	1,584,861	1,148,743
Repo receivables	7.	61,052	190,849
Financial assets at fair value through profit or loss	8.	341,397	234,007
Securities at fair value through other comprehensive income	9.	2,224,510	2,136,709
Securities at amortized cost	10.	3,891,335	2,624,920
Loans at amortized cost	11.	13,493,183	11,674,842
Loans mandatorily at fair value through profit or loss	11.	1,068,111	802,605
Finance lease receivables	35.	1,182,628	1,051,140
Associates and other investments	12.	67,222	52,443
Property and equipment	13.	411,136	322,766
Intangible assets and goodwill	13.	248,631	239,004
Right-of-use assets	35.	50,726	46,283
Investment properties	14.	29,882	38,601
Derivative financial assets designated as hedge accounting	15.	18,757	6,820
Deferred tax assets	35.	15,109	22,317
Current income tax receivables	35.	29,978	39,171
Other assets	16.	276,785	266,239
Assets classified as held for sale / discontinued operations	49.	2,046	6,070
TOTAL ASSETS		**27,553,384**	**23,335,841**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	17.	1,567,348	1,185,315
Repo liabilities	18.	79,047	117,991
Financial liabilities designated at fair value through profit or loss	19.	41,184	34,131
Deposits from customers	20.	21,068,644	17,890,863
Liabilities from issued securities	21.	436,325	464,213
Derivative financial liabilities held for trading	22.	202,716	104,823
Derivative financial liabilities designated as hedge accounting	23.	11,228	11,341
Leasing liabilities	36.	53,286	48,451
Deferred tax liabilities	35.	24,045	25,990
Current income tax payable	35.	36,581	29,528
Provisions	24.	119,799	116,467
Other liabilities	24.	598,081	489,426
Subordinated bonds and loans	25.	278,334	274,704
Liabilities directly associated with assets classified as held for sale / discontinued operations	49.	-	5,486
TOTAL LIABILITIES		**24,516,618**	**20,798,729**
Share capital	26.	28,000	28,000
Retained earnings and reserves	27.	3,109,509	2,629,076
Treasury shares	28.	(106,941)	(124,080)
Total equity attributable to the parent		**3,030,568**	**2,532,996**
Total equity attributable to non-controlling interest	29.	6,198	4,116
TOTAL SHAREHOLDERS' EQUITY		**3,036,766**	**2,537,112**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**27,553,384**	**23,335,841**

Budapest, 17 March, 2022

Dr. Sándor Csányi
Chairman and Chief Executive Officer

OTP BANK PLC
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2021
(in HUF mn)

	Note	2021	2020 Reclassified
CONTINUING OPERATIONS			
Interest income calculated using the effective interest method	30.	922,539	841,901
Income similar to interest income	30.	194,920	135,986
Interest income and income similar to interest income		**1,117,459**	**977,887**
Interest expense		**(243,149)**	**(195,216)**
NET INTEREST INCOME		**874,310**	**782,671**
Loss allowance on loans, placements and on repo receivables	31.	(27,721)	(172,520)
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	31.	(16,289)	(3,262)
Loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost	31.	(3,974)	(7,309)
Provision for commitments and guarantees given	31.	(99)	(8,662)
Release of impairment of assets subject to operating lease and of investment properties	31.	438	878
Risk cost total		**(47,645)**	**(190,875)**
NET INTEREST INCOME AFTER RISK COST		**826,665**	**591,796**
Gain from derecognition of financial assets at amortized cost	33.	**1,885**	**3,380**
Modification loss	4.	**(13,672)**	**(29,773)**
Income from fees and commissions	32.	554,113	486,529
Expense from fees and commissions	32.	(111,939)	(88,896)
Net profit from fees and commissions		**442,174**	**397,633**
Foreign exchange result, net	33.	(4,075)	7,864
Gains on securities, net	33.	5,560	7,465
Fair value adjustment on financial instruments measured at fair value through profit or loss	33.	(532)	4,843
Gain on derivative instruments, net	33.	6,798	11,340
Profit from associates	8., 9.	15,648	527
Other operating income	34.	81,328	33,461
Other operating expenses	34.	(85,732)	(39,447)
Net operating income		**18,995**	**26,053**
Personnel expenses	34.	(340,684)	(308,642)
Depreciation and amortization	13.	(94,996)	(92,761)
Goodwill impairment	13.	-	-
Other general expenses	34.	(311,932)	(289,722)
Other administrative expenses		**(747,612)**	**(691,125)**
PROFIT BEFORE INCOME TAX		**528,435**	**297,964**
Income tax expense	35.	(72,123)	(43,918)
NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**456,312**	**254,046**
From this, attributable to:			
Non-controlling interest	29.	**836**	**220**
Owners of the company		**455,476**	**253,826**
DISCONTINUED OPERATIONS			
Gain from disposal of subsidiary classified as held for sale	49.	**-**	**199**
Gain from discontinued operations	49.	**116**	**5,391**
PROFIT FROM CONTINUING AND DISCOUNTINUED OPERATION		**456,428**	**259,636**
Earnings per share (in HUF)			
From continuing operations			
Basic	45.	**1,738**	**982**
Diluted	45.	**1,738**	**982**
From continuing and discontinued operations			
Basic	45.	**1,738**	**1,004**
Diluted	45.	**1,738**	**1,003**

OTP BANK PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021
(in HUF mn)

	Note	2021	2020
NET PROFIT FOR THE YEAR		**456,428**	**259,636**
Items that may be reclassified subsequently to profit or loss:			
Fair value adjustment of securities at fair value through other comprehensive income	27.	(50,789)	(3,175)
Deferred tax related to fair value adjustment of securities at fair value through other comprehensive income	27.	3,526	918
Derivative financial instruments designated as cash flow hedge	27.	-	(2)
Net investment hedge in foreign operations	27.	-	(9,440)
Deferred tax related to net investment hedge in foreign operations	27.	-	849
Foreign currency translation difference	27.	61,729	68,593
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.	2,747	(2,890)
Deferred tax related to equity instruments at fair value through other comprehensive income	27.	(361)	383
Change of actuarial loss related to employee benefits	27.	53	143
Deferred tax related to change of actuarial loss related to employee benefits	27.	(11)	1
Subtotal		**16,894**	**55,380**
TOTAL COMPREHENSIVE INCOME		**473,322**	**315,016**
From this, attributable to:			
Non-controlling interest		1,041	(223)
Owners of the company		472,281	315,239

OTP BANK PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021
(in HUF mn)

	Note	Share capital	Capital reserve	Retained earnings and other reserves[42]	Treasury shares	Total attributable to shareholders	Non-controlling interest	Total
Balance as at 1 January 2020		28,000	52	2,319,211	(60,931)	2,286,332	4,956	2,291,288
Net profit for the period		-	-	259,416	-	259,416	220	259,636
Other Comprehensive Income		-	-	55,823	-	55,823	(443)	55,380
Total comprehensive income		-	-	315,239	-	315,239	(223)	315,016
Purchasing of non-controlling interest				-	-	-	(382)	(382)
Decrease due to discontinued operation	49.	-	-	-	-	-	(235)	(235)
Share-based payment	40.	-	-	3,394	-	3,394	-	3,394
Sale of Treasury shares	28.	-	-	-	22,773	22,773	-	22,773
Treasury shares - loss on sale	28.	-	-	(3,967)	-	(3,967)	-	(3,967)
Treasury shares - acquisition	28.	-	-	-	(85,922)	(85,922)	-	(85,922)
Payments to ICES holders	27.	-	-	(4,853)	-	(4,853)	-	(4,853)
Balance as at 31 December 2020		28,000	52	2,629,024	(124,080)	2,532,996	4,116	2,537,112
Balance as at 1 January 2021		28,000	52	2,629,024	(124,080)	2,532,996	4,116	2,537,112
Net profit for the period		-	-	455,592	-	455,592	836	456,428
Other Comprehensive Income		-	-	16,689	-	16,689	205	16,894
Total comprehensive income		-	-	472,281	-	472,281	1,041	473,322
Increase due to business combination		-	-	-	-	-	1,041	1,041
Share-based payment	40.	-	-	3,589	-	3,589	-	3,589
Adjustment of previous years' reserves		-	-	1,034	-	1,034	-	1,034
Sale of Treasury shares	28.	-	-	-	293,572	293,572	-	293,572
Treasury shares - loss on sale	28.	-	-	(27,800)	-	(27,800)	-	(27,800)
Treasury shares - acquisition	28.	-	-	-	(276,433)	(276,433)	-	(276,433)
Payments to ICES holders	27.	-	-	(3,734)	-	(3,734)	-	(3,734)
Increase due to termination of ICES	27.	-	-	35,063	-	35,063	-	35,063
Balance as at 31 December 2021		28,000	52	3,109,457	(106,941)	3,030,568	6,198	3,036,766

[42] See details in Note 27, where the Retained earnings and other reserves category contains the capital reserve, share-based payment reserve and option reserve.

OTP BANK PLC
CONSOLIDATED STATEMENT OF CASH-FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021
(in HUF mn)

OPERATING ACTIVITIES	**Note**	**2021**	**2020**
Net profit for the period			
(attributable to the owners of the company)		**455,592**	**259,416**
Net accrued interest		14,854	(9,040)
Dividend income	*27.*	(15,648)	(527)
Depreciation and amortization	*13.*	100,321	98,385
Loss allowance on securities	*9.,10.*	3,974	7,309
Loss allowance on loans and placements, amounts due from banks and on repo receivables	*5., 6., 7., 11.*	27,721	251,440
Loss allowance / (Release of loss allowance)on investments	*12.*	6,640	(381)
Release of loss allowance on investment properties	*14.*	(243)	(741)
Impairment on tangible and intangible assets	*13.*	2,772	51
Loss allowance on other assets	*16.*	1,986	7,416
Provision on off-balance sheet commitments and contingent liabilities	*24.*	10,856	14,792
Share-based payment	*40.*	3,589	3,394
Unrealized losses on fair value change of financial instrumentum at fair value through profit or loss	*33.*	11,404	762
Non-realized foreign exchange loss / (gain)	*33.*	22,258	(6,820)
Loss / (Gain) from sale of tangible and intangible assets	*13.*	129	(637)
Unrealized losses / (gains) on fair value change of derivative financial instruments	*33.*	18,982	(25,068)
Gain on discontinued operations	*49.*	(116)	(5,391)
Net changes in assets and liabilities in operating activities			
Net (increase) / decrease in securities at fair value through profit or loss	*8.*	(126,364)	23,928
Net (increase) / decrease in compulsory reserves at the National Banks	*5.*	(96,936)	17,839
Increase in placement with other banks, before loss allowance for placements	*6.*	(307,731)	(903,119)
Net increase in loans at amortized cost before loss allowance for loans and in loans at fair value	*11.*	(2,206,183)	(1,473,258)
Net increase in other assets before loss allowance	*16.*	(17,930)	(86,868)
Net increase in amounts due to banks, the National Governments, deposits from the National Banks and other banks and repo liabilities	*17., 18.*	299,138	470,671
Net increase in financial liabilities designated at fair value through profit or loss	*19.*	1,315	4,647
Net increase in deposits from customers	*20.*	3,125,494	2,306,621
Cash payments for the interest portion of the lease liability	*36.*	(935)	(1,592)
Net increase in other liabilities	*24.*	186,319	61,684
Income tax paid	*35.*	(47,876)	(37,729)
Net Cash Provided by Operating Activities		**1,473,382**	**977,184**

OTP BANK PLC
CONSOLIDATED STATEMENT OF CASH-FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021
(in HUF mn)
[continued]

	Note	2021	2020
INVESTING ACTIVITIES			
Purchase of securities at fair value through other comprehensive income	9.	(2,342,772)	(1,864,934)
Proceeds from sale of securities at fair value through other comprehensive income	9.	2,217,702	2,162,682
Purchase of investments	12.	(32,626)	(33,494)
Proceeds from sale of investments	12.	11,207	2,382
Dividends received	27.	15,648	399
Purchase of securities at amortized cost	10.	(6,249,137)	(6,655,496)
Redemption of securities at amortized cost	10.	4,997,215	6,022,703
Purchase of property, equipment and intangible assets	13.	(300,715)	(136,130)
Proceeds from disposals of property, equipment and intangible assets	13.	119,661	68,625
Purchase of investment properties	14.	(134)	(574)
Proceeds from sale of investment properties	14.	7,983	10,416
Net change in cash and cash equivalents from discontinued operation	49.	116	5,544
Net cash paid for acquisition		-	-
Net Cash Used in Investing Activities		**(1,555,852)**	**(417,877)**
FINANCING ACTIVITIES			
Cash received from issuance of securities	21.	76,728	149,105
Cash used for redemption of issued securities	21.	(106,350)	(78,597)
Cash payments for the principal portion of the lease liability	36.	(14,149)	(16,856)
Cash received from issuance of subordinated bonds and loans	25.	2,676	773
Cash used for redemption of subordinated bonds and loans	25.	-	(2,600)
Payments to ICES holders	27.	71,688	(4,853)
Sale of Treasury shares	28.	293,572	18,806
Purchase of Treasury shares	28.	(276,433)	(85,922)
Dividends paid	27.	(10)	(10)
Net Cash Provided by / (Used in) Financing Activities		**47,722**	**(20,154)**
TOTAL NET CASH (USED IN) / PROVIDED BY		**(34,748)**	**539,153**
Cash and cash equivalents at the beginning of the period	**5.**	**1,674,777**	**1,049,737**
Foreign currency translation		61,533	69,036
Net change in cash and cash equivalent		(34,748)	539,153
Adjustment due to discontinued operation		2	16,851
Cash and cash equivalents at the end of the period	**5.**	**1,701,564**	**1,674,777**

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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 public liability company. The Bank's registered office address is 16, Nador Street, Budapest 1051.

Due to Hungarian legislation audit services are a statutory requirement for OTP Bank. Disclosure information about the auditor: Ernst & Young Audit Ltd. (001165), 1132 Budapest Váci Street 20. Registered under 01-09-267553 by Budapest-Capital Regional Court, as registry court. Statutory registered auditor: Zsuzsanna Nagyváradiné Szépfalvi, registration number: 005313.

These Consolidated Financial Statements were approved by the Board of Directors and authorised for issue on 17 March 2022. 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 (%):

	2021	2020
Domestic and foreign private and institutional investors	97%	97%
Employees	1%	1%
Treasury shares	2%	2%
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 1,455 branches in the following countries Hungary, Bulgaria, Serbia, Croatia, Russia, Romania, Ukraine, Albania, Montenegro, Moldova and Slovenia, as well as provides other services in the Netherlands, Cyprus 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:

	2021	2020
The number of employees at the Group	37,866	38,626
The average number of employees at the Group	37,890	39,943

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.

NOTE 1: ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS [continued]

1.2. Basis of Accounting [continued]

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.

1.2.1. The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 2021

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2** adopted by EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 4 "Insurance Contracts" – "Deferral of IFRS 9"** adopted by EU on 15 December 2020 (effective for annual periods beginning on or after 1 January 2021),
- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 16 "Leases"** – "Covid 19-Related Rent Concessions beyond 30 June 2021" (effective for annual periods beginning on or after 1 April 2021).

The adoption of these amendments to the existing standards has not led to any material changes in the Group's Consolidated Financial Statements.

1.2.2. New and revised Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorization of these financial statements there are new standards, amendments to the existing standards nor interpretations which are issued by IASB and adopted by the EU which are not yet effective:

- **Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture"**– "Annual Improvements to IFRSs 2018-2020 Cycle" - adopted by EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 3 "Business Combinations"; IAS 16 "Property, Plant and Equipment"; IAS 37 "Provisions, Contingent Liabilities and Contingent Assets**" - adopted by the EU on 28 June 2021 Annual Improvements (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2023).

The Group does not adopt these new standards and amendments to existing standards before their effective date. The Group anticipates that the adoption of these new standards, amendments to the existing standards and new interpretations will have no material impact on the Consolidated Financial Statements of the Group in the period of initial application.

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

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 publication of these Consolidated Financial Statements:

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2** – Disclosure of Accounting policies (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors"** – Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),
- **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),
- **Amendments to IAS 12 "Income Taxes**" – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 17 "Insurance Contracts"** – Initial application of IFRS 17 and IFRS 9 – Comparative Information (effective date for annual periods beginning on or after 1 January 2023).

The Group anticipates that the adoption of these new standards, amendments to the existing Standards and new interpretations will have no significant impact on the Consolidated Financial Statements of the Group in the period of initial application.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of the accompanying Consolidated Financial Statements are summarized below:

2.1. Basis of Presentation

These Consolidated Financial Statements have been prepared under the historical cost convention with the exception of certain financial instruments, which are recorded at fair value. Revenues and expenses are recorded in the period in which they are earned or incurred. The Group does not offset assets and liabilities or income and expenses unless it is required or permitted by an IFRS standard.

During the preparation of Consolidated Financial Statements assets and liabilities, income and expenses are presented separately, except in certain cases, when one of the IFRS standards prescribes net presenting related to certain items (see note 2.8. below).

The presentation of Consolidated Financial Statements in conformity with IFRS as adopted by the EU requires the Management of the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
Future changes in economic conditions, business strategies, regulatory requirements, accounting rules and other factors could result in a change in estimates that could have a material impact on future financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.2. Foreign currency translation

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currencies are translated into functional currencies at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rates quoted by the National Bank of Hungary ("NBH"), or if there is no official rate, at exchange rates quoted by OTP Bank as at the date of the Consolidated Financial Statements.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.
Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see note 2.7. below for hedging accounting policies); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in Other Comprehensive Income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting Consolidated Financial Statements, the assets and liabilities of the Group's foreign operations are translated into HUF using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in Other Comprehensive Income and accumulated in equity (attributed to non-controlling interests as appropriate).

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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 42.

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.
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".

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.5. Securities at amortized cost

The Group measures at amortized cost those securities which are held for contractual cash collecting purposes, and contractual terms of these securities give rise to cash flows that are solely payment of principal and interest on the principal amount outstanding. The Group initially recognizes these securities at fair value. Securities at amortized cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. The amortisation of any discount or premium on the acquisition of a security at amortized cost is part of the amortized cost and is recognized as interest income so that the revenue recognized in each period represents a constant yield on the investment. Securities at amortized cost are accounted for on a trade date basis. The Group applies the FIFO[1] inventory valuation method for securities at amortized cost.
Such securities comprise mainly securities issued by the Hungarian and foreign Governments, corporate bonds, mortgage bonds and discounted treasury bills.

2.6. Financial assets at fair value through profit or loss

2.6.1. Securities held for trading

Investments in securities are accounted for on a trade date basis and are initially measured at fair value. Securities held for trading are measured at subsequent reporting dates at fair value, so unrealized gains and losses on held for trading securities are recognized in profit or loss and included in the Consolidated Statement of Profit or Loss for the period. The Group holds held for trading securities within the business model to obtain short-term gains, consequently realized and unrealized gains and losses are recognized in the net operating income, while interest income is recognized in income similar to interest income. The Group applies the FIFO inventory valuation method for securities held for trading.
Such securities consist of equity instruments, shares in investment funds, Hungarian and foreign government bonds, corporate bonds, discounted treasury bills, mortgage bonds and other securities.

2.6.2. Financial assets designated as fair value through profit or loss

The Group may - at initial recognition - irrevocable designate a financial asset as measured at fair value through profit or loss that would otherwise be measured at fair value through other comprehensive income or at amortized cost.
The Group may use fair value designation only in the following cases:
- 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.

2.6.3. Derivative financial instruments

In the normal course of business, the Group is a party to contracts for derivative financial instruments, which represent a low initial investment compared to the notional value of the contract and their value depends on value of underlying asset and are settled in the future. The derivative financial instruments used include interest rate forward or swap agreements and currency forward or swap agreements and options. These financial instruments are used by the Group both for trading purposes and to hedge interest rate risk and currency exposures associated with its transactions in the financial markets.

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.

[1] First In First Out

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.6. Financial assets at fair value through profit or loss [continued]

2.6.3. Derivative financial instruments [continued]

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.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.6. Financial assets at fair value through profit or loss [continued]

2.6.3 Derivative financial instruments [continued]

Foreign exchange options

A foreign exchange option is a derivative financial instrument that gives the owner the right to exchange money denominated in one currency into another currency at a pre-agreed exchange rate at a specified future date. The transaction, for a fee, guarantees a worst-case exchange rate for the futures purchase of one currency for another. These options protect against unfavourable currency movements while preserving the ability to participate in favourable movements.

2.7. Hedge accounting

Derivative financial instruments designated as a fair-value hedge

Changes in the fair value of derivatives that are designated and qualify as hedging instruments in fair value hedges and that prove to be highly effective in relation to the hedged risk, are recorded in the Consolidated Statement of Profit or Loss along with the corresponding change in fair value of the hedged asset or liability that is attributable to the specific hedged risk. Changes in the fair value of hedging instrument in fair value hedges is charged directly to the Consolidated Statement of Profit or Loss.
The conditions of hedge accounting applied by the Bank are the following: formally designated as hedge relationship, proper hedge documentation is prepared, effectiveness test is performed and based on it the hedge is qualified as effective.
The Group implemented hedge accounting rules prescribed by IFRS 9 in 2018.

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.
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.

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.

2.8. Offsetting

Financial assets and liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position when the Group has a legally enforceable right to set off the recognized amounts and the transactions are intended to be reported in the Consolidated Statement of Financial Position on a net basis. In case of the derivative financial instruments the Group applies offsetting and net presentation in the Consolidated Statement of Financial Position when the Group has the right and the ability to settle these assets and liabilities on a net basis.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.9. Embedded derivatives

Sometimes, a derivative may be a component of a combined or hybrid contracts 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.

2.10. Securities at fair value through other comprehensive income

Securities at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting of contractual cash flows and selling securities. Furthermore, the contractual terms of these securities give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

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. The Group applies the FIFO[1] inventory valuation method for securities at fair value through other comprehensive income.

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, discounted and interest bearing Treasury bills, securities issued by the NBH and other securities.

[1] First In First Out

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.10. Securities at fair value through other comprehensive income [continued]

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 under IFRS 3.
In some cases, the Group made an irrevocable election at initial recognition for certain equity instruments to present subsequent changes in fair value of these securities in the consolidated other comprehensive income instead of in profit or loss.
The use of the fair value option is based only on direct decision of management of the Group.

2.11. Loans, placements with other banks, repo receivables and loss allowance for loan and placements and repo receivable losses

The Group measures at amortized cost those Loans and placements with other banks and repo receivables, which are held to collect contractual cash flows, and contractual terms of these assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These loans are recognized as Loans at amortized cost in the Consolidated Statement of Financial Position. The Group recognizes those financial assets which are not held for trading and do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding as loans measured at fair value through profit or loss. These loans are recognized as Loans mandatorily at fair value through profit or loss in the Consolidated Statement of Financial Position.
Those Loans and placements with other banks and repo receivables that are accounted at amortized cost, stated at the principal amounts outstanding (including accrued interest), net of allowance for loan or placement losses, respectively.

In case of the above mentioned financial assets measured at amortised cost transaction fees and charges adjust the carrying amount at initial recognition and are included in effective interest calculation. In case of loans at fair value through profit or loss fees and charges are recognised when incurred in the Consolidated Statement of Profit or Loss.
Loans and placements with other banks and repo receivables are derecognized when the contractual rights to the cash-flows expire or they are transferred. When a financial asset is derecognized the difference of the carrying amount and the consideration received is recognized in the profit or loss in case of financial assets at amortised cost the gains or losses from derecognition are presented in "Gains/losses from derecognition of financial assets at amortised cost" line while in case of loans at fair value through profit or loss the gains or losses from derecognition are presented in "Net operating income".

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.11. Loans, placements with other banks, repo receivables and loss allowance for loan and placements and repo receivable losses [continued]

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. In those cases when on the previously partially or fully written-off loans or placements, which perhaps were derecognized from the books no having been reasonable expectations but later recoveries could be determined then reversal of written-off 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.

2.12. Modified assets

If the net present value of the contracted cash flows changes due to the modification of the contractual terms and it is not qualified as derecognition, modification gain or loss should be calculated and accounted for in the Consolidated Statement of Profit or Loss. Modification gain or loss is accounted in cases like restructuring – as defined in guidelines of the Group – prolongation, renewal with unchanged terms, renewal with shorter terms and prescribing capital repayment rate, if it doesn't exist or has not been earlier.
The changes of net present value should be calculated on portfolio level in case of retail exposures. Each retail contract is restructured based on restructuring frameworks. The Group has to evaluate these frameworks (and not individual contracts). The changes of net present value should be calculated individually on contract level in case of corporate portfolio.

Among the possible contract amendments, the Group considers as a derecognition and a new recognition when the discounted present value – discounted at the original effective interest rate – of the cash flows under the new terms is at least 10 per cent different from the discounted present value of the remaining cash flows. In case of derecognition and new recognition the unamortized fees of the derecognized asset should be presented as Income similar to interest income. The newly recognized financial asset is initially measured at fair value and is placed in stage 1 if the derecognized financial asset was in stage 1 or stage 2 portfolio. The newly recognized financial asset will be purchased or originated credit impaired financial asset ("POCI") if the derecognized financial asset was in stage 3 portfolio or it was POCI.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.12. Modified assets [continued]

The modification gain or loss shall be calculated at each contract amendments unless they are handled as a derecognition and new recognition. In case of modification the Group recalculates the gross carrying amount of the financial asset. To do this, the new contractual cash flows should be discounted using the financial asset's original effective interest rate (or credit-adjusted effective interest rate for POCI financial asset). Any costs or fees incurred adjust the carrying amount of the modified financial asset are amortized over the remaining term of the modified financial asset.

2.13. Purchased or originated credit impaired financial assets

Purchased or originated financial assets are credit-impaired on initial recognition. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

A purchased credit-impaired asset is likely to be acquired at a deep discount. In unusual circumstances, it may be possible that an entity originates a credit-impaired asset, for example, following a substantial modification of a distressed financial asset that resulted in the derecogniton of the original financial asset.

In the case of POCI financial assets, interest income is always recognized by applying the credit-adjusted effective interest rate.

For POCI financial assets, in subsequent reporting periods an entity is required to recognize:
- the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance,
- the impairment gain or loss which is the amount of any change in lifetime expected credit losses.
  An impairment gain is recognized (with the parallel increase of the net amortized cost of receivable) if due to the favourable changes after initial recognition the lifetime expected credit loss estimation is becoming lower than the original estimated credit losses at initial recognition.

The POCI qualification remains from initial recognition to derecognition in the Group's books.

2.14. Loss allowance

A loss allowance for loans and placements with other banks and repo receivables is recognized by the Group based on the expected credit loss model in accordance with IFRS 9. Based on the three stage model the recognized loss allowance equals to 12-month expected credit loss from the initial recognition. On financial assets with significantly increased credit risk or credit impaired financial assets (based on objective evidences) 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 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.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.14. Loss allowance [continued]

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 and contract assets 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 and it is the actual loss allowance on these receivables,
- loss allowance should be recalculated annually.

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 souvereign 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 instruments 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,

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.14. Loss allowance [continued]

Classification into risk classes [continued]

- 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 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.15. Sale and repurchase agreements, security lending

Where debt or equity securities are sold under a commitment to repurchase them at a pre-determined price, they remain on the Consolidated Statement of Financial Position and the consideration received is recorded in Other liabilities or Amounts due to banks, the National Governments, deposits from the National Banks and other banks. Conversely, debt or equity securities purchased under a commitment to resell are not recognized in the Consolidated Statement of Financial Position and the consideration paid is recorded either in Placements with other banks or Deposits from customers. Interest is accrued based on the effective interest method evenly over the life of the repurchase agreement.
In the case of security lending transactions the Group does not recognize or derecognize the securities because believes that the transferor retains substantially all the risks and rewards of the ownership of the securities. Only a financial liability or financial receivable is recognized for the consideration amount.

2.16. Associates and other investments

Companies where the Bank has the ability to exercise significant influence are accounted for using the equity method. Subsidiaries and associated companies that were not accounted for using the equity method and other investments where the Bank does not hold a significant interest are recorded according to IFRS 9. When an investment in an associate is held indirectly through an entity that is a venture capital fund, the Group elects to measure these investments in the associate at fair value through profit or loss in accordance with IFRS 9.

Under the equity method, the investment is initially recognized at cost, and the carrying amount is adjusted subsequently for:
- the Group’s share of the post-acquisition profits or losses of the investee, which are recognized in the Group’s Consolidated Statement of Profit or Loss; and
- the distributions received from the investee, which reduce the carrying amount of the investment.

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 on the basis of the specific identification of the cost of each investment.

2.17. Property and equipment, Intangible assets

Property and equipment and Intangible assets are measured at cost, less accumulated depreciation and amortization and impairment, if any.
Internally generated intangibles, excluding capitalized development costs, are not capitalized – the related expenditures are accounted as cost in the period in which they are incurred. Development costs are capitalized only when the technical and commercial feasibility of the asset has been clearly demonstrated, the Group has the intent and ability to complete the intangible asset and either use it or sell it and be able to demonstrate how the asset will generate future economic benefits. Amortization of these type of assets begins when development is complete 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 softwares among internally generated intangible assets.
The depreciable amount (book value less residual value) of the non-current assets must be allocated over the useful lives.

Depreciation and amortization are computed usually by using the straight-line method over the estimated useful lives of the assets based on the following annual percentages:

	Annual percentages	Useful life period (years)
Intangible assets		
Software	6.3% - 50.0%	2 – 15
Property right	16.7% - 33.3%	3 – 6
Property	1.0% - 50.0%	2 – 100
Machinery and office equipment	3.3% - 63.0%	1.5 – 30
Vehicle	3.0% - 33.3%	3 – 33

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.17. Property and equipment, Intangible assets [continued]

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.

2.18. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.
The Group uses generally FIFO formulas to the measurement of inventories.
Inventories are removed from books when they are sold, unusable or destroyed. When inventories are sold, the carrying amount of those inventories are recognized as an expense in the period in which the related revenue is recognized.
Repossessed assets are classified as inventories. The Group's policy is to sell repossessed assets and not to use them for its internal operations.

2.19. Government grants and government assistance

The Group recognise government grants only when there is a reasonable assurance that the grant will be received, and all attached conditions will be complied with.
The Group presents grants relating to assets as deferred income in the Consolidated Statement of Financial Position, which is recognized in profit or loss on a systematic basis over the useful life of the asset.
Grants related to an expense item are recorded as an other operating income in those periods when the related costs were recognized.

2.20. Financial liabilities

The financial liabilities are presented within these lines in the Consolidated Financial Statements:
- Amount due to banks, the National Governments, deposits from the National Banks and other banks
- Repo liabilities
- Financial liabilities designated at fair value through profit or loss
- Deposits from customers
- Liabilities from issued securities
- Derivative financial liabilities held for trading
- Derivative financial liabilities designated as hedge accounting
- Other financial liabilities

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.20. Financial liabilities [continued]

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.

In the case of financial liabilities measured at amortized cost fees and commissions related to the origination of the financial liability are recognized through profit or loss during the maturity of the instrument using effective interest method. In certain cases the Group repurchases a part of financial liabilities (mainly issued securities or subordinated bonds) and the difference between the carrying amount of the financial liability and the amount paid for it is recognized in the net profit or loss for the period and included in other operating income.

2.21. Leases

The Group as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Lease classification is made at the inception date and is reassessed only if there is a lease modification.

Finance leases

At the commencement date, a lessor derecognizes the assets held under a finance lease in the Consolidated Statement of Financial Position and present them as a receivable at an amount equal to the net investment in the lease. The lessor shall use the interest rate implicit in the lease to measure the net investment in the lease. Direct costs such as commissions are included in the initial measurement of the finance lease receivables.
The Group as a lessor recognizes finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease. The Group applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income.
The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.21. Leases [continued]

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.

Right-of-use asset

The right-of-use assets are presented separately in the Consolidated Statement of Financial Position and initially measured at cost, subsequently the Group applies the cost model and these assets are depreciated on a straight line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the right-of-use asset are depreciated from the commencement date to the end of the useful life of the underlying asset.

Lease liability

At the commencement date, the lease liability is measured at the present value of the lease payments that are not paid at that date discounted by using the rate implicit in the lease, or if this cannot be determined, by using the incremental borrowing rate of the Group.Variable lease payments that do not depend on an index or a rate but e.g. on revenues or usage are recognized as an expense. The Group always separates the non-lease components of the lease contracts and accounts them as an expense. Lease payments must be included in the measurement of the lease liability without value added taxes. Non-deductible VAT is recognized as other expense.

The lease liability is remeasured in the event of a reassessment of the lease liability or lease modification

2.22. Investment properties

Investment properties of the Group are land, buildings, part of buildings which held (as the owner or as the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use in the production or supply of services or for administrative purposes or sale in the ordinary course of business. The Group measures the investment properties at cost less accumulated depreciation and impairment, if any.
The depreciable amount (book value less residual value) of the investment properties must be allocated over their useful lives. The depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets.
The Group discloses the fair value of the investment properties in Note 14 established mainly by external experts.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.23. Share capital

Share capital is the capital determined in the Articles of Association and registered by the Budapest-Capital Regional Court. Share capital is the capital the Bank raised by issuing common stocks at the date the shares were issued. The amount of share capital has not changed over the current period.

2.24. Treasury shares

Treasury shares are shares which are purchased on the stock exchange and the over-the-counter market by the Bank and its subsidiaries and are presented in the Consolidated Statement of Financial Position at cost as a deduction from Consolidated Shareholders' Equity.
Gains and losses on the sale of treasury shares are credited or charged directly to shareholder's equity. Derecognition of treasury shares is based on the FIFO method.

2.25. Non-current assets held-for-sale and discontinued operations

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The Group does not account for a non-current asset that has been temporarily taken out of use as if it had been abandoned.
The Group measures a non-current asset (or disposal group) classified as held for sale 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 (or disposal group) as held for sale, 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) a non-current asset while it is classified as held for sale or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale shall continue to be recognized.

If the Group has classified an asset (or disposal group) as held for sale, but the criteria for that are no longer met, the Group ceases to classify the asset (or disposal group) as held for sale. The Group measures a non-current asset that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of:

- its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognized had the asset (or disposal group) not been classified as held for sale, and
- its recoverable amount at the date of the subsequent decision not to sell.

The Group presents a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the Consolidated Statement of Financial Position. The liabilities of a disposal group classified as held for sale is 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 are separately disclosed in the Notes.
The Group presents separately any cumulative income or expense recognized in other comprehensive income relating to a non-current asset (or disposal group) classified as held for sale. Results from discontinued operations are reported separately in the Consolidated Statement of Profit or Loss as result from discontinued operations.

2.26. Interest income and income similar to interest income and interest expense

Interest income and expense are recognized in profit or loss in the period to which they relate, using the effective interest rate method.
For exposures categorized into Stage 1 and Stage 2 the interest income is recognized on a gross basis. For exposures categorized into Stage 3 (using effective interest rate) and for POCI (using credit-adjusted effective interest rate) the interest income is recognized on a net basis.
The time-proportional income similar to interest income of derivative financial instruments is calculated without using the effective interest method and the positive fair value adjustment of interest rate swaps are included in income similar to interest income.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.26. Interest income and income similar to interest income and interest expense [continued]

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.

2.27. Fees and Commissions

Fees and commissions that are not involved in the amortized cost model are recognized in the Consolidated Statement of Profit or Loss on an accrual basis according to IFRS 15 Revenue from contracts with customers (see more details in Note 32). These fees are related to deposits, cash withdrawals, security trading, bank card etc.

The Group recognizes income if performance obligations related to the certain goods or services are satisfied, performed, and control over the asset is transferred to the customer, and it is probable that consideration payable will probably flow to the entity. In case of those services, where the Group transfers control over the asset continuously, income is recognised on accrual basis.

The Group provides foreign exchange trading services to its customers, the profit margin achieved on these transactions is presented as Net profit from fees and commissions in the Consolidated Statement of Profit or Loss.

2.28. Profit from associates

Profit from associates refers to any distribution of an entity earnings to shareholders from stocks or mutual funds that is owned by the Group. The Group recognizes profit from associates in the Consolidated Financial Statements when its right to receive payment is established.

2.29. Income tax

The Group considers corporate income tax as current tax according to IAS 12. The Group also considers local business tax and the innovation contribution as income tax in Hungary.
The annual taxation charge is based on the tax payable under fiscal regulations prevailing in the country where the company is incorporated, adjusted for deferred taxation. Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences between the tax bases of assets and liabilities and their carrying value for financial reporting purposes, measured at the tax rates that apply to the future period when the asset is expected to be realized or the liability is settled.

Current tax asset or current tax liability is presented related to income tax and innovation contribution separately in the Consolidated Statement of Financial Position.

Deferred tax assets are recognized by the Group for the amounts of income taxes that are recoverable in future periods in respect of deductible temporary differences as well as the carryforward of unused tax losses and the carryforward of unused tax credits.

The Group recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint arrangements, to the extent that, and only to the extent that, it is probable that:
- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.29. Income tax [continued]

The Group considers the availability of qualifying taxable temporary differences and the probability of other future taxable profits to determine whether future taxable profits will be available according to IAS 12.
The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, except to the extent that both of the following conditions are satisfied:

- the Bank is able to control the timing of the reversal of the temporary difference, and
- it is probable that the temporary difference will not reverse in the foreseeable future.

The Group only offsets its deferred tax liabilities against deferred tax assets when:

- there is a legally enforceable right to set-off current tax liabilities against current tax assets, and
- the taxes are levied by the same taxation authorities on either
    - the same taxable entity or
    - different taxable entities which intend to settle current tax liabilities and assets on a net basis.

2.30. Banking tax

The Bank and some of its subsidiaries are obliged to pay banking tax based on Act LIX of 2006. As the calculation is not based on the taxable profit but on the adjusted total assets as reported in the Separate Financial Statements of the Bank and its entities for the second period preceding the current tax year, therefore, the banking tax is considered as an other administrative expense, not as income tax.

2.31. Off-balance sheet commitments and contingent liabilities

In the ordinary course of its business, the Group enters into off-balance sheet commitments such as guarantees, letters of credit, commitments to extend credit and transactions with financial instruments. The provision for off-balance sheet commitments and contingent liabilities is maintained at a level adequate to absorb future cash outflows which are probable and relate to present obligations.

In the case of commitments and contingent liabilities, the Management determines the adequacy of the loss allowance based upon reviews of individual items, recent loss experience, current economic conditions, the risk characteristics of the various categories of transactions and other pertinent factors. The Group recognizes provision for off-balance sheet commitment and contingent liabilities in accordance with IAS 37 when it has a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the obligation. For financial guarantees and loan commitments given which are under IFRS 9 the expected credit loss model is applied when the provision is calculated (see more details in Note 2.14.). After initial recognition the Group subsequently measures those contracts at a higher of the amount of the loss allowance or of the amount initially recognised less the cumulative amount of income recognized in accordance with IFRS 15.

2.32. Share-based payment

The Group has applied the requirements of IFRS 2 Share-based Payment.

The Group issues equity-settled share-based payment to certain employees. Equity-settled share-based payment is measured at fair value at the grant date. The fair value determined at the grant date of the equity-settled share-based payment is expensed on a straight-line basis over the year, based on the Group's estimate of shares that will eventually vest. Share-based payment is recorded in Consolidated Statement of Profit or Loss as Personnel expenses.

Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on Management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.33. Employee benefits

The Group has applied the requirement of IAS 19 Employee Benefits. These benefits are recognised as an expense and liability undiscounted in the Consolidated Financial Statements. Liabilities are regularly remeasured. Gains or losses due to the remeasurement are recognised in the Consolidated Statement of Profit or Loss.

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. These can be wages, salaries and bonuses, premium, paid annual leave and paid sick leave and other free services (health care, reward holiday). Long-term employee benefits are mostly the jubilee reward.

Post-employment benefits are employee benefits (other than termination and short-term employee benefits) that are payable after the completion of employment. Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees. Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans, depending on the economic substance of the plan as derived from its principal terms and conditions.

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.

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either: an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. Other long-term employee benefits are all employee benefits other than short-term employee benefits, postemployment benefits and termination benefits.

2.34. Biological assets and agricultural produce

The Group recognises a biological asset or agricultural produce according to IAS 41 only when it controls the asset as a result of past events, it is probable that future economic benefits will flow and the fair value or the cost can be measured reliably.
Biological assets are measured on initial recognition and at subsequent periods at fair value less estimated costs to sell, unless fair value cannot be reliably measured.
Agricultural produce is measured at fair value less estimated costs to sell at the point of harvest.
The gain on initial recognition of biological assets at fair value less costs to sell, and changes in fair value less costs to sell of biological assets during a period are included in profit or loss for the period in which it arises as other operating income.

2.35. Consolidated Statement of Cash-flows

Cash flows arising from the operating, investing or financing activities are reported in the Statement of Cash-Flows of the Group primarily on a gross basis. Net basis reporting are applied by the Group in the following cases:

- when the cash flows reflect the activities of the customer rather than those of the Group, and
- for items in which the turnover is quick, the amounts are large, and the maturities are short.

For the purposes of reporting Consolidated Statement of Cash-flows, cash and cash equivalents include cash, due from banks and balances with the National Banks, excluding the compulsory reserve established by the National Banks. This line item shows balances of HUF and foreign currency cash amounts, and sight deposit from NBH and from other banks, furthermore balances of current accounts.
Consolidated cash-flows from hedging activities are classified in the same category as the item being hedged. The unrealized gains and losses from the translation of monetary items to the closing foreign exchange rates and unrealized gains and losses from derivative financial instruments are presented net as operating activity separately in the Consolidated Statement of Cash-flows for the monetary items which have been revaluated.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.36. Segment reporting

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.
Based on the above, the segments identified by the Group are the business and geographical segments.
The Group’s operating segments under IFRS 8 are therefore as follows: OTP Core Hungary, Russia, Ukraine, Bulgaria, Romania, Serbia, Croatia, Montenegro, Albania, Moldova, Slovenia, Merkantil Group, Asset Management subsidiaries, Other subsidiaries, Corporate Center.

2.37. Comparative balances

Reclassification of certain business tax, innovation contribution and other lines in the Consolidated Statement of Profit or Loss

The Goup has reviewed prescriptions related to business tax and innovation contribution, the determination of their tax base and their effects on payment obligation. As a result of the review the local business tax and innovation contribution have been reclassified to income tax in line with banking industry practice. In these Consolidated Financial Statements prepared for the year ended 31 December 2021 the Group presents these taxes as income tax and reclassified the financial information for comparative periods.

There are other lines in the Consolidated Statement of Profit or Loss which are presented on separate lines like: derecognition of financial assets at amortized cost, modification loss and net result on derivative instruments, in the Consolidated Statement of Financial Position there is provision for conditional liability to be separated from those items, results which previously contained them. While gains on securities mandatorily at fair value through profi or loss was presented previously among Gains on securities now it is presented among Fair value adjustment on financial instruments at fair value through profit or loss. All these reclassifications were necessary to improve presentation.

The Group has reclassified the presentation of the detailed notes to the amended Consolidated Statement of Financial Position and Consolidated Statement of Profit or Loss line items for comparative information in accordance with the new values. These amendments have been marked “Reclassified” by the Group.

Amendments to the information published in the supplementary annexes concerned the following supplementary notes:

- Note 16 Other assets
- Note 24 Other liabilities
- Note 31 Loss allowances / impairment / provisions
- Note 33 Gains and losses by transactions
- Note 35 Income tax

Except as described above 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 2020.

Line item	2021	2020 Revised presentation	Reclassification of business tax and innovation contribution	Reclassification of provisions	2020 As previously presented
Current income tax receivables	29,978	39,171	235	-	38,936
Other assets	276,785	266,239	(235)	-	266,474
Further assets items	27,246,621	23,030,431	-	-	23,030,431
TOTAL ASSETS	**27,553,384**	**23,335,841**	**-**	**-**	**23,335,841**
Current income tax payable	36,581	29,528	1,844	-	27,684
Provisions	119,799	116,467	-	116,467	-
Other liabilities	598,081	489,426	(1,844)	(116,467)	607,737
Further liability items	23,762,157	20,163,308	-	-	20,163,308
TOTAL LIABILITIES	**24,516,618**	**20,798,729**	**-**	**-**	**20,798,729**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.37. Comparative balances [continued]

Line item	2021	2020 Revised presentation	Reclassification of business tax and innovation contribution	Reclassification of amounts related to derivative instruments	Reclassification of gains on securities mandatorily at fair value through profi or loss	Reclassification of amounts related to modification losses	Reclassification of amounts related to derecognition of financial assets at amortized cost	2020 As previously presented
Interest income calculated using the effective interest method	922,539	841,901	-	-	-	-	-	841,901
Income similar to interest income	194,920	135,986	-	-	-	-	-	135,986
Interest income and income similar to interest income	**1,117,459**	**977,887**	**-**	**-**	**-**	**-**	**-**	**977,887**
Interest expense	**(243,149)**	**(195,216)**	**-**	**-**	**-**	**-**	**-**	**(195,216)**
Loss allowance on loans, placements and on repo receivables	(27,721)	(172,520)	-	-	-	29,773	(1,978)	(200,315)
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	(16,289)	(3,262)	-	-	-	-	-	(3,262)
Further risk cost items	(3,635)	(15,093)	-	-	-	-	-	(15,093)
Risk cost total	**(47,645)**	**(190,875)**	**-**	**-**	**-**	**29,773**	**(1,978)**	**(218,670)**
NET INTEREST INCOME AFTER RISK COST	**826,665**	**591,796**	**-**	**-**	**-**	**29,773**	**(1,978)**	**564,001**
Gain from derecognition of financial assets at amortized cost	**1,885**	**3,380**	**-**	-	-	-	**3,380**	**-**
Modification loss	**(13,672)**	**(29,773)**	-	**-**	**-**	**(29,773)**	**-**	**-**
Net profit from fees and commissions	**442,174**	**397,633**	**-**	**-**	**-**	**-**	**-**	**397,633**
Foreign exchange gains, net	(4,075)	7,864	-	(11,340)	-	-	-	19,204
Gains on securities, net	5,560	7,465	-	-	(7,239)	-	(1,402)	16,106
Fair value adjustment on financial instruments at fair value through profit or loss	(532)	4,843	-	-	7,239	-	-	(2,396)
Gain on derivative instruments, net	6,798	11,340	-	11,340	-	-	-	
Further non-operating items	11,244	(5,459)	-	-	-	-	-	(5,459)
Net operating income	**18,995**	**26,053**	**-**	**-**	**-**	**-**	**(1,402)**	**27,455**
Other general expenses	(340,684)	(308,642)	-	-	-	-	-	(308,642)
Further administrative expenses	(406,928)	(382,483)	16,542	-	-	-	-	(399,025)
Other administrative expenses	**(747,612)**	**(691,125)**	**16,542**	**-**	**-**	**-**	**-**	**(707,667)**
Profit before income tax	**528,435**	**297,964**	**16,542**	**-**	**-**	**-**	**-**	**281,422**
Income tax expense	(72,123)	(43,918)	(16,542)	-	-	-	-	(27,376)
Net profit for the year	**456,312**	**254,046**	**-**	**-**	**-**	**-**	**-**	**254,046**

NOTE 3: SIGNIFICANT ACCOUNTING ESTIMATES AND DECISIONS IN THE APPLICATION OF ACCOUNTING POLICIES

The presentation of financial statements in conformity with IFRS as adopted by EU requires the Management of the Group to make judgement about estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on the expected loss and other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period. Actual results could differ from those estimates. Significant areas of subjective judgement include:

3.1. Loss allowances on financial instruments exposed to credit risk

The Group regularly assesses its financial instruments portfolio for loss allowance. Management determines the adequacy of the loss allowances based upon reviews of individual loans and placements, recent loss experience, current economic conditions, the risk characteristics of the various categories of loans and other pertinent factors. The use of the three stage model was implemented for IFRS 9 purposes. The impairment methodology is used to classify financial instruments in order to determine whether credit risk has significantly increased since initial recognition and to identify the credit-impaired assets. For instruments with credit-impairment or significant increase of credit risk lifetime expected losses are recognized (see more details in Note 37.1.)

3.2. Valuation of instruments without direct quotations

Financial instruments without direct quotations in an active market are valued using the valuation model technique. The models are regularly reviewed and each model is calibrated for the most recent available market data. While the models are built only on available data, their use is subject to certain assumptions and estimates (e.g. correlations, volatilities, etc.). Changes in the model assumptions may affect the reported fair value of the relevant financial instruments.
IFRS 13 Fair Value Measurement seeks to increase the consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The Group evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary, based on the facts at the beginning of the reporting period. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.

3.3. Provisions

Provision is recognized and measured for commitments to extend credit and for warranties arising from banking activities based on IFRS 9 Financial Instruments. Provision for these instruments is recognized based on the credit conversion factor, which shows the proportion of the undrawn credit line that will probably be drawn.
Other provisions are recognized and measured based on IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The Group is involved in a number of ongoing legal disputes. Based upon historical experience and expert reports, the Group assesses the developments in these cases, and the likelihood and the amount of potential financial losses which are appropriately provided for. (See Note 24.)
Other provision includes provision for litigation, provision for retirement and expected liabilities and provision for confirmed letter of credit.
A provision is recognized by the Group when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

NOTE 3: SIGNIFICANT ACCOUNTING ESTIMATES AND DECISIONS IN THE APPLICATION OF ACCOUNTING POLICIES [continued]

3.4. Impairment on goodwill

Goodwill acquired in a business combination is tested for impairment annually or more frequently when there is an indication that the unit might be impaired, in accordance with IAS 36 "Impairment of assets".
The Group calculates the fair value based on discounted cash-flow model. The 3 year period explicit cash-flow model serves as a basis for the impairment test by which the Group defines the impairment need on goodwill based on the strategic factors and financial data of its cash-generating units. In the calculation of the goodwill impairment, also the expectations about possible variations in the amount or timing of those future cash-flows, the time value of money, represented by the current market risk-free rate of interest and other factors are reflected.

3.5. Business model

A business model refers to how the Group manages its financial instruments in order to generate cash flows. It is determined at a level that reflects how groups of financial instruments are managed rather than at an instrument level.

The financial assets held by the Group are classified into three categories depending on the business model within the financial assets are managed.

- Business model whose objective is to hold financial assets in order to collect contractual cash flows. Some sales can be consistent with hold to collect business model and the Group assesses the nature, frequency and significance of any sales occurring. The Group does not consider the sale frequent when at least six months have elapsed between sales. The significant sales are those when the sales exceed 2% of the total hold to collect portfolio. Within this business model the Group manages mainly loans and advances and long term securities and other financial assets.
- Business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Within this business model the Group only manages securities.
- Business model whose objective is to achieve gains in a short term period. Within this business model the Group manages securities and derivative financial instrument.

If cash flows are realised in a way that is different from the expectations at the date that the Bank/Group assessed the business model, that does not give rise to a prior error in the Group's financial statements nor does it change the classification of the remaining financial assets held in that business model.
When, and only when the Group changes its business model for managing financial assets it reclassifies all affected assets. Such changes are determined by the Group's senior management as a result of external o r internal changes and must be significant to the Group's operations and demonstrable to external parties. The Group shall not reclassify any financial liability.

3.6. Contractual cash-flow characteristics of financial assets

Classification of a financial asset is based on the characteristics of its contractual cash flows if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
The Group should determine whether the asset's contractual cash flows are solely payments of principal and interest on the principal amount outstanding (SPPI test). Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement.

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.

NOTE 3: SIGNIFICANT ACCOUNTING ESTIMATES AND DECISIONS IN THE APPLICATION OF ACCOUNTING POLICIES [continued]

3.6. Contractual cash-flow characteristics of financial assets [continued]

The time value of money is the element of interest that provides consideration for only the passage of time. However, in some cases, the time value of money element may be modified. In such cases, the Group assesses the modification to determine whether the contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.
When assessing a modified time value of money element, the objective is to determine how different the undiscounted contractual cash flows could be from undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). The benchmark instrument can be an actual or a hypothetical financial asset. If the undiscounted contractual cash flows significantly – above 2% – differ from the undiscounted benchmark cash flows, the financial asset should be subsequently measured at fair value through profit or loss.

- **NOTE 4: IMPACT OF CORONA VIRUS (COVID-19)**

Risks relating to the impact of COVID-19 pandemic

The COVID-19 pandemic has had, and continues to have, a material impact on businesses around the world and the economic environment. There are a number of factors associated with the COVID-19 pandemic and its 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 COVID-19 pandemic has caused disruption to the OTP Group's customers, suppliers and staff. A number of jurisdictions in which the OTP Group operates have implemented severe restrictions on the movement of their respective populations, with a resultant significant impact on economic activity in those jurisdictions. These restrictions are being determined by the governments of individual jurisdictions and impacts (including the timing of implementation and any subsequent lifting of restrictions) may vary from jurisdiction to jurisdiction. It remains unclear how this will evolve through 2020 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, resulting from the unavailability of staff due to illness or the failure of third parties to supply 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 COVID-19 pandemic, 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.

Summary of economic policy measures made in response to the pandemic and other important developments, as well as post-balance sheet events

In the section below, the measures and developments which have been made since the beginning of 2021, and – in OTP Bank's view – are relevant and have materially influenced / can materially influence the operation of the Group members.
OTP Bank excludes any liability for the completeness and accuracy of the measures presented herein.

NOTE 4: IMPACT OF CORONA VIRUS (COVID-19) [continued]

Summary of economic policy measures made in response to the pandemic and other important developments, as well as post-balance sheet events [continued]

Hungary

- Effective from 13 January 2021 the National Bank of Hungary („NBH") extended the available amount for the Bond Funding for Growth scheme by HUF 750 billion to HUF 1,150 billion. At the same time it decided to increase the maximum maturity of corporate bonds that can be purchased by the central bank from 20 to 30 years. Also, the NBH's exposure limit to a specific group was revised from HUF 50 billion to HUF 70 billion.
- On 4 February 2021, the Prime Minister announced an interest-free loan programme for companies in trouble in the wake of the pandemic. According to Government Resolution 1038/2021. (II. 5.) the programme will be administered by the Hungarian Development Bank, and the available amount under the programme will be HUF 100 billion. Companies can take out maximum HUF 10 million each for the purpose of covering wages and social contributions, overhead costs, general operating expenses and inventory financing. The client interest rate is 0%, the loan tenor can be up to 10 years, and the servicing of the loan will start after a 3 year grace period. The scope of eligible entities was determined in agreement with the Hungarian Chamber of Commerce and Industry.
- On 1 April 2021, Moody's rating agency upgraded the outlook on the Hungarian banking sector from negative to stable.
- On 6 April 2021, the NBH raised the available amount for the Funding for Growth Go! Scheme by HUF 500 billion to HUF 3,000 billion.
- On 18 May 2021, the Hungarian Development Bank revealed that the interest-free, maximum HUF 10 million loan for micro- and small enterprises (the so-called interest-free restart quick loan) can be applied for by companies whose revenues in 2020 plummeted by more than 30%, irrespective of the scope of activities (certain other criteria must be met).
- On 25 May 2021, the National Bank of Hungary did not touch the benchmark interest rates, but stressed that the central bank is ready to tighten monetary conditions in a proactive manner to the extent necessary in order to ensure price stability and to mitigate inflation risks.
- On 9 June 2021, Viktor Orbán Prime Minister announced that their actual personal income tax payments (up to the tax burden of the average wage) will be refunded to families raising kids in early-2022 provided that the 2021 GDP growth surpasses 5.5%.
- According to Government Decree No. 317/2021. (VI. 9.) released on 9 June 2021 the payment moratorium was extended with unchanged conditions until 30 September 2021.
- On 9 June 2021, Viktor Orbán Prime Minister announced that once the central bank phases out its Funding for Growth scheme, the government will have to shoulder the financial burden of providing cheap (not higher than 0.5% interest rate) subsidized loans to domestic micro and small enterprises, through the Széchenyi Card programme by KAVOSZ. On 9 June László Krisán, CEO of KAVOSZ revealed the details of the Széchenyi Card GO! programme launched on 1 July 2021.
- On its 22 June 2021 meeting the Monetary Council embarked on a rate hike cycle: the base rate was increased by 30 bps to 0.9%. Also, effective from 24 June 2021 the National Bank of Hungary raised the one-week deposit rate to the level of the base rate.
  The Monetary Council has started to transform the use of instruments having an effect at longer maturities. Accordingly, with the exhaustion of the HUF 3,000 billion available amount, the Funding for Growth Go! programme will be phased out. However, the central bank continues to consider the government securities purchase programme to be crucial in its set of monetary policy instruments. The central bank will continue to use the programme by maintaining a lasting presence in the market, taking a flexible approach to changing the quantity and structure of weekly securities purchases, to the extent and for the time necessary.
- On 2 July 2021, the National Bank of Hungary recommended in its circular that financial institutions should abstain from charging prepayment fees in the case of full or partial prepayment of deferred interest and fee accumulated during the term of the moratorium. The central bank also recommended free of charge loan contract modification if borrowers voluntarily undertake higher monthly instalments in order to shorten the remaining maturity.

NOTE 4: IMPACT OF CORONA VIRUS (COVID-19) [continued]

Summary of economic policy measures made in response to the pandemic and other important developments, as well as post-balance sheet events [continued]

Hungary [continued]

- On 6 July 2021, the National Bank of Hungary announced that with the aim of boosting green mortgage lending, it decided to launch the Green Mortgage Bond Purchase Programme and the FGS Green Home Programme as the first steps of the implementation of the new Green Monetary Policy Toolkit Strategy:
    - The strategic goal of the Green Mortgage Bond Purchase Programme is to contribute to the development of the domestic green mortgage bond market through targeted purchases and, through this, encourage green mortgage loan activities. The central bank will review the programme when the HUF 200 billion purchase volume has been reached. Additionally, the central bank also decided to re-launch the Mortgage Bond Rollover Facility for mortgage bonds without green rating.
    - The National Bank of Hungary will launch the Green Home Programme in October 2021 with a total limit of HUF 200 billion as part of the Funding for Growth Scheme (FGS). As in the previous phases of the FGS, the NBH will provide refinancing operation to credit institutions at 0% interest, which will be lent to residential customers at a maximum of 2.5%, fixed interest rate until the end of the maturity period. Under the scheme, loans of up to HUF 70 million and a maximum term of 25 years can be granted for constructions or purchases of new, highly energy-efficient residential real estates.
- On 23 July 2021, the European Central Bank announced that restrictions concerning dividend payments won't be prolonged beyond the previously effective deadline of 30 September 2021.
- A Government Decree was published on 23 July 2021 facilitating the VAT refund in the case of newly built houses in brownfield sites.
- On 27 July 2021, the National Bank of Hungary raised the base rate by 30 bps to 1.2%, then on 29 July the one-week deposit rate was hiked to the same level, by the same magnitude.
- On 30 July 2021, the results of the 2021 EU-wide stress test conducted by the European Banking Authority were revealed. The fully loaded consolidated Common Equity Tier 1 („CET1") ratio of OTP Bank Plc. would change to 16.3% under the baseline scenario and to 11.2% under the adverse scenario in 2023, compared to 14.2% (fully loaded „CET1") as at the end of 2020.
- On 12 August 2021, the National Bank of Hungary announced that its management circular has been reviewed. According to one of the amendments, the central bank extended the deadline concerning restrictions on dividend payment and treasury share purchases until the end of 2021. Credit institutions might be exempted from the dividend payment ban only if they meet certain strict conditions.
- On 24 August 2021, the National Bank of Hungary raised the base rate by 30 bps to 1.5%. Additionally, the central bank decided to begin gradually withdrawing the government securities purchase programme while considering aspects of maintaining market stability. Also, the central bank increased the available amount under the Bond Funding for Growth scheme by HUF 400 billion to HUF 1,550 billion.
- Pursuant to Government Decree 536/2021. (IX. 15.) published on 15 September, the Government decided to extend the debt repayment moratorium with the following conditions:
    - The blanket moratorium was extended by an additional month, until the end of October, in an unchanged form.
    - From the beginning of November 2021 until 30 June 2022 only the eligible borrowers can participate in the moratorium provided that they submitted a request to their banks about their intention to stay. So, the extension beyond October is not automatic: borrowers had to submit a notification to their bank (opt-in). Eligible retail borrowers include private individuals whose income fell compared to the previous period, unemployed people, fostered workers, families raising children below the age of 25 or expecting a baby, and pensioners (for details see the relevant decree). Eligible companies shall fulfil the following criteria: more than 25% decline in revenues in the 18 months period preceding the submission of the request to participate, and if the company has not concluded a new subsidized loan contract since 18 March 2020. During the term of the one-month extension until the end of October, eligible clients could submit the necessary documents to their banks in order to stay in the scheme until June 2022, so this one-month lengthening could be regarded as technical.
- According to Government Decree 537/2021. (IX. 15.) published on 15 September, credit institutions shall re-calculate the interest deferred during the period spent in the moratorium in the case of overdraft loans and credit card exposures. The base for the re-calculation shall be the NBH's statistical data for the average annualized cash loan interest rate published for February 2020. The difference between the deferred interest booked according to the original contract and the re-calculated amount shall be refunded to the borrowers by way of crediting the borrowers' account with the due amount.

NOTE 4: IMPACT OF CORONA VIRUS (COVID-19) [continued]

Summary of economic policy measures made in response to the pandemic and other important developments, as well as post-balance sheet events [continued]

Hungary [continued]

- On 21 September 2021, the National Bank of Hungary hiked the base rate by 15 bps to 1.65%. Furthermore, the NBH continued to gradually withdraw the government securities purchase programme.
- On 4 October 2021, the National Bank of Hungary launched the FGS Green Home Programme as part of its green monetary policy toolkit strategy.
- On 5 October 2021, OTP Mortgage Bank issued green covered bonds in the amount of HUF 90 billion.
- On 19 October 2021, the National Bank of Hungary increased the base rate by 15 bps to 1.8%.
- On 16 November 2021, the Monetary Council of the NBH hiked the base rate by 30 bps to 2.1%. The Deputy Governor of NBH stressed after the Monetary Council meeting that the NBH is ready to set the rate of the 1-week central bank deposit above the level of the base rate already from 18 November. Accordingly, on 18 November the NBH raised the rate of the 1-week deposit facility to 2.5%, and the central bank accepted all offers at the tender. Consequently, the 1-week deposit has become the effective rate for the banking sector determining the marginal asset yields.
- On its weekly one-week deposit tender on 25 November 2021 the NBH offered an interest rate of 2.9%.
- On 30 November 2021, the NBH's Monetary Council widened the interest rate corridor and also decided to make it asymmetric. Accordingly, the lower bound of the corridor was raised by 45 bps and the upper one by 105 bps.
- On 2 December 2021, the NBH hiked the rate of the 1-week central bank deposit by 20 bps to 3.1%.
- On 9 December 2021, the NBH hiked the rate of the 1-week central bank deposit by 20 bps to 3.3%.
- On 14 December 2021, the NBH's Monetary Council raised the base rate by 30 bps to 2.4% and made a decision to phase out both the Bond Funding for Growth programme and the government bond purchase programme.
- On 16 December 2021, the NBH hiked the rate of the 1-week central bank deposit by 30 bps to 3.6%.
- Mr. Viktor Orbán Prime Minister announced on 22 December 2021 that the government will introduce an interest rate cap for certain retail mortgage loans (for example whose pricing is linked to a reference rate, but the legislation does not apply to those with longer fixation periods) for the period between 1 January and 30 June 2022. Accordingly, the affected mortgages' reference rate cannot be higher than the relevant reference rate as at 27 October 2021. Furthermore, banks had to inform their borrowers about the interest rate risk and offer amendments to the contract until 31 January 2022. Details were laid down by Government Decree 782/2021 (XII. 24.) and Decree 1/2022 (I. 3.) by the Prime Minister's Office.
- On 23 December 2021, the NBH hiked the rate of the 1-week central bank deposit by 20 bps to 3.8%.
- In its release published on 27 December 2021 the NBH said that from 1 January 2022 Hungarian credit institutions can pay dividends and buy back shares with shareholder remuneration purposes again. Thus, the NBH did not extend these restrictions in line with the similar step taken by the ECB at the end of September.
- On 30 December 2021, the NBH hiked the rate of the 1-week central bank deposit by 20 bps to 4.0%.
- Against the initially planned 2 pps social security contribution cut effective from July 2022, the government reduced employers' taxes by 4 pps already from 1 January 2022 (the 1.5% vocational training contribution was abolished and the social contribution taxes were cut by 2.5 pps).
- On 25 January 2022, the NBH hiked the base rate by 50 bps to 2.9%.
- On 27 January 2022, the NBH hiked the rate of the 1-week central bank deposit by 30 bps to 4.3%.
- On 15 February 2022, the CSO revealed the final GDP growth figures: accordingly, in 4Q 2021 the quarterly expansion of 2.1% was stronger than expected, lifting the annual growth rate to 7.1% in 2021 as a whole (seasonally and working day adjusted). Mr. Mihály Varga (Minister of Finance) announced that the government expects 5.9% growth for 2022.

NOTE 4: IMPACT OF CORONA VIRUS (COVID-19) [continued]

Summary of economic policy measures made in response to the pandemic and other important developments, as well as post-balance sheet events [continued]

Bulgaria

- On 19 February 2021, Fitch rating agency affirmed the credit rating of Bulgaria at 'BBB', while changing the outlook from stable to positive.
- The parliamentary elections held on 4 April 2021 were won by the GERB party led by Mr. Boyko Borisov, the previous prime minister.

Serbia

- On 12 March 2021, the credit rating of Serbia was upgraded by Moody's from 'Ba3' to 'Ba2'. The outlook is stable.
- At the end of April 2021 the integration process of the two Serbian banks was successfully completed, thus the merger process came to an end from all legal, operational and organizational point of view.

Slovenia

- On 2 February 2022, the Slovenian Parliament passed a law requiring banks to compensate customers for losses arising from FX rate depreciation of more than 10% in the case of CHF mortgages disbursed between 2004 and 2010. The law came into force 15 days after its Parliamentary approval, and under the law banks have 60 days to notify their customers about the reimbursement and the recalculated new instalments. SKB Banka intends to file a constitutional objection against the law, and plans to submit the appeal to the local Constitutional Court after the law's entry into force. A provision is expected to be made in March 2022 for the potential negative impact.

Romania

- On 15 January 2021, the National Bank of Romania decided to reduce the key interest rate by 25 bps to 1.25%.
- On 16 April 2021, Standard & Poor's changed outlook on the country's „BBB-" credit rating from negative to stable.
- On 5 October 2021, the central bank increased the reference rate by 25 bps to 1.5%.
- The National Bank of Romania raised the key interest rate by 25 bps on 10 January 2022, and by further 50 bps on 10 February 2022 to 2.5%.

Ukraine

- On 4 March 2021, the Ukrainian central bank increased the base rate by 50 bps to 6.5%.
- On 15 April 2021, the Ukrainian central bank increased the base by 100 bps to 7.5%.
- On 23 July 2021 the National Bank of Ukraine increased the base rate by 50 bps to 8%.
- On 6 August 2021, Fitch Ratings changed outlook on the country's „B" credit rating from stable to positive.
- On 9 September 2021, the National Bank of Ukraine raised the base rate by 50 bps to 8.5%.
- On 20 January 2022, the National Bank of Ukraine raised its key interest rate by 1 pp to 10%.

Russia

- On 20 January 2021, the Central Bank of Russia published its 2021-2022 road map for regulating consumer lending, as a result loosening measures taken in 2020 to facilitate lending will be reversed through higher risk weights being introduced.
- On 19 March 2021, the Russian central bank hiked the base rate from 4.25% to 4.5%.
- On 23 April 2021, the Russian central bank hiked the base rate from 4.5% to 5%.
- On 23 July 2021, the Central Bank of Russia hiked the base rate by 100 bps, to 6.5%.
- On 30 July 2021, the Central Bank of Russia announced that the risk weight of local currency denominated unsecured consumer loans granted after 1 October will be increased.
- On 10 September 2021, the Russian national bank hiked the base rate by 25 bps to 6.75%.
- On 22 October 2021, the Russian central bank raised the base rate by 75 bps to 7.5%.
- On 11 February 2022, CBR hiked the base rate by 100 bps to 9.5%.

NOTE 4: IMPACT OF CORONA VIRUS (COVID-19) [continued]

Interest rate cap

For the period between 1 January and 30 June 2022 the government introduced an interest rate cap for variable-rate retail mortgage loans, and with its decision announced on 18 February, for housing purposes financial leasing contracts, too. Accordingly, the affected exposures' reference rate cannot be higher than the relevant reference rate as at 27 October 2021.
The modification loss related to the interest rate cap for variable rate mortgage loans announced on 22 December 2021 was recognized in the Bank's 2021 financial accounts. The extension of the interest rate cap to housing purposes financial leasing contracts does not have a significant negative effect.

Moratorium, one-off effect

In Hungary the first phase of the moratorium on loan payments was effective from 19 March 2020 to 31 December 2020. At the end of 2020 the moratorium was extended in unchanged form for the period between 1 January 2021 and 30 June 2021. Furthermore, according to Government Decree No. 317/2021. (VI. 9.) released on 9 June 2021 the payment moratorium was extended with unchanged conditions until 30 September 2021. Pursuant to Government Decree 536/2021. (IX. 15.) published on 15 September, the Government decided to extend the debt repayment moratorium: the blanket moratorium was extended by an additional month, until the end of October, in an unchanged form. Furthermore, from the beginning of November 2021 until 30 June 2022 only the eligible borrowers can participate in the moratorium provided that they submitted a request to their banks about their intention to stay.
During the term of the moratorium OTP Bank accrues the unpaid interest in its statement of recognized income, amongst the revenues. At the same time, due to the fact that interest cannot be charged on the unpaid interest, and the unpaid interest will be repaid later, in the course of 2020 and 2021 altogether HUF 43.3 billion after tax loss emerged in Hungary and Serbia altogether. Within that amount there was a -HUF 1.7 billion (after tax) negative impact booked in December 2020 in relation to the Serbian deferral scheme, as the original interest calculation method was changed by the local regulator (originally the compound interest method was allowed by the law in Serbia, but charging interest on deferred interest was later retroactively disallowed by the regulator).
Loan volumes under the Hungarian payment holiday followed a declining trend till the end of October 2021, then from November the participation dropped materially due to the changes to the structure. At the end of 2021 the total household and corporate exposures remaining under the moratorium comprised HUF 245 billion at OTP Core and Merkantil Group, which made up 4.1% of the total gross loan portfolio of those two entities.

The following table below shows the volume of loans in moratorium as at 31 December 2021 in OTP Group and the ratio of these loans of the portfolio by countries:

	Current volume in moratorium (million LCY)	Current volume in moratorium (million HUF)	Gross loans (million HUF)	Current participation ratio
OTP Core	237,027	237,027	5,549,019	4.27%
Merkantil Group	8,281	8,281	440,621	1.88%
OTP banka Srbija Group (Serbia)	276	868	1,715,347	0.05%
DSK Group (Bulgaria)	2	342	2,922,886	0.01%
SKB Banka d.d. Ljubljana (Slovenia)	0.02	7	984,605	0.001%
OTP banka d.d. (Croatia)	55	2,722	1,811,376	0.15%
Crnogorska komercijalna banka Group (Montenegro)	0.08	28	366,369	0.01%
JSC "OTP Bank" (Russia)	269	1,170	753,373	0.16%
Total		**250,445**	**14,543,596**	

NOTE 4: IMPACT OF CORONA VIRUS (COVID-19) [continued]

The following table below shows the volume of loans in moratorium as at 31 December 2020 in OTP Group and the ratio of these loans of the portfolio by countries:

	Current volume in moratorium (million LCY)	Current volume in moratorium (million HUF)	Gross loans (million HUF)	Current participation ratio
OTP Core	1,760,231	1,760,231	4,631,974	38.00%
OTP banka d.d. (Croatia)	3,372	163,052	1,642,170	9.93%
Merkantil Group	120,379	120,379	416,987	28.87%
SKB Banka d.d. Ljubljana (Slovenia)	150	54,835	909,439	6.03%
OTP Bank Romania S.A. (Romania)	545	40,853	861,393	4.74%
DSK Group (Bulgaria)	60	11,190	2,634,870	0.42%
Crnogorska komercijalna banka Group (Montenegro)	13	4,589	362,067	1.27%
JSC "OTP Bank" (Russia)	734	2,907	597,849	0.49%
Total		**2,158,036**	**12,056,749**	

Financial assets modified during the period related to moratorium in the Group for the year ended 31 December 2021 (in HUF mn)

Modification due to prolongation of deadline of covid moratoria until 30 September:

	Group
Gross carrying amount before modification	1,175,230
Loss allowance before modification	(66,066)
Net amortised cost before modification	**1,109,164**
Modification loss due to covid moratoria	(6,620)
Net amortised cost after modification	**1,102,544**

Modification due to prolongation of deadline of covid moratoria until 31 October:

	Group
Gross carrying amount before modification	1,166,115
Loss allowance before modification	(69,415)
Net amortised cost before modification	**1,096,700**
Modification loss due to covid moratoria	(2,104)
Net amortised cost after modification	**1,094,596**

In the case of credit card and overdraft loans interest charged during the moratoria period should be refunded to the debtors in amount determined as a difference between the charged interest and a premoratoria personal loan interest at 11,99%. The Bank has managed this government measure as loan agreement modification in the financial statements.

Gross carrying amount before modification	57,892
Loss allowance before modification	(9,234)
Net amortised cost before modification	**48,658**
Modification loss due to covid moratoria	(1,983)
Net amortised cost after modification	**46,675**

NOTE 4: IMPACT OF CORONA VIRUS (COVID-19) [continued]

Financial assets modified during the period related to moratorium in the Group for the year ended 31 December 2021 (in HUF mn) [continued]

Modification due to prolongation of deadline of covid moratoria until 30 June 2022:

	Group
Gross carrying amount before modification	113,728
Loss allowance before modification	(25,428)
Net amortised cost before modification	**88,300**
Modification loss due to covid moratoria	(2,838)
Net amortised cost after modification	**85,462**

Modification due to temporarily fixing of loan with variable interest rate:

On 24 December 2021 new regulation was issued on fixing of retail loan product's interest, under that interest rates of mortgage loans with variable interest shall be fixed at reference rates of 27 October 2021, predictably till 30 June 2022.

	Group
Gross carrying amount before modification	321,323
Loss allowance before modification	(9,317)
Net amortised cost before modification	**312,006**
Modification loss due to covid moratoria	(3,397)
Net amortised cost after modification	**308,609**

Financial assets modified during the period related to moratorium in the Group for the year ended 31 December 2020 (in HUF mn):

	Hungary	**Serbia**
Gross carrying amount before modification	1,119,943	53,080
Loss allowance before modification	(61,445)	(9,881)
Net amortized cost before modification	**1,058,498**	**43,199**
Modification loss due to covid moratorium	(26,774)	(239)
Net amortized cost after modification	**1,031,724**	**42,960**

NOTE 5: CASH, AMOUNTS DUE FROM BANKS AND BALANCES WITH THE NATIONAL BANKS (in HUF mn)

	2021	2020
Cash on hand		
In HUF	87,489	113,492
In foreign currency	409,045	372,972
	496,534	**486,464**

Amounts due from banks and balances with the National Banks

	2021	2020
Within one year		
In HUF	83,540	208,074
In foreign currency	1,977,069	1,675,628
	2,060,609	**1,883,702**
Over one year		
In HUF	-	-
In foreign currency	-	62,146
	-	**62,146**
Impairment on amounts due from bank and balances with the National Banks	(1,108)	**-**
Total	**2,556,035**	**2,432,312**
Compulsory reserve set by the National Banks[1]	**(854,474)**	**(757,535)**
Cash and cash equivalents	**1,701,561**	**1,674,777**

NOTE 6: PLACEMENTS WITH OTHER BANKS, NET OF LOSS ALLOWANCE FOR PLACEMENTS (in HUF mn)

	2021	2020
Within one year		
In HUF	851,053	251,206
In foreign currency	523,205	729,249
	1,374,258	**980,455**
Over one year		
In HUF	162,774	136,418
In foreign currency	50,823	33,359
	213,597	**169,777**
Loss allowance on placements	(2,994)	(1,489)
Total	**1,584,861**	**1,148,743**

[1] 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 that banks are obliged to place compulsory reserve at their National Bank in a specified percentage of their liabilities considered in compulsory reserve calculation.

NOTE 6: PLACEMENTS WITH OTHER BANKS, NET OF LOSS ALLOWANCE FOR PLACEMENTS (in HUF mn) [continued]

An analysis of the change in the loss allowance on placements with other banks is as follows:

	2021	2020
Balance as at 1 January	**1,489**	**478**
Loss allowance for the period	25,133	16,476
Release of loss allowance for the period	(23,613)	(15,629)
Use of loss allowance for the period	(112)	-
Foreign currency translation difference	97	164
Closing balance	**2,994**	**1,489**

Interest conditions of placements with other banks:

	2021	2020
Interest rates on placements with other banks denominated in HUF	(1.50)% - 5.90%	0.00% - 3.84%
Interest rates on placements with other banks denominated in foreign currency	(5.00)% - 29.00%	(17.33)% - 5.50%

	2021	2020
Average interest rates on placements with other banks (%)	1.52%	0.93%

NOTE 7: REPO RECEIVABLES (in HUF mn)

	2021	2020
Within one year		
In HUF	33,710	183,656
In foreign currency	27,632	7,485
	61,342	**191,141**
Loss allowance on repo receivables	(290)	(292)
Total	**61,052**	**190,849**

An analysis of the change in the loss allowance on repo receivables is as follows:

	2021	2020
Balance as at 1 January	**292**	**62**
Loss allowance for the period	1,112	362
Release of loss allowance for the period	(1,124)	(125)
Foreign currency translation difference	10	(7)
Closing balance	**290**	**292**

NOTE 7: REPO RECEIVABLES (in HUF mn) [continued]

Interest conditions of repo receivables (%):

	2021	2020
Interest rates on repo receivables denominated in HUF	3.04% - 3.20 %	(0.10)% - 0.90%
Interest rates on repo receivables denominated in foreign currency	(0.58)% - 9.62%	(0.55)% - 4.15%

NOTE 8: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)

	2021	2020
Securities held for trading		
Government bonds	97,531	38,036
Equity instruments and fund units	1,173	3,740
Corporate bonds	740	-
Discounted Treasury bills	923	12,721
Mortgage bonds	101	-
Other interest bearing securities	1,347	2,075
Other non-interest bearing securities	1,695	-
	103,510	**56,572**
Non-trading securities mandatorily at fair value through profit or loss		
Equity instruments, shares and open-ended fund units	44,894	46,063
Bonds	8,509	11,514
	53,403	**57,577**
Debt securities designated at fair value through profit or loss	-	2,235
Total	**156,913**	**116,384**

Positive fair value of derivative financial assets held for trading

	2021	2020
Foreign exchange swaps held for trading	38,728	42,646
Interest rate swaps held for trading	59,504	36,922
Commodity swaps	51,523	9,695
CCIRS and mark-to-market CCIRS held -for trading [1]	11,758	7,359
Foreign exchange forward contracts held for trading	10,790	8,730
Held-for-trading option contracts	1,285	4,268
Held-for-trading forward security agreement	-	22
Other derivative transactions held for trading[2]	10,896	7,981
Total	**184,484**	**117,623**
Total	**341,397**	**234,007**

[1] CCIRS: Cross Currency Interest Rate Swaps (See Note 2.6.3.)
[2] Other category includes: equity swaps, option and index futures.

NOTE 8: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn) [continued]

An analysis of securities held for trading portfolio by currency (%):

	2021	2020
Denominated in HUF	30.46%	19.75%
Denominated in foreign currency	69.54%	80.25%
Total	**100.0%**	**100.0%**

An analysis of government bond portfolio by currency (%):

	2021	2020
Denominated in HUF	28.31%	16.92%
Denominated in foreign currency	71.69%	83.08%
Total	**100.00%**	**100.00%**

Interest conditions of held for trading securities (%):

	2021	2020
Interest rates on securities held for trading denominated in HUF	0.00% - 6.75%	0.50% - 7.00%
Interest rates on securities held for trading denominated in foreign currency	0.00% - 9.57%	0.38% - 6.38%

Interest conditions and the remaining maturities of **securities held for trading** can be analysed as follows:

	2021	2020
Within one year		
With variable interest	111	78
With fixed interest	44,011	17,147
	44,122	**17,225**
Over one year		
With variable interest	1,544	1,370
With fixed interest	54,976	34,237
	56,520	**35,607**
Non-interest bearing securities	2,868	3,740
Total	**103,510**	**56,572**

NOTE 8: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn) [continued]

Interest conditions and the remaining maturities of **non-trading securities** mandatorily measured at fair value through profit or loss are as follows:

	2021	2020
Over one year		
With variable interest	-	-
With fixed interest	-	5,492
	-	**5,492**
Non-interest bearing securities	53,403	52,085
Total	**53,403**	**57,577**

	2021	2020
Profit from associates from shares measured at fair value through profit or loss	3,893	75

An analysis of **non-trading securities** mandatorily measured at fair value through profit or loss portfolio by currency (%):

	2021	2020
Denominated in HUF	57.11%	57.10%
Denominated in foreign currency	42.89%	42.90%
Total	**100.00%**	**100.0%**

	2021	2020
Interest rates on non-trading securities mandatorily measured at fair value through profit or loss	0.00% - 0.00%	0.00% - 2.50%

NOTE 9: SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in HUF mn)

	2021	2020
Securities at fair value through other comprehensive income		
Government bonds	1,765,172	1,855,134
Corporate bonds	88,519	81,620
Listed securities:		
In HUF	*2,896*	*2,968*
In foreign currency	*51,882*	*52,633*
	54,778	*55,601*
Non-listed securities:		
In HUF	*15,487*	*16,782*
In foreign currency	*18,254*	*9,237*
	33,741	*26,019*
Mortgage bonds	63,072	88,272
Discounted Treasury bills	96,625	76,358
Interest bearing treasury bills	63,115	-
Securities issued by the National Bank of Hungary	109,774	-
Other securities	3,257	-
Total	**2,189,534**	**2,101,384**

	2021	2020
Non-trading equity instruments to be measured at fair value through other comprehensive income		
Listed securities:		
In HUF	-	-
In foreign currency	*8,416*	*4,931*
	8,416	*4,931*
Non-listed securities:		
In HUF	*403*	*539*
In foreign currency	*26,157*	*29,855*
	26,560	*30,394*
	34,976	**35,325**
Total	**2,224,510**	**2,136,709**

An analysis of securities at fair value through other comprehensive income by currency (%):

	2021	2020
Denominated in HUF	32.74%	36.62%
Denominated in foreign currency	67.26%	63.38%
Total	**100.00%**	**100.0%**

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:

	2021	2020
Strategic investments closely related to banking actitvity		
Fair value	29,320	27,502
Dividend income from instruments held at the reporting date	438	180
Other strategic investments		
Fair value	5,656	7,823
Dividend income from instruments held at the reporting date	29	43
Total		
Total fair values	**34,976**	**35,325**
Dividend income from instruments held at the reporting date	**467**	**223**

During the year ended 31 December 2021 the Group sold HUF 65 million equity instruments designated to measure at fair value through other comprehensive income while during the year ended 31 December 2020 there wasn't any sale transaction.

An analysis of government bonds by currency (%):

	2021	2020
Denominated in HUF	24.29%	35.83%
Denominated in foreign currency	75.71%	64.17%
Total	**100.00%**	**100.0%**

Interest conditions of the security portfolio at fair value through other comprehensive income are as follows (%):

	2021	2020
Interest rates on securities at fair value through other comprehensive income denominated in HUF	1.25% - 7.00%	0.50% - 7.50%
Interest rates on securities at fair value through other comprehensive income denominated in foreign currency	0.00% - 17.25%	0.00% - 18.00%

	2021	2020
Average interest rates securities at fair value through other comprehensive income denominated in HUF (%)	2.00%	1.63%
Average interest rates on securities at fair value through other comprehensive income denominated in foreign currency (%)	2.51%	2.31%

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:

	2021	2020
Within one year		
With variable interest	1,091	4,780
With fixed interest	522,939	346,928
	524,030	**351,708**
Over one year		
With variable interest	51,211	62,068
With fixed interest	1,614,293	1,687,608
	1,665,504	**1,749,676**
Non-interest bearing securities	34,976	35,325
Total	**2,224,510**	**2,136,709**

Certain securities are hedged against interest rate risk. See Note 37.4.

NOTE 10: SECURITIES AT AMORTIZED COST (in HUF mn)

	2021	2020
Government bonds	3,651,508	2,545,476
Corporate bonds	172,526	74,632
Discounted Treasury bills	15,705	10,469
Mortgage bonds	24,356	-
Other securities	36,353	-
	3,900,448	**2,630,577**
Loss allowance on securities at amortized cost	(9,113)	(5,657)
Total	**3,891,335**	**2,624,920**

NOTE 10: SECURITIES AT AMORTIZED COST (in HUF mn) [continued]

Interest conditions and the remaining maturities of securities at amortized cost can be analysed as follows:

	2021	2020
Within one year		
With variable interest	8,101	-
With fixed interest	480,296	156,532
	488,397	**156,532**
Over one year		
With variable interest	5,122	-
With fixed interest	3,406,929	2,474,045
	3,412,051	**2,474,045**
Total	**3,900,448**	**2,630,577**

An analysis of securities at amortized cost by currency (%):

	2021	2020
Denominated in HUF	75.42%	86.86%
Denominated in foreign currency	24.58%	13.14%
Total	**100.00%**	**100.00%**

Interest conditions of securities at amortized cost (%):

	2021	2020
Interest rates of securities at amortized cost with variable interest	1.20% - 2.08%	-
Interest rates of securities at amortized cost with fixed interest	0.00% - 9.00%	0.50% - 7.00%

	2021	2020
Average interest rates on securities at amortized cost (%)	2.46%	3.07%

An analysis of the change in the loss allowance on securities at amortized cost is as follows:

	2021	2020
Balance as at 1 January	**5,657**	**2,739**
Opening change due to modification	**1,281**	**-**
Balance as at 1 January after modification	**6,938**	**2,739**
Loss allowance for the period	6,634	6,863
Release of loss allowance	(3,621)	(4,061)
Use of loss allowance	(992)	12
Foreign currency translation difference	154	104
Closing balance	**9,113**	**5,657**

NOTE 11: LOANS AT AMORTIZED COST AND AT FAIR VALUE (in HUF mn)

Loans at amortized cost

	2021	2020
Within one year		
In HUF	1,243,635	1,154,223
In foreign currency	2,901,682	2,445,006
	4,145,317	**3,599,229**
Over one year		
In HUF	2,359,485	2,002,814
In foreign currency	7,840,375	6,902,342
	10,199,860	**8,905,156**
	14,345,177	**12,504,385**
Loss allowance on loans	(851,994)	(829,543)
Total	**13,493,183**	**11,674,842**

An analysis of the gross loan portfolio at amortized cost by currency (%):

	2021	2020
In HUF	25.12%	25.25%
In foreign currency	74.88%	74.75%
Total	**100.00%**	**100.0%**

Interest rates of the loan portfolio at amortized cost are as follows:

	2021	2020
Within one year		
In HUF	0.00% - 52.00%[1]	0.00% - 47.70%[1]
In foreign currency	(0.59)% - 90.00%[2]	(0.50)% - 90.00%[2]
Over one year		
In HUF	0.00% - 38.70%[1]	0.00% - 37.45%[1]
In foreign currency	(0.59)% - 90.00%[2]	(0.50)% - 60.00%[2]

	2021	2020
Average interest rates on loans at amortized cost denominated in HUF (%)	6.49%	6.00%
Average interest rates on loans at amortized cost denominated in foreign currency (%)	4.85%	5.53%

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 104,940 million and HUF 94,197 million as at 31 December 2021 and 2020 respectively.

[1] The highest interest rate relates to HUF loans within one year is overdraft loan, over one year is car loan.
[2] The highest interest rate relates to loans in foreign currency regarding POS services in Russia.

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:

	2021	2020
Balance as at 1 January	**829,543**	**684,319**
Opening change due to modification	**(1,281)**	**-**
Balance as at 1 January after modification	**828,262**	**684,319**
Loss allowance for the period	*546,284*	*650,165*
Release of loss allowance	*(464,888)*	*(382,800)*
Loss allowance in the current period	81,396	267,365
from this: effect of change in parameters used for loss allowance calculation	(60,531)	126,002
Use of loss allowance	(66,784)	(100,711)
Partial write-off [1]	(17,936)	(12,503)
Unwinding	345	
Foreign currency translation difference	26,711	(8,927)
Closing balance	**851,994**	**829,543**

Movement in loss allowance on loans and placements is summarized as below:

	2021	2020
Loss allowance on placements and gains from write-off and sale of placements	1,664	851
Loss allowance on loans and gains from write-off and sale of loans	34,776	162,733
Total [2]	**36,440**	**163,584**

Loans mandatorily at fair value through profit or loss

	2021	2020
Within one year		
In HUF	61,537	48,770
In foreign currency	-	-
	61,537	**48,770**
Over one year		
In HUF	1,006,293	750,211
In foreign currency	281	3,624
	1,006,574	**753,835**
Total	**1,068,111**	**802,605**

[1] See details in Note 2.11.
[2] See details in Note 31.

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 (%):

	2021	2020
In HUF	99.17%	99.55%
In foreign currency	0.83%	0.45%
Total	**100.00%**	**100.00%**

Interest rates of the loan portfolio mandatorily at fair value through profit or loss are as follows (%):

	2021	2020
Interest rates on loans denominated in HUF	1.21% - 10.83%	0.77% - 12.83%
Interest rates on loans denominated in foreign currency	4.00% - 4.00%	2.50% - 7.89%

	2021	2020
Average interest rates on loan portfolio at fair value through profit or loss denominated in HUF (%)	4.17%	1.32%
Average interest rates on loan portfolio at fair value through profit or loss denominated in foreign currency (%)	1.82%	0.00%

NOTE 12: ASSOCIATES AND OTHER INVESTMENTS (in HUF mn)

	2021	2020
Investments		
Investments in associates (non-listed)	42,409	14,149
Other investments (non-listed)	37,327	44,158
	79,736	**58,307**
Impairment on investments	(12,514)	(5,864)
Total	**67,222**	**52,443**

An analysis of the change in the impairment on investments is as follows:

	2021	2020
Balance as at 1 January	**5,864**	**8,816**
Impairment for the period	7,266	43
Release of impairment for the period	(626)	(424)
Modification due to merge	28	-
Reclassification to securities at fair value through other comprehensive income	-	(2,654)
Foreign currency translation difference	(18)	83
Closing balance	**12,514**	**5,864**

NOTE 13: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn)

For the year ended 31 December 2021

Cost	Intangible assets	Goodwill	Property	Machinery and office equipment	Vehicle	Construction in progress	Tangible assets subject to operating lease	Total
Balance as at 1 January	**364,495**	**101,393**	**285,506**	**212,105**	**23,893**	**23,403**	**28,926**	**1,039,721**
Additions	90,887	-	28,684	37,266	19,135	111,316	13,427	**300,715**
Foreign currency translation differences	4,656	4,247	3,609	3,237	163	136	422	**16,470**
Disposals	(52,035)	-	(12,877)	(8,877)	(1,939)	(67,198)	(11,942)	**(154,868)**
Closing balance	**408,003**	**105,640**	**304,922**	**243,731**	**41,252**	**67,657**	**30,833**	**1,202,038**

Depreciation and amortization	Intangible assets	Property	Machinery and office equipment	Vehicle	Tangible assets subject to operating lease	Total
Balance as at 1 January	**224,180**	**77,753**	**155,292**	**6,241**	**10,279**	**473,745**
Charge for the period	44,973	9,219	22,753	1,986	4,212	**83,143**
Foreign currency translation differences	3,263	1,266	2,394	102	262	**7,287**
Disposals	(10,109)	(4,531)	(7,301)	(1,141)	(5,260)	**(28,342)**
Closing balance	**262,307**	**83,707**	**173,138**	**7,188**	**9,493**	**535,833**

Impairment	Intangible assets	Property	Machinery and office equipment	Tangible assets subject to operating lease	Total
Balance as at 1 January	**2,704**	**1,122**	**42**	**338**	**4,206**
Impairment for the period		2,967	-	9	**2,976**
Release of impairment for the period				(204)	**(204)**
Foreign currency translation differences	5	55	6	(1)	**65**
Use of impairment	(4)	(591)	(5)	(5)	**(605)**
Closing balance	**2,705**	**3,553**	**43**	**137**	**6,438**

NOTE 13: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn) [continued]

For the year ended 31 December 2021 [continued]

	Intangible assets	Goodwill	Property	Machinery and office equipment	Vehicle	Construction in progress	Tangible assets subject to operating lease	Total
Carrying value								
Balance as at 1 January	137,611	101,393	206,631	56,771	17,652	23,403	18,309	561,770
Closing balance	142,991	105,640	217,662	70,550	34,064	67,657	21,203	659,767
Fair values	-	-	247,754	70,258	34,063	-	21,339	373,414

Carrying amount of the temporarily idle properties was HUF 3,057 million and HUF 4,211 million as at 31 December 2021 and 2020 respectively.
There were no restrictions on title and properties, plants or equipment pledged as security for liabilities as at 31 December 2021 and 2020.
As at 31 December 2021 and 2020 the amount of contractual commitments for the acquisition of tangible and intangible assets was HUF 1,595 million and HUF 200 million, respectively.

Impairment for the propertied in the currenct 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.

An analysis of the intangible assets for the year ended 31 December 2021 is as follows:

Intangible assets	**Self-developed**	**Purchased**	**Total**
Gross values	12,700	395,303	**408,003**
Accumulated amortization	(5,017)	(257,290)	**(262,307)**
Impairment	-	(2,705)	**(2,705)**
Carrying value	**7,683**	**135,308**	**142,991**

NOTE 13: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn) [continued]

For the year ended 31 December 2021 [continued]

Carrying value of the investment and goodwill allocated to the appropriate cash generating units

Subsidiaries	Carrying amounts of the subsidiary in HUF million	Goodwill values in HUF million	Goodwill values in million functional currency	Type of functional currency	Consolidated ownership interest	With ownership adjusted company value in HUF million	Applied long term grow rate	Applied long term discount rate
DSK Bank EAD (Bulgaria)	280,692	43,138	28,541	HUF	99.91%	832,445	3.00%	7.90%
			77	BGN				
OTP banka d.d. (Croatia)	205,349	21,421	58	EUR	100.00%	361,995	2.69%	8.83%
JSC “OTP Bank” (Russia)	124,411	40,866	9,395	RUB	97.92%	187,552	1.89%	15.44%
POK-DSK Rodina a.d. (Bulgaria)	1,680	11	11	HUF	99.85%	15,299	3.00%	7.90%
George Consult (Croatia)	225	204	4	HRK	76.00%	171	2.69%	8.83%
	612,357	**105,640**						

NOTE 13: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn) [continued]

For the year ended 31 December 2021 [continued]

The Bank decided that the recoverable amount of goodwill is determined based on fair value less cost of disposal. In the fair value hierarchy goodwill is categorized into level 3. When the Bank prepares goodwill impairment tests of the subsidiaries, the two methods which are used based on discounted cash-flow calculation that shows the same result; however they represent different economical logics.

Based on the internal regulation of the Bank as at 31 December 2021 impairment test was prepared where a three-year cash-flow model was applied with an explicit period between 2022-2024. The basis for the estimation was the financial preliminary estimations for December 2021, and based on the prepared medium-term (2022-2024) forecasts. When the Bank prepared the calculations for the period 2022-2024, it considered the actual worldwide economic situations, the expected economic growth for the following years, their possible effects on the financial sector, the plans for growing which result from these, and the expected changes of the mentioned factors.

Present value calculation with the FCF 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.
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 2021

Based on the valuations of the subsidiaries as at 31 December 2021 no goodwill impairment was needed to be recorded by the Group.

NOTE 13: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn) [continued]

For the year ended 31 December 2020

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	**320,749**	**111,687**	**279,538**	**192,369**	**23,079**	**22,717**	**31,799**	**981,938**
Additions	92,313	1,413	7,342	27,533	2,208	36,835	6,586	**174,230**
Foreign currency translation differences	7,769	(5,319)	12,987	4,094	215	538	2,602	**22,886**
Disposals	(56,183)	(6,388)	(14,361)	(11,737)	(1,609)	(36,687)	(12,061)	**(139,026)**
Reclassified as held-for-sale	(153)	-	-	(154)	-	-	-	**(307)**
Closing balance	**364,495**	**101,393**	**285,506**	**212,105**	**23,893**	**23,403**	**28,926**	**1,039,721**

Depreciation and amortization	Intangible assets	Property	Machinery and office equipment	Vehicle	Tangible assets subject to operating lease	Total
Balance as at 1 January	**183,026**	**71,085**	**139,813**	**5,508**	**10,889**	**410,321**
Charge for the period	44,115	8,981	22,195	1,570	5,064	**81,925**
Foreign currency translation differences	3,875	2,540	2,681	150	1,113	**10,359**
Disposals	(6,733)	(4,853)	(9,302)	(987)	(6,787)	**(28,662)**
Reclassified as held-for-sale	(103)	-	(95)	-	-	**(198)**
Closing balance	**224,180**	**77,753**	**155,292**	**6,241**	**10,279**	**473,745**

NOTE 13: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn) [continued]

For the year ended 31 December 2020 [continued]

Impairment	**Intangible assets**	**Goodwill**	**Property**	**Machinery and office equipment**	**Tangible assets subject to operating lease**	**Total**
Balance as at 1 January	**803**	**6,388**	**-**	**1,337**	**440**	**8,968**
Impairment for the period	2,328	-	1,601	-	-	**3,929**
Release of impairment for the period	-	-	-	-	(137)	**(137)**
Foreign currency translation differences	85	-	129	5	35	**254**
Use of impairment	(512)	(6,388)	(608)	(1,300)	-	**(8,808)**
Closing balance	**2,704**	**-**	**1,122**	**42**	**338**	**4,206**

	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	**136,920**	**105,299**	**208,453**	**51,219**	**17,571**	**22,717**	**20,470**	**562,649**
Closing balance	**137,611**	**101,393**	**206,631**	**56,771**	**17,652**	**23,403**	**18,309**	**561,770**
Fair values	**-**	**-**	**217,161**	**57,614**	**16,962**	**-**	**18,309**	**310,046**

An analysis of the intangible assets for the year ended 31 December 2020 is as follows:

Intangible assets	**Self-developed**	**Purchased**	**Total**
Gross values	8,117	356,378	**364,495**
Accumulated amortization	(3,675)	(220,505)	**(224,180)**
Impairment	-	(2,704)	**(2,704)**
Carrying value	**4,442**	**133,169**	**137,611**

NOTE 13: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn) [continued]

For the year ended 31 December 2020 [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 (Bulgaria)	280,692	42,984	28,541	HUF	99.91%	717,318	3.00%	8.13%
			77	BGN				
OTP banka d.d. (Croatia)	205,349	21,196	58	EUR	100.00%	336,403	2.69%	9.37%
JSC "OTP Bank" (Russia)	124,410	37,202	9,395	RUB	97.91%	173,315	1.89%	13.26%
POK-DSK Rodina a.d. (Bulgaria)	943	11	11	HUF	99.75%	941	3.00%	8.13%
	611,394	**101,393**						

Summary of the impairment test for the year ended 31 December 2020

Based on the valuations of the subsidiaries as at 31 December 2020 no goodwill impairment was needed to be recorded by the Group.

NOTE 14: INVESTMENT PROPERTIES (in HUF mn)

An analysis of the change in gross values of investment properties is as follows:

Gross values	2021	2020
Balance as at 1 January	**54,154**	**53,906**
Increase due to transfer from inventories or owner-occupied properties	3,425	6,896
Increase from purchase	134	574
Increase due to transfer from held-for-sale properties	-	86
Transfer to held-for-sale properties	(66)	(118)
Transfer to inventories or owner-occupied properties	(2,858)	(936)
Disposal due to sale	(14,993)	(8,725)
Foreign currency translation difference	445	2,471
Closing balance	**40,241**	**54,154**

The applied depreciation and amortization rates were as follows:

	2021	2020
Depreciation and amortization rates	1.00% - 20.00%	1.00% - 20.00%

An analysis of the movement in the depreciation and amortization on investment properties is as follows:

Depreciation and amortization	2021	2020
Balance as at 1 January	**11,383**	**8,352**
Additions due to transfer from inventories or owner-occupied properties	1,296	1,657
Charge for the period	1,113	908
Transfer to inventories or owner-occupied properties	(236)	(10)
Disposal due to sale	(4,577)	(322)
Foreign currency translation difference	132	798
Closing balance	**9,111**	**11,383**

An analysis of the movement in the impairment on investment properties is as follows:

Impairment	2021	2020
Balance as at 1 January	**4,170**	**3,994**
Impairment for the period	54	178
Release of impairment for the period	(297)	(919)
Use of impairment	(2,726)	-
Additions due to transfer from inventories or owner-occupied properties	-	587
Foreign currency translation difference	47	330
Closing balance	**1,248**	**4,170**

Carrying values	2021	2020
Balance as at 1 January	**38,601**	**41,560**
Closing balance	**29,882**	**38,601**
Fair values	**34,257**	**37,842**

NOTE 14: INVESTMENT PROPERTIES (in HUF mn) [continued]

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 these recognition.

Income and expenses	**2021**	**2020**
Rental income	2,621	2,520
Direct operating expenses of investment properties – income generating	318	455
Direct operating expenses of investment properties – non income generating	14	8

NOTE 15: DERIVATIVE FINANCIAL ASSETS DESIGNATED AS HEDGE ACCOUNTING (in HUF mn)

Positive fair value of derivative financial assets designated as fair value hedge

	2021	**2020**
CCIRS and mark-to-market CCIRS designated as fair value hedge	5,471	6,179
Interest rate swaps designated as fair value hedge	13,286	641
Total	**18,757**	**6,820**

NOTE 16: OTHER ASSETS[1] (in HUF mn)

	2021	**2020 Reclassified**
Other financial assets		
Receivables from card operations	27,820	24,816
Prepayments and accrued income on other financial assets	27,778	23,521
Trade receivables	24,951	17,039
Receivables from investment services	15,077	10,716
Other advances	21,043	26,806
Stock exchange deals	12,255	10,632
Giro clearing accounts	2,635	2,441
Receivables due from pension funds and investment funds	3,250	8,323
Receivables from leasing activities	363	431
Advances for securities and investments	525	774
Accrued day one gain of loans provided at below-market interest	-	14,465
Other financial assets	17,019	19,057
Loss allowance on other financial assets	(16,800)	(18,459)
Total	**135,916**	**140,562**

[1] Other assets are expected to be recovered or settled no more than twelve months after the reporting period.

NOTE 16: OTHER ASSETS[1] (in HUF mn) [continued]

Other non-financial assets	2021	2020 Reclassified
Prepayments and accrued income on other non-financial assets	46,418	19,307
Receivables, subsidies from the State, Government	15,800	11,767
Settlement and suspense accounts	14,974	16,355
Biological assets and agricultural produce	5,193	-
Other non-financial assets	15,495	11,513
Impairment on other non-financial assets	(4,413)	(4,699)
Total	**93,467**	**54,243**

Other assets (under IAS 2)	2021	2020 Reclassified
Inventories	43,843	66,748
Repossessed real estate	6,354	9,706
Repossessed other non-financial assets	1,069	2,034
Write-down of the assets measured under IAS 2	(3,864)	(7,054)
Total	**47,402**	**71,434**
Total other assets	**276,785**	**266,239**

An analysis of the movement in the loss allowance on **other financial assets** is as follows:

	2021	2020
Balance as at 1 January	**18,459**	**14,617**
Loss allowance for the period	8,569	10,057
Release of allowance for the period	(6,903)	(4,755)
Use of loss allowance	(3,767)	(1,607)
Foreign currency translation difference	442	147
Closing balance	**16,800**	**18,459**

An analysis of the movement in the impairment on **other non-financial assets** is as follows:

	2021	2020 Reclassified
Balance as at 1 January	**4,699**	**11,871**
Transfer due to separation of assets under IAS 2	**-**	**(7,419)**
Impairment for the period	949	1,358
Release of impairment for the period	(653)	(522)
Use of impairment	(751)	(516)
Foreign currency translation difference	169	(73)
Closing balance	**4,413**	**4,699**

[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, THE NATIONAL GOVERNMENTS, DEPOSITS FROM THE NATIONAL BANKS AND OTHER BANKS (in HUF mn)

	2021	2020
Within one year		
In HUF	277,397	132,182
In foreign currency	225,398	117,672
	502,795	**249,854**
Over one year		
In HUF	900,948	741,772
In foreign currency	163,605	193,689
	1,064,553	**935,461**
Total	**1,567,348**	**1,185,315**

Interest rates on amounts due to banks, the National Governments, deposits from the National Banks and other banks are as follows:

	2021	2020
Within one year		
In HUF	(2.04)% - 4.66%	0.00% - 20.00%
In foreign currency	(2.40)% - 17.60%[1]	(0.56)% - 5.00%
Over one year		
In HUF	(2.40)% - 4.66%	(2.40)% - 2.73%
In foreign currency	(2.40)% - 12.00%[2]	(2,40)% - 17.60%[2]

	2021	2020
Average interest rates on amounts due to banks, the National Governments, deposits from the National Banks and other banks denominated in HUF	1.20%	1.00%
Average interest rates on amounts due to banks, the National Governments, deposits from the National Banks and other banks denominated in in foreign currency	1.49%	2.11%

NOTE 18: REPO LIABILITIES (in HUF mn)

	2021	2020
Within one year		
In HUF	49,726	-
In foreign currency	29,321	8,379
	79,047	**8,379**
Over one year		
In HUF	-	-
In foreign currency	-	109,612
	-	**109,612**
Total	**79,047**	**117,991**

[1] The highest interest rate for due to banks relate to loans taken from EBRD in Ukraine.

NOTE 18: REPO LIABILITIES (in HUF mn) [continued]

Interest rates on repo liabilities are as follows:

	2021	2020
Interest rates on repo liabilities denominated in HUF (%)	0.00% - 2.80%	-
Interest rates on repo liabilities denominated in foreign currency (%)	(0.95)% - 0.00%	0.00% - 3.85%

NOTE 19: FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)

	2021	2020
Within one year		
In HUF	1,784	2,010
In foreign currency	-	-
	1,784	**2,010**
Over one year		
In HUF	39,400	29,886
In foreign currency	-	2,235
	39,400	**32,121**
Total	**41,184**	**34,131**
Contractual amount outstanding	21,479	23,332

Interest conditions of financial liabilities designated at fair value through profit or loss can be analysed as follows:

	2021	2020
Interest rates on financial liabilities designated at fair value denominated in HUF within one year	0.46% - 2.46%	0.51% - 2.50%
Interest rates on financial liabilities designated at fair value denominated in HUF over one year	0.01% - 2.90%	0.00% - 2.50%

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)

	2021	2020
Within one year		
In HUF	7,829,595	6,383,882
In foreign currency	12,758,360	10,990,543
	20,587,955	**17,374,425**
Over one year		
In HUF	293,606	327,165
In foreign currency	187,083	189,273
	480,689	**516,438**
Total	**21,068,644**	**17,890,863**

Interest rates on deposits from customers are as follows:

	2021	2020
Within one year		
In HUF	(2.48)% - 7.96%	(4,58)% - 7.96%
In foreign currency	(1.01)% - 17.20%[1]	(0.58)% - 16.50%
Over one year		
In HUF	0.01% - 3.00%	0.01% - 3.00%
In foreign currency	0.00% - 8.90%	0.00% - 7.75%

	2021	2020
Average interest rates on deposits from customers denominated in HUF	0.18%	0.10%
Average interest rates on deposits from customers denominated in foreign currency	0.34%	0.49%

An analysis of deposits from customers by type is as follows:

	2021		2020	
Retail deposits	11,982,784	56.88%	10,695,792	59.78%
Corporate deposits	8,093,206	38.41%	6,298,143	35.20%
Municipality deposits	992,654	4.71%	896,928	5.01%
Total	**21,068,644**	**100.00%**	**17,890,863**	**100.00%**

[1] The highest interest rate regarding foreign currency deposits for the current year relate to treasury deposit in Turkish lira in Hungary, in the previous year relate to individually agreed deposits in Ukraine.

NOTE 21: LIABILITIES FROM ISSUED SECURITIES (in HUF mn)

	2021	2020
With original maturity		
Within one year		
In HUF	9,332	130,676
In foreign currency	13	1,366
	9,345	**132,042**
Over one year		
In HUF	426,929	332,125
In foreign currency	51	46
	426,980	**332,171**
Total	**436,325**	**464,213**

Interest rates on liabilities from issued securities are as follows:

	2021	2020
Issued securities denominated in HUF	0.60% - 4.26%	0.00% - 2.50%
Issued securities denominated in foreign currency	0.74% - 5.00%	0.01% - 1.11%

	2021	2020
Average interest rates on issued securities denominated in HUF	2.20%	1.83%
Average interest rates on issued securities denominated in foreign currency	0.25%	1.32%

NOTE 21: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

Issued securities denominated in HUF as at 31 December 2021 (in HUF mn)

	Name	Date of issue	Maturity	Nominal value (in HUF mn)	Amortized cost (in HUF mn)	Interest conditions (actual interest rate in % p.a.)		Hedged
1	OTPX2022A	22/03/2012	23/03/2022	175	236	indexed	-	hedged
2	OTPX2022B	18/07/2012	18/07/2022	164	549	indexed	1.70	hedged
3	OTPX2022C	29/10/2012	28/10/2022	177	317	indexed	1.70	hedged
4	OTPX2022D	28/12/2012	27/12/2022	238	290	indexed	1.70	hedged
5	OTPX2023A	22/03/2013	24/03/2023	312	366	indexed	1.70	hedged
6	OTPX2023B	28/06/2013	26/06/2023	198	272	indexed	0.60	hedged
7	OTPX2024A	18/06/2014	21/06/2024	241	277	indexed	1.30	hedged
8	OTPX2024B	10/10/2014	16/10/2024	295	336	indexed	0.70	hedged
9	OTPX2024C	15/12/2014	20/12/2024	242	275	indexed	0.60	hedged
10	OTPRF2022A	22/03/2012	23/03/2022	2,321	2,513	indexed	1.70	hedged
11	OTPRF2022B	22/03/2012	23/03/2022	934	1011	indexed	1.70	hedged
12	OTPRF2022C	28/06/2012	28/06/2022	209	266	indexed	1.70	hedged
13	OTPRF2022D	28/06/2012	28/06/2022	286	324	indexed	1.70	hedged
14	OTPRF2022E	29/10/2012	31/10/2022	862	933	indexed	1.70	hedged
15	OTPRF2022F	28/12/2012	28/12/2022	708	773	indexed	1.70	hedged
16	OTPRF2023A	22/03/2013	24/03/2023	899	977	indexed	1.70	hedged
17	OJB2023_I	05/04/2018	24/11/2023	44,120	42,300	1.75	fix	
18	OJB2024_A	17/09/2018	20/05/2024	57,067	57,010	4.26	floating	
19	OJB2024_C	24/02/2020	24/10/2024	80,125	79,972	3.95	floating	
20	OJB2024_II	10/10/2018	24/10/2024	96,800	89,138	2.50	fix	
21	OJB2025_II	03/02/2020	26/11/2025	22,550	20,003	1.50	fix	hedged
22	OJB2027_I	23/07/2020	27/10/2027	76,850	67,257	1.25	fix	
23	OJB2031_I	18/08/2021	22/10/2031	82,000	70,655	2.50	fix	
24	Other			211	211			
	Total issued securities in HUF			**467,984**	**436,261**			

Issued securities denominated in foreign currency are promissory notes issued by JSC “OTP Bank” (Russia) in the amount of HUF 64 million as at 31 December 2021.

NOTE 21: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

Issued securities denominated in HUF as at 31 December 2020 (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	OTPX2021A	01/04/2011	01/04/2021	183	246	indexed	NaN	hedged
2	OTPX2021B	17/06/2011	21/06/2021	245	370	indexed	NaN	hedged
3	OTPX2021C	19/09/2011	24/09/2021	231	192	indexed	NaN	hedged
4	OTPX2021D	21/12/2011	27/12/2021	259	325	indexed	NaN	hedged
5	OTPX2022A	22/03/2012	23/03/2022	201	214	indexed	NaN	hedged
6	OTPX2022B	18/07/2012	18/07/2022	172	440	indexed	1.70	hedged
7	OTPX2022C	29/10/2012	28/10/2022	201	233	indexed	1.70	hedged
8	OTPX2022D	28/12/2012	27/12/2022	248	299	indexed	1.70	hedged
9	OTPX2023A	22/03/2013	24/03/2023	324	327	indexed	1.70	hedged
10	OTPX2023B	28/06/2013	26/06/2023	198	225	indexed	0.60	hedged
11	OTPX2024A	18/06/2014	21/06/2024	241	237	indexed	1.30	hedged
12	OTPX2024B	10/10/2014	16/10/2024	295	284	indexed	0.70	hedged
13	OTPX2024C	15/12/2014	20/12/2024	242	232	indexed	0.60	hedged
14	OTPRF2021A	05/07/2011	13/07/2021	2,607	2,807	indexed	NaN	hedged
15	OTPRF2021B	20/10/2011	25/10/2021	2,894	2,954	indexed	NaN	hedged
16	OTPRF2021C	21/12/2011	30/12/2021	527	544	indexed	NaN	hedged
17	OTPRF2021D	21/12/2011	30/12/2021	372	381	indexed	NaN	hedged
18	OTPRF2021E	21/12/2011	30/12/2021	76	74	indexed	NaN	hedged
19	OTPRF2022A	22/03/2012	23/03/2022	2,065	1,920	indexed	1.70	hedged
20	OTPRF2022B	22/03/2012	23/03/2022	831	772	indexed	1.70	hedged
21	OTPRF2022C	28/06/2012	28/06/2022	190	196	indexed	1.70	hedged
22	OTPRF2022D	28/06/2012	28/06/2022	260	251	indexed	1.70	hedged
23	OTPRF2022E	29/10/2012	31/10/2022	761	715	indexed	1.70	hedged
24	OTPRF2022F	28/12/2012	28/12/2022	623	592	indexed	1.70	hedged
25	OTPRF2023A	22/03/2013	24/03/2023	787	740	indexed	1.70	hedged
26	OJB2021_I	15/02/2017	27/10/2021	114,000	113,732	2.00	fix	
27	OJB2023_I	05/04/2018	24/11/2023	44,120	44,623	1.75	fix	
28	OJB2024_A	17/09/2018	20/05/2024	46,771	46,639	1.35	floating	
29	OJB2024_C	24/02/2020	24/10/2024	64,379	64,175	1.05	floating	
30	OJB2024_II	10/10/2018	24/10/2024	96,800	95,645	2.50	fix	
31	OJB2025_II	03/02/2020	26/11/2025	17,650	17,499	1.50	fix	hedged
32	OJB2027_I	23/07/2020	27/10/2027	65,800	64,705	1.25	fix	
33	Other			213	213			
	Total issued securities in HUF			**464,766**	**462,801**			

NOTE 21: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

Issued securities denominated in foreign currency as at 31 December 2020 (in HUF mn)

	Name	Date of issue	Maturity	Type of FX	Nominal value		Amortized cost		Interest conditions	
					(FX mn)	(HUF mn)	(FX mn)	(HUF mn)	(actual interest rate in % p.a.)	
1	OTP_VK1_21/1	20/02/2020	20/02/2021	USD	1.39	414	1.39	414	1.1	floating
2	OTP_VK1_21/2	02/04/2020	02/04/2021	USD	1.24	370	1.24	370	0.1	floating
3	OTP_VK1_21/3	14/05/2020	14/05/2021	USD	1.18	351	1.18	351	0.01	floating
4	OTP_VK1_21/4	18/06/2020	18/06/2021	USD	0.74	221	0.74	221	1.1	floating
5	Other [1]				12	47	14	56		
	Total issued securities in FX				**16.55**	**1,403**	**18.55**	**1,412**		
	Total issued securities							**464,213**		

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.

Term Note Program in the value of HUF 200 billion for the year of 2021/2022

On 28 May 2021 the Bank initiated term note program in the value of HUF 200 billion with the intention of issuing registered dematerialized bonds in public. On 8 July 2021, the National Bank of Hungary approved the prospectus of Term Note Program and the disclosure as at 9 July 2021. 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 2020/2021

On 21 April 2020 the Bank initiated term note program in the value of HUF 200 billion with the intention of issuing registered dematerialized bonds in public. On 9 July 2020, the National Bank of Hungary approved the prospectus of Term Note Program and the disclosure as at 10 July 2020. 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.

[1] Other category includes promissory notes issued by JSC "OTP Bank" (Russia) in the amount of HUF 56 million as at 31 December 2020.

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

	2021	2020
Foreign exchange swaps held for trading	46,380	39,103
Commodity swaps	51,508	8,269
Interest rate swaps held for trading	87,945	32,960
Foreign exchange forward contracts held-for-trading	7,738	10,750
CCIRS and mark-to-market CCIRS held for trading	7,789	7,419
Held for trading option contracts	479	3,843
Held-for-trading forward security agreement	13	116
Other derivative transactions held for trading [1]	864	2,363
Total	**202,716**	**104,823**

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

	2021	2020
CCIRS and mark-to-market CCIRS designated as fair value hedge	5,451	6,007
Interest rate swaps designated as fair value hedge	5,777	5,334
Total	**11,228**	**11,341**

[1] Other category includes: fx spot, equity swaps, options and index futures.

NOTE 24: PROVISIONS AND OTHER LIABILITIES[1] (in HUF mn)

	2021	2020 Reclassified
Other financial liabilities		
Liabilities connected to Cafeteria benefits	114,867	121,711
Liabilities from investment services	92,612	62,667
Accrued expenses on other financial liabilities	58,247	42,212
Liabilities from card transactions	31,484	20,402
Accounts payable	46,243	41,460
Liabilities due to short positions	16,904	9,131
Giro clearing accounts	14,830	14,589
Advances received from customers	11,903	11,259
Liabilities from wages and other salary related payments	13,092	17,784
Loans from government	5,851	3,435
Accrued day one gain of loan liabilities at below-market interest	-	14,391
Dividend payable	135	119
Other financial liabilities	79,603	48,526
Subtotal	**485,771**	**407,686**

Other non-financial liabilities	**2021**	**2020 Reclassified**
Clearing and giro settlement accounts	48,715	38,912
Liabilities from social security contributions	11,853	7,423
Accrued expenses on other non-financial liabilities	13,029	6,997
Liabilities related to housing loans	11,428	8,868
Insurance technical reserve	3,416	4,545
Other non-financial liabilities	23,869	14,995
Subtotal	**112,310**	**81,740**
Total	**598,081**	**489,426**

[1] 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.

NOTE 24: PROVISIONS AND OTHER LIABILITIES[1] (in HUF mn) [continued]

The provisions are detailed as follows:

	2021	2020
Commitments and guarantees given	51,990	54,810
Total provision according to IFRS 9	**51,990**	**54,810**
Pending legal issues and tax litigation	35,354	34,894
Pensions and other retirement benefit obligations	9,308	10,975
Other long-term employee benefits	910	2,396
Restructuring	1,801	1,531
Provision due to CHF loans conversion at foreign subsidiaries	1,285	1,949
Other provision	19,151	9,912
Total provision according to IAS 37	**67,809**	**61,657**
Total	**119,799**	**116,467**

The movements of provisions according to IFRS 9 can be summarized as follows:

	2021	2020
Balance as at 1 January	**54,810**	**48,662**
Provision for the period	28,869	98,703
Release of provision for the period	(28,770)	(90,041)
Use of provision	(7)	(2,276)
Transfer	(4,426)	-
Foreign currency translation differences	1,514	(238)
Closing balance	**51,990**	**54,810**

The movements of provisions according to IAS 37 can be summarized as follows:

	2021	2020
Balance as at 1 January	**61,657**	**55,772**
Provision for the period	37,924	23,381
Release of provision for the period	(27,167)	(17,251)
Use of provision	(10,953)	(4,501)
Change due to actuarial gains or losses related to employee benefits	(42)	(144)
Unwinding of the discounted amount	7	-
Transfer	4,426	-
Foreign currency translation differences	1,957	4,400
Closing balance	**67,809**	**61,657**

[1] 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.

NOTE 25: SUBORDINATED BONDS AND LOANS (in HUF mn)

	2021	2020
Within one year		
In HUF	-	-
In foreign currency	2,841	2,843
	2,841	**2,843**
Over one year		
In HUF	-	-
In foreign currency	275,493	271,861
	275,493	**271,861**
Total	**278,334**	**274,704**

Types of subordinated bonds and loans are as follows:

	2021	2020
Debt securities issued	6,558	269,566
Loan received	271,776	5,138
Total	**278,334**	**274,704**

Interest rates on subordinated bonds and loans are as follows:

	2021	2020
Denominated in HUF	-	-
Denominated in foreign currency	2.50% - 5.00%	2.50% - 5.00%

	2021	2020
Average interest rates on subordinated bonds and loans	2.75%	2.94%

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 2021
Subordinated bond	EUR 231 million	07/11/2006	Perpetual	99.375%	Three-month EURIBOR + 3%, variable after year 10 (payable quarterly)	2.428%
Subordinated bond	EUR 500 million	15/07/2019	15/07/2029	99.738%	Fixed 2.875% annual in the first 5 years and callable after 5 years, starting from year 6 fix coupon (payable annually) is calculated as a sum of the initial margin (320 basis point) and the 5 year mid-swap rate prevailing at the end of the 5 year.	2.875%
Subordinated loan	USD 17.0 million	05/06/2018	30/06/2025	100.00%	Bullet repayment, once at the end of the loan agreement	5.00%

NOTE 26: SHARE CAPITAL (in HUF mn)

	2021	2020
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[1] (in HUF mn)

In 2021, the Bank did not pay dividend based on the earlier NBH warnings issued due to covid moratoria. In 2022 dividend of HUF 119 billion from the profit of years 2019 and 2020 and HUF 1 billion from the profit of year 2021 (totally HUF 120 billion) are expected to be proposed by the Management, which means HUF 425,89 (for the year 2019 and 2020) and HUF 3,57 (for the year 2021) dividend per share payable to shareholders, respectively. In the opinion of the Management dividend is still considered to be payable, which will be decided on the Bank's Board meeting in March taken in consideration the Russian-Ukrainian conflict.

The retained earnings and reserves according to IFRS contains the retained earnings (HUF 841,261 million and HUF 744,802 million) and reserves (HUF 2,265,262 million and HUF 1,884,274 million) as at 31 December 2021 and 31 December 2020 respectively. The reserves include mainly the option reserve, other reserves, the fair value adjustment of financial instruments at fair value through other comprehensive income, share-based payment reserve, fair value of hedge transactions, additional reserves of Income Certificates Exchangeable for Shares ("ICES"), changes in equity accumulated in the previous years at the subsidiaries and due to consolidation as well as translation of foreign exchange differences.
In the Consolidated Financial Statements the Group recognizes the non-monetary items at historical cost. The difference between the historical cost of the non-monetary items in forint amount and the translated foreign currencies into the presentation currency using the exchange rate at the balance sheet date, is presented in the shareholders' equity as a translation difference. The accumulated amounts of exchange differences were HUF 58,164 million and HUF (3,369) million as at 31 December 2021 and 2020, respectively.

On 19 October 2006, the Bank sold 14.5 million Treasury shares owned by the Group through an issue of ICES. Within the transaction 10 million shares owned by OTP Bank, and a further 4.5 million shares owned by the Group were sold during the underwriting period of ICES on the weighted average market price (HUF 7,080) of the Budapest Stock Exchange. The shares have been purchased by Opus Securities S.A. ("OPUS"), which issued an exchangeable bond with a total face value of EUR 514,274,000 backed by those shares. The exchangeable bonds have been sold at a 32% premium over the selling price of the shares. The EUR denominated exchangeable bonds were perpetual and the investors could have exercised the conversion right between years 6 and 10. The bonds carried a fixed coupon of 3.95% during the first 10 years, and thereafter the Issuer had the right to redeem the bonds at face value. Following year 10, the bonds carried a coupon of 3 month EURIBOR +3%. OTP Bank had a discretional right to cancel the interest payments. The interest payable was non-cumulative.
Due to the conditions described above, ICES was accounted as an equity instrument and therefore any payment was accounted as equity distribution paid to ICES holders.

On 14 September 2021 the Bank decided to terminate the subordinated swap agreement related to ICES transaction as at 29 October 2021, and to exercise its option for repurchasing approximately 14.5 million OTP ordinary shares held by Opus at market price based on the swap agreement. On the same day, the Bank recognised liability due to Opus as a reduction of EUR 514 million in the shareholder's equity.

Treasury shares were repurchased on 29 October 2021 on a price HUF 18,118 and on the same day the swap transaction was financially settled. As a result of the closure of the subordinated swap agreement the Bank's shareholder's equity increased by HUF 75,421 million, the Group's shareholders' equity increased by HUF 35,063 million.

Approximately 12 million pieces of treasury shares were sold to OTP SECOP I. ("OTP Special Employee Stock Ownership Program") and OTP SECOP II.

[1] See more details in the Consolidated Statement of Comprehensive Income and in the Consolidated statement of Changes in equity on page 6 and 7.

NOTE 27: RETAINED EARNINGS AND RESERVES[1] (in HUF mn) [continued]

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.

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 final maturity of the share swap agreement is 11 July 2022, until which any party can initiate cash or physical settlement of the transaction.
Option reserve represents the written put option over OTP ordinary shares were accounted as a deduction from equity at the date of OTP-MOL share swap transaction.

Share-based payment reserve

Share-based payment reserve represents the increase in the equity due to the goods or services were received by the Bank in an equity-settled share-based payment transaction, valued at the fair value of the goods or services received (see details in Note 40).

Other comprehensive income

Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognized in profit or loss as required or permitted by other IFRSs.

Net investment hedge in foreign operations

Reserve presented as net investment hedge in foreign operations in the sharholders' equity is related to DSK Bank EAD, OTP banka d.d. and Crnogorska komercijalna banka a.d.

Extra reserves

The result of ICES bond issuance was presented as extra reserve, any payment to the owner of the ICES was booked as decreaseing item in the extra reserve in the consolidation books until the termination of the subordinated swap agreement related to ICES transaction as it was detailed above in this note when the whole extra reserve presented here was transferred to retained earnings.

[1] See more details in the Consolidated Statement of Comprehensive Income and in the Consolidated statement of Changes in equity on page 6 and 7.

NOTE 27: RETAINED EARNINGS AND RESERVES[1] (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.

	2021	2020
Retained earnings	844,343	744,802
Capital reserve	52	52
Option reserve	(55,468)	(55,468)
Other reserves	129,208	93,569
Actuarial loss related to employee defined benefits	(471)	(513)
Fair value of financial instruments measured at fair value through other comprehensive income	11,690	61,396
Share-based payment reserve	46,162	42,573
Fair value of derivative financial instruments designated as cash-flow hedge	-	-
Net investment hedge in foreign operations	(27,405)	(27,405)
Extra reserves	-	89,935
Net profit for the period	455,592	259,416
Changes in equity accumulated in the previous year at the subsidiaries and due to consolidation	1,647,642	1,424,088
Foreign currency translation differences	58,164	(3,369)
Retained earnings and other reserves	**3,109,509**	**2,629,076**

Fair value adjustment of securities at fair value through other comprehensive income	**2021**	**2020**
Balance as at 1 January	**43,958**	**50,272**
Change of fair value	(49,621)	(10,897)
Deferred tax related to change of fair value	3,035	1,403
Transfer to profit or loss due to reclassification to FVTPL securities	-	(144)
Other transfer to retained earnings	(5,070)	-
Deferred tax related to other transfer to retained earnings	457	-
Transfer to profit or loss due to derecognition	(2,547)	3,329
Deferred tax related to transfer to proft or loss	491	(472)
Foreign currency translation difference	1,644	467
Closing balance	**(7,653)**	**43,958**

Expected credit loss on securities at fair value through other comprehensive income	**2021**	**2020**
Balance as at 1 January	**6,984**	**2,927**
Increase of loss allowance	4,414	6,303
Release of loss allowance	(3,453)	(1,441)
Decrease due to sale, derecognition	(1,749)	(724)
Foreign currency translation difference	514	(81)
Closing balance	**6,710**	**6,984**

[1] See more details in the Consolidated Statement of Comprehensive Income and in the Consolidated statement of Changes in equity on page 6 and 7.

NOTE 27: RETAINED EARNINGS AND RESERVES[1] (in HUF mn) [continued]

Fair value changes of equity instruments as at fair value through other comprehensive income	2021	2020
Balance as at 1 January	**10,454**	**15,115**
Change of fair value	2,465	(3,336)
Deferred tax related to change of fair value	(361)	363
Transfer to retained earnings due to derecognition	(207)	(1,746)
Foreign currency translation difference	282	58
Closing balance	**12,633**	**10,454**

Net investment hedge in foreign operations	2021	2020
Balance as at 1 January	**(27,405)**	**(18,814)**
Change of fair value on hedging item	-	(9,440)
Deferred tax related to change of fair value	-	849
Closing balance	**(27,405)**	**(27,405)**

Actuarial loss related to employee benefits	2021	2020
Balance as at 1 January	**(513)**	**(640)**
Change of actuarial loss related to employee benefits	98	126
Deferred tax related to change of actuarial loss related to employee benefits	(11)	1
Foreign currency translation difference	(45)	-
Closing balance	**(471)**	**(513)**

Foreign currency translation difference	2021	2020
Balance as at 1 January	**(3,369)**	**(72,404)**
Change of foreign currency translation	61,533	69,035
Closing balance	**58,164**	**(3,369)**

[1] See more details in the Consolidated Statement of Comprehensive Income and in the Consolidated statement of Changes in equity on page 6 and 7.

NOTE 28: TREASURY SHARES (in HUF mn)

	2021	2020
Nominal value (Ordinary shares)	1,091	2,392
Carrying value at acquisition cost	106,941	124,080

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:

	2021	2020
Number of shares as at 1 January	**23,924,900**	**17,779,845**
Additions	16,251,451	8,296,388
Disposals	(29,269,470)	(2,151,333)
Closing number of shares	**10,906,881**	**23,924,900**

Change in carrying value:

	2021	2020
Balance as at 1 January	**124,080**	**60,931**
Additions	276,433	85,922
Disposals	(293,572)	(22,773)
Closing balance	**106,941**	**124,080**

NOTE 29: NON-CONTROLLING INTEREST (in HUF mn)

	2021	2020
Balance as at 1 January	**4,116**	**4,956**
Increase due to business combination	1,041	-
Non-controlling interest included in net profit for the period	836	221
Purchase of non-controlling interest	-	(382)
Decrease due to discontinued operation	-	(235)
Foreign currency translation difference	205	(444)
Closing balance	**6,198**	**4,116**

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)

	2021	2020
Interest income calculated using the effective interest method from / on		
loans	692,432	658,579
securities at amortized cost	79,602	69,905
finance lease receivables	59,084	54,046
securities at fair value through other comprehensive income	49,473	44,782
banks and balances with the National Banks	16,527	5,103
placements with other banks	20,922	7,572
liabilities (negative interest expense)	3,672	1,628
repo receivables	827	286
Subtotal	**922,539**	**841,901**
Income similar to interest income from		
swap deals related to placements with other banks	128,519	78,577
loans mandatorily at fair value through profit or loss	40,131	28,251
swap deals related to credit institutions	15,557	20,322
rental income	8,964	8,363
non-trading securities mandatorily at fair value through profit or loss	1,749	473
Subtotal	**194,920**	**135,986**
Total interest income and incomes similar to interest income	**1,117,459**	**977,887**

	2021	2020
Interest expense due to / from / on		
swaps related to banks, National Governments and to deposits from the National Banks	116,895	82,301
deposits from customers	50,645	53,196
swaps related to deposits from customers	23,860	17,226
banks, National Governments and on deposits from the National Banks	17,467	13,785
issued securities	9,822	7,750
subordinated and supplementary bonds and loans	7,598	7,718
financial assets (negative interest income)	7,275	5,014
depreciation of assets subject to operating lease and investment properties	5,325	5,624
leases	1,556	1,623
repo liabilities	2,299	653
other	407	326
Total interest expense	**243,149**	**195,216**

NOTE 31: LOSS ALLOWANCES / IMPAIRMENT / PROVISIONS (in HUF mn)

	2021	2020 Reclassified
Loss allowance on loans		
Loss allowance for the period	546,284	650,165
Release of loss allowance	(475,067)	(390,102)
Income from loan recoveries	(51,876)	(98,300)
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	16,289	3,262
Loss allowance on finance lease	20,694	23,807
Release of loss allowance on finance lease	(14,918)	(13,835)
	41,406	**174,997**
Loss allowance on due from banks, balances with National Banks, on placements and on repo receivables		
Allowance for the period	27,341	16,476
Release of allowance	(24,737)	(15,691)
	2,604	**785**
Loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost		
Allowance for the period	11,048	13,166
Release of allowance	(7,074)	(5,857)
	3,974	**7,309**
Release of impairment of intangible, tangible assets subject to operating lease and of investment properties		
Impairment for the period	63	178
Release of impairment	(501)	(1,056)
	(438)	**(878)**
Provision for commitments and guarantees given		
Provision for the period	28,869	98,703
Release of provision	(28,770)	(90,041)
	99	**8,662**
Loss allowances / Impairment and provisions	**47,645**	**190,875**

NOTE 32: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn)

Income from fees and commissions	2021	2020
Fees and commissions related to lending[1]	**36,999**	**33,233**
Deposit and account maintenance fees and commissions	198,145	173,578
Fees and commissions related to the issued bank cards	99,766	83,474
Currency exchange gains and losses	47,843	46,290
Fees related to cash withdrawal	46,143	39,120
Fees and commissions related to security trading	30,224	25,830
Fees and commissions related to fund management	23,553	28,800
Insurance fee income	16,974	13,603
Other	54,466	42,601
Fees and commissions from contracts with customers	**517,114**	**453,296**
Total	**554,113**	**486,529**

Fee type	Nature and timing of obligation settlement, and the significant payment terms	Revenue recognition under IFRS 15
Deposit and account maintenance fees and commissions and fees related to cash withdrawal	The Group provides a number of account management services for both retail and corporate customers in which they charge a fee. Fees related to these services can be typically account transaction fees (money transfer fees, direct debit fees, money standing order fees, etc.), internet banking fees (e.g. OTP Direct fee), account control fees (e.g. sms fee), or other fees for occasional services (account statement fees, other administration fees, etc.). Fees for ongoing account management services are charged to the customer’s account on a monthly basis. The fees are commonly fixed amounts that can be vary per account package and customer category. In the case of the transaction based fees where the services include money transfer the fee is charged when the transaction takes place. The rate of the fee is typically determined in a certain % of the transaction amount. In the case of other transaction-based fees (e.g. SMS fee), the fee is settled monthly. In the case of occasional services the Group basically charges the fees when the services are used by the customer. The fees can be fixed fees or they can be set in %. The rates are reviewed by the Group regularly.	Fees for ongoing account management services are charged on a monthly basis during the period when they are provided. Transaction-based fees are charged when the transaction takes place or charged monthly at the end of the month.

[1] Such kinds of fees and commissions related to lending which aren’t included in the effective interest rate calculation due to their nature.

NOTE 32: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn) [continued]

Fee type	Nature and timing of obligation settlement, and the significant payment terms	Revenue recognition under IFRS 15
Fees and commission related to the issued bank cards	The Group provides a variety of bank cards to its customers, for which different fees are charged. The fees are basically charged in connection with the issuance of cards and the related card transactions. The annual fees of the cards are charged in advance in a fixed amount. The amount of the annual card fee depends on the type of card. In case of transaction-based fees (e.g. cash withdrawal/payment fee, merchant fee, interchange fee, etc.), the settlement of the fees will take place immediately after the transaction or on a monthly basis. The fee is typically determined in % of the transaction with a fixed minimum amount. For all other cases where the Group provides a continuous service to the customers (e.g. card closing fee), the fees are charged monthly. The fee is calculated in a fix amount. The rates are reviewed by the Group regularly.	Fees for ongoing services are charged on a monthly basis during the period when they are provided. Transaction-based fees are charged when the transaction takes place or charged monthly at the end of the month.
Fees and commissions related to security account management services	The Group provides its clients security account management services. Fees will be charged for account management and transactions on accounts. Account management fees are typically charged quarterly or annually. The amount is determined in %, based on the stocks of securities managed by the clients on the account in a given period. Fees for transactions on the securities account are charged immediately after the transaction. They are determined in %, based on the transaction amount. Fees for complex services provided to clients (e.g. portfolio management or custody) are typically charged monthly or annually. The fees are fixed monthly amounts and in some cases a bonus fee are charged.	Fees for ongoing services are charged quarterly or annually during the period when they are provided. The fees are accrued monthly. Transaction-based fees are charged when the transaction takes place.
Fees and commissions related to fund management	Fees from fund management services provided to investment funds and from portfolio management provided to insurance companies, funds. The fee income are calculated on the basis of net asset value of the portfolio and by the fee rates determined in the contracts about portfolio management.	Fees for ongoing services are charged usually on monthly (mutual funds) or semi-annually (venture capital funds) during the period when they are provided but accrued monthly.
Net insurance fee income	Due to the fact that the Group rarely provides insurance services to its clients, only acts as an agent, the fee income charged to the customers and fees payable to the insurance company are presented net in the fee income. In addition, agency fee charged for the sale of insurance contracts is also recorded in this line. The fee is charged on a monthly basis and determined in %.	Fees for ongoing services are charged on a monthly basis during the period when they are provided.
Other	Fees that are not significant in the Group total income are included in Other fees category. Such fees are safe lease, special procedure fee, account rent fee, fee of a copy of document, etc. Other fees may include charges for continuous services or for ad hoc administration services. Continuous fees are charged monthly (e.g., safe lease fees) at the beginning of the period, typically at a fixed rate. Fees for ad hoc services are charged immediately after the service obligation were met, usually in a fixed amount.	Fees for ongoing services are charged on a monthly basis during the period when they are provided. Fees for ad hoc services are charged when the transaction takes place.

NOTE 32: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn) [continued]

Expense from fees and commissions	2021	2020
Fees and commissions related to issued bank cards	42,662	32,487
Interchange fees	22,831	18,958
Fees and commissions paid on loans	9,502	6,974
Fees and commissions related to deposits	7,467	7,000
Cash withdrawal transaction fees	4,063	3,696
Fees and commissions related to security trading	3,730	3,776
Insurance fees	1,413	1,036
Fees and commissions related to collection of loans	830	1,447
Postal fees	590	714
Money market transaction fees and commissions	281	113
Other	18,570	12,695
Total	**111,939**	**88,896**
Net profit from fees and commissions	**442,174**	**397,633**

NOTE 33: GAIN AND LOSSES BY TRANSACTIONS (in HUF mn)

Gains and losses by transactions	2021	2020 Reclassified
Gain by transactions	5,662	6,479
Loss by transactions	(4,808)	(4,501)
Gain from sale of loans, placements, finance lease	**854**	**1,978**
Gain by transactions	3,552	1,402
Loss by transactions	(2,521)	-
Gain from derecognition of securities at amortized cost	**1,031**	**1,402**
Gain from derecognition of financial assets at amortized cost, net	**1,885**	**3,380**

Foreign exchange result consists revaluation difference from converting assets and liabilities in foreign currencies into the presentation currency of the consolidation financial statements.

Gains and losses by transactions	2021	2020 Reclassified
Gain by transactions	9,553	4,855
Loss by transactions	(4,537)	(2,110)
Fx gain on securities at fair value through profit or loss	**5,016**	**2,745**
Gain by transactions	2,405	-
Loss by transactions	(1,889)	-
Fx gain on derecognition of investment in subsidiaries, associates	**516**	**-**
Gain by transactions	10,505	8,831
Loss by transactions	(13,092)	(6,506)
Fx (loss) / gain on securities at fair value through other comprehensive income	**(2,587)**	**2,325**
Gain by transactions	2,847	10,486
Loss by transactions	(232)	(8,091)
Fx gain on other securities	**2,615**	**2,395**
Gains on securities, net	**5,560**	**7,465**

NOTE 33: GAINS AND LOSSES (in HUF mn) [continued]

Gains and losses by transactions	2021	2020 Reclassified
Gain by transactions	5,835	14,781
Loss by transactions	(1,023)	(7,542)
Gain on non-trading securities mandatorily at fair value through profit or loss	**4,812**	**7,239**
Gain by transactions	36,591	999
Loss by transactions	(44,346)	(2,125)
Loss on loans mandatorily at fair value through profit or loss (adjustment resulting from change in market factors)	**(7,755)**	**(1,126)**
Gain by transactions	2,868	-
Loss by transactions	(457)	(1,270)
Gain/ (Loss) on financial assets and liabilities designated at fair value through profit or loss	**2,411**	**(1,270)**
Fair value adjustment on financial instruments measured at fair value through profit or loss	**(532)**	**4,843**

Gains and losses by transactions	2021	2020 Reclassified
Gain by transactions	74,582	63,574
Loss by transactions	(64,034)	(52,890)
Gain from fx swap, swap and option deals	**10,548**	**10,684**
Gain by transactions	2,684	619
Loss by transactions	(3,005)	(50)
(Loss) / Gain from option deals	**(321)**	**569**
Gain by transactions	94,639	5,237
Loss by transactions	(95,794)	(5,264)
Loss from commodities deals	**(1,155)**	**(27)**
Gain by transactions	745	155
Loss by transactions	(3,019)	(41)
(Loss) / Gain from futures deals	**(2,274)**	**114**
Gain on derivative instruments, net	**6,798**	**11,340**

NOTE 34: OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn)

Other operating income	2021	2020
Income from agricultural activity	42,526	-
Income from tourism activity	8,588	-
Gains on transactions related to property activities	6,424	3,631
Rental income	2,132	1,835
Income from computer programming	1,113	1,529
Fair value adjustment of biological assets and agricultural produce	(2,551)	-
Income from real estate management	-	1,092
Gains on transactions related to insurance activity	657	721
Non-repayable assets received	165	65
Negative goodwill due to acquisition	31	7,504
Other income from non-financial activities	22,243	17,084
Total	**81,328**	**33,461**

NOTE 34: OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn) [continued]

Other operating expenses	**2021**	**2020**
Expense related to agricultural activity	30,392	-
Provision for off-balance sheet commitments and contingent liabilities	11,395	6,336
Financial support for sport association and organization of public utility	11,111	12,080
Expenses related to tourism activity	7,928	
Loss allowance and loan losses on other financial assets	2,624	6,036
Expenses from losses due to foreign currency loan conversion at foreign subsidiaries	949	224
Impairment / (Release of impairment) on investments[1]	6,640	(381)
Non-repayable assets contributed	881	688
Impairment on tangible and intangible assets	2,967	51
(Release of impairment) / Impairment, loan losses on other non-financial assets and assets measured under IAS 2	(638)	1,537
Release of provision due to foreign currency loan conversion at foreign subsidiaries	(638)	(206)
Other	12,121	13,082
Other expenses from non-financial activities	*5,613*	*5,576*
Other costs	*6,508*	*7,506*
Total	**85,732**	**39,447**

Other administrative expenses	**2021**	**2020**
Personnel expenses		
Wages	271,497	242,970
Taxes related to personnel expenses	44,049	42,576
Other personnel expenses	25,138	23,096
Subtotal	**340,684**	**308,642**
Depreciation, amortization of tangible, intangible assets, right-of-use assets and goodwill impairment[2]	**94,996**	**92,761**
Other general expenses		
Taxes, other than income tax[3]	93,678	84,317
Services	113,400	105,384
Professional fees	21,775	17,583
Fees payable to authorities and other fees	44,113	44,542
Advertising	19,457	17,913
Administration expenses	14,662	15,100
Rental fees	4,847	4,883
Subtotal	**311,932**	**289,722**
Total	**747,612**	**691,125**

[1] See details in Note 12.
[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 19,652 million for the year 2021 and HUF 17,665 million for the year 2020, recognized as an expense thus decreased the corporate tax base. For the year ended 31 December 2021 financial transaction duty was paid by the Bank in the amount of HUF 68 billion while for the year ended 31 December 2020 the same dutiy was HUF 60 billion.

NOTE 34: OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn) [continued]

The table below contains the detailing of the fees for audit and non-audit services:

Ernst & Young Audit Ltd.

	2021 In thousand EUR
OTP – annual audit – separate financial statements	458
OTP – annual audit – consolidated financial statements	659
Other audit services based on statutory provisions to OTP Group members	1,050
Other services providing assurance	1,575
Other non-audit services	316
Total	**4,058**

Ernst & Young Network

	2021 In thousand EUR
Audit based on statutory provisions	1,788
Other services providing assurance	-
Tax consulting services	29
Other non-audit services	209
Total	**2,026**

NOTE 35: INCOME TAXES (in HUF mn)

The Group is presently liable for income tax at rates between 9% and 35% of taxable income.

Deferred tax is calculated at the income tax rate of 9% in Hungary and Montenegro, 10% in Bulgaria, 12% in Moldova, 12.5% in Cyprus, 15% in Serbia and Albania, 16% in Romania, 18% in Ukraine and Croatia, 19% in Slovenia, 20% in Russia, 25.5% in the Netherlands and 35% in Malta.

The breakdown of the income tax expense is:

	2021	**2020 Reclassified**
Current tax expense	65,692	42,085
Deferred tax expense	6,431	1,833
Total	**72,123**	**43,918**

A reconciliation of the net deferred tax asset/liability is as follows:

	2021	**2020**
Balance as at 1 January	**(3,673)**	**(2,652)**
Deferred tax expense in profit or loss	(6,431)	(1,833)
Deferred tax receivable related to items recognized directly in equity and in Comprehensive Income	1,294	3,555
Due to merge of subsidiary	-	(919)
Due to acquisition of subsidiary	(737)	-
Foreign currency translation difference	611	(1,824)
Closing balance	**(8,936)**	**(3,673)**

NOTE 35: INCOME TAXES (in HUF mn) [continued]

A breakdown of the deferred tax assets are as follows:

	2021	2020
Loss allowance on granted loans	8,244	9,048
Provision for off-balance sheet commitments and contingent liabilities, derivative financial instruments	7,688	6,469
Securities at amortized cost	9	4,394
Difference in depreciation of tangible assets	3,636	3,323
Fair value adjustment of non-trading instruments mandatorily at fair value though profit or loss	256	2,053
Fair value adjustment of derivative financial instruments	992	1,302
Provision on other financial, non-financial liabilities	1,073	1,091
Difference in accounting for leases	999	801
Fair value adjustment of securities at fair value through other comprehensive income	202	-
Unused tax allowance	-	1,552
Loss allowance / impairment on other financial, non-financial assets	2,427	1,824
Tax accrual caused by negative taxable income	152	237
Loss allowance on investment (goodwill)	77	71
Fair value adjustment of securities at fair value through profit or loss	95	9
Amounts unenforceable by tax law	-	247
Other	4,198	5,238
Deferred tax asset	**30,048**	**37,659**

A breakdown of the deferred tax liabilities are as follows:

	2021	2020
Difference in depreciation of tangible assets	(10,245)	(8,115)
Fair value adjustment of securities at fair value through other comprehensive income	(6,569)	(2,779)
Fair value adjustment of securities at fair value through profit or loss	(2,781)	(9,053)
Loss allowance on investment (goodwill)	(1,142)	(769)
Fair value adjustment of non-trading instruments mandatorily at fair value though profit or loss	-	(233)
Securities at amortized cost	(210)	-
Provision for off-balance sheet commitments and contingent liabilities, derivative financial instruments	(559)	(630)
Loss allowance on granted loans	(944)	(450)
Interbank placements and receivables	(491)	(322)
Fair value adjustment of derivative financial instruments	(214)	(317)
Amounts unenforceable by tax law	-	(102)
Loss allowance / impairment on other financial, non-financial assets	(2,261)	(82)
Repurchase agreement and security lending	-	(1)
Provision on other financial, non-financial liabilities	(1,875)	(1)
Other	(11,693)	(18,478)
Deferred tax liabilities	**(38,984)**	**(41,332)**

NOTE 35: INCOME TAXES (in HUF mn) [continued]

A breakdown of the deferred tax liabilities are as follows [continued]

	2021	2020
Net deferred tax liability (amounts presented in the consolidated statement of financial position)	(8,936)	(3,673)
Deferred tax assets	15,109	22,317
Deferred tax liabilities	(24,045)	(25,990)

Among deferred tax assets the tax accruals are included the following accruals by entities:

Tax accrual caused by negative taxable income	**2021**	**2020**	**Date until it can be used**
Merkantil Bank Ltd.	40	181	31/12/2030
OTP Real Estate Leasing Ltd.	55	56	31/12/2030
Nagisz Ltd.	57	-	31/12/2030
	152	237	

A reconciliation of the income tax income / expense is as follows:

	2021	2020 Reclassified
Profit before income tax	528,435	297,964
Income tax expense at statutory tax rates	68,823	36,847
Income tax adjustments due to permanent differences are as follows:		
Deferred use of tax allowance	(8)	(1,039)
Tax effect of transaction costs related to share-based payment recognized directly in shareholders' equity	323	305
Correction on tax basis due to change of accounting policy	-	230
Permanent differences from unused tax losses	(103)	(167)
Amounts unenforceable by tax law	(846)	(38)
Use of tax allowance in the current year	(4,036)	(2,023)
Other	(11,250)	(6,739)
Income tax expense	52,903	27,376
Effective tax rate	10.01%	9.19%
Business tax and innovation contribution	19,220	16,542
Total income tax expense	72,123	43,918

	2021	2020
Net current tax (liability) / asset (amounts presented in the consolidated statement of financial position)	(6,603)	9,643
Current income tax receivables	29,978	39,171
Current income tax payable	(36,581)	(29,528)

NOTE 36: LEASES (in HUF mn)

The Group as a lessee:

Right-of-use assets by class of underlying assets as at 31 December 2021:

2021	Property	Office equipment and vehicles	Total
Depreciation expense of right-of-use assets	15,710	355	**16,065**
Additions to right-of-use assets	13,915	245	**14,160**
Carrying amount of right-of-use assets at the end of the reporting period	50,265	461	**50,726**

Right-of-use assets by class of underlying assets as at 31 December 2020:

2020	Property	Office equipment and vehicles	Total
Depreciation expense of right-of-use assets	15,933	514	**16,447**
Additions to right-of-use assets	17,999	250	**18,249**
Carrying amount of right-of-use assets at the end of the reporting period	45,642	641	**46,283**

The total cash outflow for leases was HUF 19,663 million as at 31 December 2021 and HUF 23,028 million as at 31 December 2020.

The Group mainly leases real estate, a significant part of its right-of-use assets are related to branch offices, a smaller part to office buildings and office space.

Leasing liabilities by maturities:

	2021	2020
Within one year	11,761	10,937
Over one year	41,525	37,514
Total	**53,286**	**48,451**

Lease liabilities by payments:

	2021	2020
Arising from fixed lease payments	36,047	35,018
Arising from variable lease payments	17,239	13,433
Total	**53,286**	**48,451**

On 31 December 2021 and 2020 HUF 123 million and HUF 126 million is the lease payment respectively to be paid in the future due to leases not yet commenced to which the Group is committed. The future lease payment not taken into account would be HUF 4,041 million 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:

Amounts recognised in profit and loss	**2021**	**2020**
Interest expense on lease liabilities	1,556	1,623
Expense relating to short-term leases	3,885	3,857
Expense relating to leases of low value assets	694	721
Expense relating to variable lease payments not included in the measurement of lease liabilities	-	2
Income from subleasing right-of-use assets	11	405
Gains or losses arising from sale and leaseback transactions	-	-

The Group as a lessor:

The Group's leasing activities are most significant in Hungary, Bulgaria, Slovenia, Ukraine and Croatia. The main activity of the leasing companies is finance leasing. About half of the underlying assets are passenger cars, besides this the Group leases mainly agricultural machinery, commercial vehicles, vessels and construction machinery.

The Group manages the risk associated with the rights held in the underlying assets by, inter alia, buy-back agreements, determining the residual values on level lower than future market values and registering pledge on the underlying asset.

The Group as a lessor, finance lease:

Amounts receivable under finance leases	**2021**	**2020**
In less than 1 year	469,646	410,639
Between 1 and 2 years	332,360	298,354
Between 2 and 3 years	241,217	211,257
Between 3 and 4 years	159,306	127,052
Between 4 and 5 years	90,548	71,428
More than 5 years	60,000	44,473
Total receivables from undiscounted lease payments	**1,353,077**	**1,163,203**
Unguaranteed residual values	692	796
Gross investment in the lease	**1,353,769**	**1,163,999**
Less: unearned finance income	(141,138)	(88,257)
Present value of minimum lease payments receivable	**1,212,631**	**1,075,742**
Loss allowance	(30,003)	(24,602)
Net investment in the lease	**1,182,628**	**1,051,140**

An analysis of the change in the gross values on finance receivables is as follows:

	2021	**2020**
Balance as at 1 January	**1,075,742**	**982,853**
Additions due to new contracts	656,055	372,664
Additions due to interest income and amortized fees	64,168	54,110
Decrease due to write-off	(543)	(349)
Decrease due to repossession of the asset	(3,174)	(4,422)
Decrease due to sale	(3,864)	(3,924)
Decrease due to early repayment	(59,246)	(52,703)
Decrease due to regular lease payment	(530,157)	(328,357)
Foreign currency translation difference	13,650	55,870
Closing balance	**1,212,631**	**1,075,742**

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:

	2021	2020
Balance as at 1 January	**24,602**	**13,590**
Loss allowance for the period	20,694	23,807
Release of loss allowance	(14,918)	(13,240)
Use of loss allowance	(257)	(21)
Partial write-off	-	(50)
Decrease due to sale	(513)	-
Foreign currency translation difference	395	516
Closing balance	**30,003**	**24,602**

Result from finance leases	**2021**	**2020**
Selling profit or loss	325	249
Finance income on the net investment in the lease	59,084	54,046
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	**2021**	**2020**
In less than 1 year	10,383	11,285
Between 1 and 2 years	5,172	8,634
Between 2 and 3 years	3,527	4,856
Between 3 and 4 years	2,704	2,692
Between 4 and 5 years	2,019	1,653
More than 5 years	904	20
Total receivables from undiscounted lease payments	**24,709**	**29,140**

Result from operating leases	**2021**	**2020**
Lease income	10,791	9,861
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.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.1. Financial instruments by stages

Gross carrying amount and accumulated loss allowance of financial assets at amortized cost and of interest bearing securities at fair value through other comprehensive income and financial commitments and provision on them by stages as at 31 December 2021:

2021		Gross carrying amount / Notinal value					Accumulated loss allowance / Provision				
	Carrying amount / Exposure	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Placements with other banks	**1,584,861**	1,587,827	-	28	-	**1,587,855**	2,966	-	28	-	**2,994**
Repo receivables	**61,052**	61,342	-	-	-	**61,342**	290	-	-	-	**290**
Mortgage loans	**3,822,426**	3,173,491	559,939	178,066	57,988	**3,969,484**	10,450	25,590	84,937	26,081	**147,058**
Loans to medium and large corporates	**5,294,170**	4,680,180	657,586	158,773	24,117	**5,520,656**	51,724	69,724	98,017	7,021	**226,486**
Consumer loans	**2,963,112**	2,585,014	422,975	356,485	12,856	**3,377,330**	49,104	84,158	274,098	6,858	**414,218**
Loans to micro and small enterprises	**500,991**	412,247	76,131	54,458	2,339	**545,175**	4,751	9,707	28,351	1,375	**44,184**
Car-finance loans	**446,341**	370,790	79,965	9,675	2,452	**462,882**	2,988	4,978	6,508	2,067	**16,541**
Municipal loans	**466,143**	444,944	23,890	816	-	**469,650**	1,372	1,475	660	-	**3,507**
Loans at amortized cost	**13,493,183**	11,666,666	1,820,486	758,273	99,752	**14,345,177**	120,389	195,632	492,571	43,402	**851,994**
Finance lease receivable	**1,182,628**	959,361	210,955	41,944	371	**1,212,631**	4,432	11,140	14,243	188	**30,003**
Interest bearing securities at fair value through other comprehensive income [1]	**2,189,534**	2,187,835	1,699	-	-	**2,189,534**	6,566	144	-	-	**6,710**
Securities at amortized cost	**3,891,335**	3,879,749	20,699	-	-	**3,900,448**	7,789	1,324	-	-	**9,113**
Financial assets total	**22,402,593**	**20,342,780**	**2,053,839**	**800,245**	**100,123**	**23,296,987**	**142,432**	**208,240**	**506,842**	**43,590**	**901,104**
Loan commitments given	**3,776,768**	3,665,153	128,603	14,805	211	**3,808,772**	20,539	7,482	3,961	22	**32,004**
Financial guarantees given	**913,038**	887,585	35,648	4,568	7	**927,808**	11,814	1,408	1,542	6	**14,770**
Other commitments given	**1,174,462**	1,127,354	44,064	8,260	-	**1,179,678**	3,170	1,140	906	-	**5,216**
Financial liabilities total	**5,864,268**	**5,680,092**	**208,315**	**27,633**	**218**	**5,916,258**	**35,523**	**10,030**	**6,409**	**28**	**51,990**

[1] Interest bearing securities at fair value through other comprehensive income are recognized in the Consolidated statement of financial position as at fair value (see in Note 9). Loss allowances for securities at fair value through other comprehensive income that are in Stage 1 and / or in Stage 2 is recognized in the Other comprehensive income. It is included in the accumulated loss allowance of this table showed above.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.1. Financial instruments by stages [continued]

Gross carrying amount and accumulated loss allowance of financial assets at amortized cost and of interest bearing securities at fair value through other comprehensive income and financial commitments and provision on them by stages as at 31 December 2020:

2020		Gross carrying amount / Notinal value					Accumulated loss allowance / Provision				
	Carrying amount / Exposure	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Placements with other banks	**1,148,743**	1,150,113	1	118	-	**1,150,232**	1,377	1	111	-	**1,489**
Repo receivables	**190,849**	191,141	-	-	-	**191,141**	292	-	-	-	**292**
Mortgage loans	**3,311,651**	2,729,387	522,312	174,137	70,809	**3,496,645**	10,486	29,970	101,972	42,566	**184,994**
Loans to medium and large corporates	**4,342,003**	3,758,377	604,480	167,402	31,744	**4,562,003**	43,544	67,479	98,800	10,177	**220,000**
Consumer loans	**2,689,621**	2,317,004	397,170	318,448	13,988	**3,046,610**	42,050	75,111	232,138	7,690	**356,989**
Loans to micro and small enterprises	**521,578**	391,810	141,197	34,721	4,105	**571,833**	5,671	17,982	24,654	1,948	**50,255**
Car-finance loans	**362,425**	292,973	71,576	8,370	3,219	**376,138**	1,732	3,746	5,735	2,500	**13,713**
Municipal loans	**447,564**	445,039	5,501	616	-	**451,156**	2,668	653	271	-	**3,592**
Loans at amortized cost	**11,674,842**	9,934,590	1,742,236	703,694	123,865	**12,504,385**	106,151	194,941	463,570	64,881	**829,543**
Finance lease receivable	**1,051,140**	857,452	183,719	33,606	965	**1,075,742**	4,141	8,103	12,188	170	**24,602**
Interest bearing securities at fair value through other comprehensive income [1]	**2,101,384**	2,099,713	1,671	-	-	**2,101,384**	6,856	128	-	-	**6,984**
Securities at amortized cost	**2,624,920**	2,629,778	-	799	-	**2,630,577**	4,858	-	799	-	**5,657**
Financial assets total	**18,791,878**	**16,862,787**	**1,927,627**	**738,217**	**124,830**	**19,653,461**	**123,675**	**203,173**	**476,668**	**65,051**	**868,567**
Loan commitments given	**3,151,051**	3,034,782	141,527	5,827	-	**3,182,136**	19,914	8,632	2,539	-	**31,085**
Financial guarantees given	**796,961**	777,513	28,646	5,065	-	**811,224**	10,044	1,450	2,769	-	**14,263**
Other commitments given	**954,544**	931,515	28,214	4,277	-	**964,006**	7,339	973	1,150	-	**9,462**
Financial liabilities total	**4,902,556**	**4,743,810**	**198,387**	**15,169**	**-**	**4,957,366**	**37,297**	**11,055**	**6,458**	**-**	**54,810**

[1] Interest bearing securities at fair value through other comprehensive income are recognized in the Consolidated statement of financial position as at fair value (see in Note 9). Loss allowances for securities at fair value through other comprehensive income that are in Stage 1 and / or in Stage 2 is recognized in the Other comprehensive income. It is included in the accumulated loss allowance of this table showed above.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.2. Movement table of loss allowance / provision on financial instruments

Movement of loss allowance on financial assets at amortized cost and on interest bearing securities at fair value through other comprehensive income and of provision of financial commitments as at 31 December 2021:

2021	Opening balance	Modi-fication	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between stages (net)	Changes due to change in credit risk (net)	Changes due to modifications without derecognition (net)	Decrease in loss allowance account due to write-offs	Other adjustments	Closing balance
Stage 1	**123,675**	**-**	**141,894**	**(37,619)**	**(103,930)**	**25,663**	**(4,885)**	**(102)**	**(2,264)**	**142,432**
Placements with other banks	1,377	-	24,635	(4,383)	-	(18,854)	-	-	191	**2,966**
Repo receivables	292	-	667	-	-	(669)	-	-	-	**290**
Loans at amortized cost	106,151	-	109,970	(29,761)	(91,303)	33,215	(4,442)	(102)	(3,339)	**120,389**
Finance lease receivables	4,141	-	2,643	(255)	(12,106)	10,426	(443)	-	26	**4,432**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	11,714	-	3,979	(3,220)	(521)	1,545	-	-	858	**14,355**
Stage 2	**203,173**	**-**	**29,705**	**(21,813)**	**9,826**	**(27,800)**	**8,202**	**(498)**	**7,445**	**208,240**
Placements with other banks	1	-	-	-	-	-	-	(1)	-	**-**
Repo receivables	-	-	-	-	-	-	-	-	-	**-**
Loans at amortized cost	194,941	(1,281)	26,947	(21,200)	3,766	(23,004)	8,550	(497)	7,410	**195,632**
Finance lease receivables	8,103	-	2,696	(613)	5,539	(4,229)	(348)		(8)	**11,140**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	128	1,281	62	-	521	(567)	-	-	43	**1,468**
Stage 3	**476,668**	**-**	**19,133**	**(44,871)**	**94,104**	**21,425**	**8,856**	**(69,523)**	**1,050**	**506,842**
Placements with other banks	111	-	-	-	-	46	-	(240)	111	**28**
Repo receivables	-	-	-	-	-	-	-	-	-	**-**
Loans at amortized cost	463,570	-	17,649	(43,539)	87,537	25,360	9,852	(67,453)	(405)	**492,571**
Finance lease receivables	12,188	-	1,484	(1,332)	6,567	(3,981)	(996)	(1,022)	1,335	**14,243**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	799	-	-	-	-	-	-	(808)	9	**-**
Loss allowance on financial assets subtotal	**803,516**	**-**	**190,732**	**(104,303)**	**-**	**19,288**	**12,173**	**(70,123)**	**6,231**	**857,514**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.2. Movement table of loss allowance / provision on financial instruments [continued]

Movement of loss allowance on financial assets at amortized cost and on interest bearing securities at fair value through other comprehensive income and of provision of financial commitments as at 31 December 2021 [continued]:

2021	Opening balance	Modi-fication	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between stages (net)	Changes due to change in credit risk (net)	Changes due to modifications without derecognition (net)	Decrease in loss allowance account due to write-offs	Other adjustments	Closing balance
POCI	**65,051**	**-**	**-**	**(2,929)**	**-**	**(17,138)**	**(129)**	**(4,370)**	**3,105**	**43,590**
Placements with other banks	-	-	-	(2,929)	-	6,004	(129)	(4,370)	1,424	**-**
Repo receivables	-	-	-	-	-	-	-	-	-	**-**
Loans at amortized cost	64,881	-	-	-	-	(23,142)	-	-	1,663	**43,402**
Finance lease receivables	170	-	-	-	-	-	-	-	18	**188**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	-	-	-	-	-	-	-	-	-	**-**
Loss allowance on financial assets total	**868,567**	**-**	**190,652**	**(90,565)**	**-**	**2,150**	**12,044**	**(74,493)**	**(7,251)**	**901,104**
Loan commitments and financial guarantees given - stage 1	37,297	-	23,514	(5,522)	1,446	(20,069)	(1,031)	-	(112)	**35,523**
Loan commitments and financial guarantees given - stage 2	11,055	-	3,804	(791)	(2,173)	(2,216)	436	-	(85)	**10,030**
Loan commitments and financial guarantees given - stage 3	6,458	-	932	(1,337)	727	196	(65)	-	(502)	**6,409**
Loan commitments and financial guarantees given - poci	-	-	31	(4)	-	3	(1)	-	(1)	**28**
Provision on financial liabilities total	**54,810**	**-**	**28,281**	**(7,654)**	**-**	**(22,086)**	**(661)**	**-**	**(700)**	**51,990**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.2. Movement table of loss allowance / provision on financial instruments [continued]

Movement of loss allowance on financial assets at amortized cost and on interest bearing securities at fair value through other comprehensive income and of provision of financial commitments as at 31 December 2020:

2020	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between stages (net)	Changes due to change in credit risk (net)	Changes due to modifications without derecognition (net)	Decrease in loss allowance account due to write-offs	Other adjustments	Closing balance
Stage 1	**119,180**	**141,735**	**(42,569)**	**(185,201)**	**84,111**	**(4,294)**	**(56)**	**10,769**	**123,675**
Placements with other banks	451	10,430	(263)	-	(12,805)	-	-	3,564	**1,377**
Repo receivables	62	306	-	-	(76)	-	-	-	**292**
Loans at amortized cost	109,921	125,137	(40,604)	(183,599)	92,372	(4,132)	(55)	7,111	**106,151**
Finance lease receivables	3,805	1,884	(739)	(1,602)	1,034	(162)	(1)	(78)	**4,141**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	4,941	3,978	(963)	-	3,586	-	-	172	**11,714**
Stage 2	**68,778**	**57,383**	**(15,678)**	**83,013**	**3,297**	**6,130**	**(98)**	**348**	**203,173**
Placements with other banks	5	-	-	-	-	-	-	(4)	**1**
Repo receivables	-	-	-	-	-	-	-	-	**-**
Loans at amortized cost	66,390	53,445	(15,537)	81,777	2,802	6,208	(98)	(46)	**194,941**
Finance lease receivables	2,383	3,938	(141)	1,236	367	(78)	-	398	**8,103**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	-	-	-	-	128	-	-	-	**128**
Stage 3	**464,313**	**119,894**	**(99,345)**	**99,117**	**(15,385)**	**364**	**(92,476)**	**186**	**476,668**
Placements with other banks	22	-	-	-	45	-	-	44	**111**
Repo receivables	-	-	-	-	-	-	-	-	**-**
Loans at amortized cost	456,246	117,198	(98,810)	98,813	(15,913)	373	(92,226)	(2,111)	**463,570**
Finance lease receivables	7,320	2,696	(535)	304	483	(9)	(250)	2,179	**12,188**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	725	-	-	-	-	-	-	74	**799**
Loss allowance on financial assets subtotal	**652,271**	**319,012**	**(157,592)**	**(3,071)**	**72,023**	**2,200**	**(92,630)**	**11,303**	**803,516**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.2. Movement table of loss allowance / provision on financial instruments [continued]

Movement of loss allowance on financial assets at amortized cost and on interest bearing securities at fair value through other comprehensive income and of provision of financial commitments as at 31 December 2020 [continued]:

2020	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between stages (net)	Changes due to change in credit risk (net)	Changes due to modifications without derecognition (net)	Decrease in loss allowance account due to write-offs	Other adjustments	Closing balance
POCI	**51,844**	**16,933**	**(11,752)**	**3,071**	**1,527**	**489**	**(735)**	**3,674**	**65,051**
Placements with other banks	-	-	-	-	-	-	-	-	**-**
Repo receivables	-	-	-	-	-	-	-	-	**-**
Loans at amortized cost	51,762	16,933	(11,752)	3,009	1,501	489	(735)	3,674	**64,881**
Finance lease receivables	82	-	-	62	26	-	-	-	**170**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	-	-	-	-	-	-	-	-	**-**
Loss allowance on financial assets total	**704,115**	**335,945**	**(169,344)**	**-**	**73,550**	**2,689**	**(93,365)**	**14,977**	**868,567**
Loan commitments and financial guarantees given - stage 1	36,497	20,712	(2,118)	(900)	(15,344)	(453)	(1,785)	688	**37,297**
Loan commitments and financial guarantees given - stage 2	2,728	3,984	(458)	351	4,474	237	-	(261)	**11,055**
Loan commitments and financial guarantees given - stage 3	7,508	1,071	(570)	549	(3,545)	257	-	1,188	**6,458**
Provision on financial liabilities total	**46,733**	**25,767**	**(3,146)**	**-**	**(14,415)**	**41**	**(1,785)**	**1,615**	**54,810**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.3. Loan portfolio by internal ratings

2021 Internal rating grade	Gross carrying amount Stage 1	Stage 2	Stage 3	POCI	Total
Low risk grade (1-4)	7,644,341	631,138	-	2,921	8,278,400
Medium risk grade (5-7)	4,692,656	869,200	-	46,708	5,608,564
High risk grade (8-9)	289,030	526,928	-	2,563	818,521
Non performing	-	4,175	800,217	47,931	852,323
Total loans at amortized cost and finance lease receivable	**12,626,027**	**2,031,441**	**800,217**	**100,123**	**15,557,808**

2021 Internal rating grade	Accumulated loss allowance Stage 1	Stage 2	Stage 3	POCI	Total
Low risk grade (1-4)	52,654	42,988	-	129	**95,771**
Medium risk grade (5-7)	57,421	81,894	-	13,009	**152,324**
High risk grade (8-9)	14,746	78,111	-	375	**93,232**
Non performing	-	3,779	506,814	30,077	**540,670**
Total loans at amortized cost and finance lease receivable	**124,821**	**206,772**	**506,814**	**43,590**	**881,997**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1.4. Loan portfolio by countries

An analysis of the non-qualified and qualified gross loan portfolio by country is as follows:

	2021		2020	
Country	**Gross amount of loan, finance lease receivable at amortized cost, placement with other banks and repo receivable portfolio**	**Loss allowance**	**Gross amount of loan, finance lease receivable at amortized cost, placement with other banks and repo receivable portfolio**	**Loss allowance**
Hungary	5,528,516	215,911	4,513,208	209,216
Bulgaria	2,972,390	206,233	2,722,998	202,018
Croatia	1,826,233	101,067	1,663,534	101,640
Serbia	1,729,147	47,085	1,557,129	48,429
Romania	1,076,696	57,665	915,030	52,016
Slovenia	981,307	16,244	905,881	14,022
Russia	812,070	137,920	626,269	133,293
Ukraine	684,030	52,678	449,503	50,393
Montenegro	385,342	24,930	376,351	23,440
France	182,850	725	231,122	645
Albania	233,391	10,551	185,711	8,243
Moldova	166,720	5,025	132,163	4,586
Germany	84,164	675	151,101	485
Belgium	80,434	328	49,401	119
Austria	40,426	201	54,009	58
Slovakia	80,117	319	74,614	225
The Netherlands	36,858	622	31,144	497
Switzerland	80,611	1,701	61,804	615
United Kingdom	21,209	1,763	21,692	1,282
United States of America	106,347	419	70,901	67
Luxembourg	33,251	1,271	25,062	46
Poland	19,203	239	2,006	119
Italy	10,558	239	25,614	164
Ireland	5,375	106	14,053	211
Cyprus	8,646	562	16,890	3,102
Denmark	339	16	5,817	15
Czech Republic	899	12	902	9
Canada	4,823	16	17,026	5
Australia	3,164	10	3,649	1
Greece	1,808	192	989	141
Turkey	1,810	95	1,567	93
Spain	1,095	25	996	55
Israel	1,174	15	455	5
Bosnia and Herzegovina	467	76	795	248
Sweden	810	63	536	54
Norway	334	23	7,525	39
Saudi Arabia	239	9	424	7
United Arab Emirates	532	30	388	31
Egypt	582	15	78	6
Kazakhstan	209	15	193	8
Iceland	1	-	56	56
Latvia	46	26	34	20
Other[1]	2,782	164	2,880	202
Total	**17,207,005**	**885,281**	**14,921,500**	**855,926**

[1] Other category as at 31 December 2021 mainly includes e.g.: Georgia, Japan, Saudi Arabia, Macedonia, Portugal, China, Brazil, Lithuania, Republic of South-Africa, Algeria, Armenia, Belorussia, Finland, Tunisia, Morocco, South-Korea, Jordan, India, Iran, Estonia, Nigeria, Malta, Syria, Vietnam, Republic of Pakistan, Kyrgyzstan and other countries.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.4. Loan portfolio by countries [continued]

Country	2021	2020
	Loans at fair value	
Hungary	1,067,830	798,981
Croatia	281	1,089
Bosnia-Herzegovina	-	2,535
Total	**1,068,111**	**802,605**

37.1.5. Loan portfolio classification by economic activities

Gross loan at amortized cost and finance lease receivable portfolio by economic activities	2021	2020
Retail	7,392,496	6,575,162
Agriculture, forestry and fishing	607,122	508,175
Manufacturing, mining and quarrying and other industry	1,721,170	1,436,038
Construction	593,682	481,402
Wholesale and retail trade, transportation and storage accommodation and food service activities	2,474,616	2,133,063
Information and communication	195,561	155,055
Financial and insurance activities	268,748	217,982
Real estate activities	562,227	524,665
Professional, scientific, technical, administration and support service activities	440,381	370,454
Public administration, defence, education, human health and social work activities	416,634	401,932
Other services	885,171	776,199
Total gross loans and finance lease receivable	**15,557,808**	**13,580,127**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.5. Loan portfolio classification by economic activities [continued]

Loss allowance on loans at amortized cost and finance lease receivable by economic activities	2021	2020
Retail	523,065	493,759
Agriculture, forestry and fishing	17,547	15,013
Manufacturing, mining and quarrying and other industry	60,054	57,804
Construction	19,382	18,170
Wholesale and retail trade, transportation and storage accommodation and food service activities	92,934	84,141
Information and communication	4,880	4,457
Financial and insurance activities	12,798	14,773
Real estate activities	20,783	24,058
Professional, scientific, technical, administration and support service activities	10,789	11,245
Public administration, defence, education, human health and social work activities	4,310	4,821
Other services	115,455	125,904
Total loss allowance on loans and finance lease receivable	**881,997**	**854,145**

37.1.6. Collateral

The values of collateral received and held by the Group by type are as follows (**total collateral**). The collateral covers loans as well as off-balance sheet exposures.

Types of collateral	2021	2020
Mortgages	13,367,891	12,346,773
Guarantees and warranties	1,296,415	178,139
Guarantees of state or organizations owned by state	1,070,479	731,529
Assignments (revenue or other receivables)	422,030	486,670
Securities	237,076	156,857
Cash deposits	187,934	163,489
Other	2,211,671	2,159,894
Total	**18,793,496**	**16,223,351**

The values of collateral received and held by the Group by type are as follows (**to the extent of the exposures**). The collaterals cover loans as well as off-balance sheet exposures.

Types of collateral	2021	2020
Mortgages	6,479,871	5,902,854
Guarantees of state or organizations owned by state	832,432	190,700
Guarantees and warranties	799,775	984,532
Assignments (revenue or other receivables)	290,066	344,716
Securities	156,715	115,269
Cash deposits	76,338	67,158
Other	1,295,740	1,244,771
Total	**9,930,937**	**8,850,000**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.6. Collateral [continued]

The coverage level of the loan portfolio (total collateral) increased by 2.74% and the coverage level to the extent of the exposures was almost the same as at 31 December 2021.

The values of collateral given and held by the Group according to which financial asset is recognized as collateral are as follows:

Financial assets as collaterals recognized in the consolidated statement of financial position	2021	2020
Cash, amounts due from banks and balances with the National Banks	15,791	-
Placements with other banks	9,590	830
Repo receivables	35,826	-
Securities at fair value through other comprehensive income	16,546	54,948
Securities at amortized cost	42,233	11,071
Loans at amortized cost	1,089,614	-
Finance lease receivables	32,553	12,561
Other financial assets	-	3,443
Total	**1,242,153**	**82,853**

37.1.7. Restructured loans

	2021		2020	
	Gross portfolio	Loss allowance	Gross portfolio	Loss allowance
Retail mortgage loans	269,700	(8,779)	15,159	(2,754)
Loans to medium and large corporations	276,796	(44,197)	58,271	(12,260)
Retail consumer loans	149,469	(32,850)	31,108	(14,714)
Loans to micro and small enterprises	57,403	(7,668)	11,782	(1,237)
Municipal	75	(8)	41	(16)
Other loans	27,092	(2,555)	4,412	(791)
Total	**780,535**	**(96,057)**	**120,773**	**(31,772)**

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 significant increase of the performing forborne loan volume is due to the forborne classification rules set by the NBH executive circulars of 21 January 2021 and 25 November 2021 for loans participating in phase 2 and phase 3 of the moratoria. The loan volume classified as performing forborne exclusively due to moratoria participation is in the Group: HUF 544 bn (in OTP Core: HUF 503 bn, in OTP Bank: HUF 290 bn, in OTP Mortgage Bank Ltd.: HUF 208 bn, in OTP Building Society Ltd.: HUF 5 bn). For the affected portfolios the earliest possible exit from the forborne status is 6 months after the exit from moratorium for retail and 2 years after the exit from moratorium for corporate exposures.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.8. Financial instruments by rating categories[1]

Securities held for trading as at fair value through profit or loss as at 31 December 2021

2021	Aaa	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	B1	B3	Not rated	Total
Government bonds	-	-	-	16	-	18,747	26,024	11,282	10,156	31,306	-	-	-	**97,531**
Equity instruments and fund units	569	19	49	59	35	12	24	83	-	2	6	-	315	**1,173**
Corporate bonds	-	-	-	-	485	-	-	97	-	-	-	-	158	**740**
Discounted Treasury bills	-	-	-	-	-	-	869	-	-	-	-	54	-	**923**
Mortgage bonds	-	-	-	-	-	-	-	-	-	-		-	101	**101**
Other interest bearing securities	-	-	-	-	-	-	1,347	-	-	-	-	-	-	**1,347**
Other non-interest bearing securities	561	-	-	-	-	-	-	-	-	-	-	-	1,134	**1,695**
Total	**1,130**	**19**	**49**	**75**	**520**	**18,759**	**28,264**	**11,462**	**10,156**	**31,308**	**6**	**54**	**1,708**	**103,510**

Non-trading securities mandatorily at fair value through profit or loss as at 31 December 2021

2021	Aa3	Baa3	Ba1	Not rated	Total
Non-trading equity instruments mandatorily at fair value through profit or loss	-	-	7,811	37,083	**44,894**
Non-trading debt instruments mandatorily at fair value through profit or loss	3,498	1,043	56	3,912	**8,509**
Total	**3,498**	**1,043**	**7,867**	**40,995**	**53,403**

[1] Moody's ratings

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.8. Financial instruments by rating categories[1] [continued]

Securities at fair value through other comprehensive income as at 31 December 2021

2021	Aaa	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	B3	Caa1	Not rated	Total
Government bonds	21,728	7,849	-	17,808	28,492	99,425	203,172	495,231	372,198	188,395	162,477	-	76,732	91,487	178	-	**1,765,172**
Corporate bonds	-	-	-	-	-	2,896	-	6,152	44,606	4,144	12,630	-	-	-	-	18,091	**88,519**
Mortgage bonds	-	-	-	47,568	-	-	-	-	-	-	-	-	-	-	-	15,504	**63,072**
Discounted Treasury bills	-	-	-	-	-	-	-	44,924	-	51,701	-	-	-	-	-	-	**96,625**
National Bank of Hungary bonds	-	-	-	-	-	-	-	-	-	-	-	109,774	-	-	-	-	**109,774**
Interest bearing treasury bills	-	-	-	-	-	-	-	63,115	-	-	-	-	-	-	-	-	**63,115**
Other securities	-	-		-	-	-	-	-	-	-	-	-	-	-	-	3,257	**3,257**
Non-trading equity instruments	-	-	6,112	349	-	-	-	-	305	-	-	-	-	-	-	28,210	**34,976**
Total	**21,728**	**7,849**	**6,112**	**65,725**	**28,492**	**102,321**	**203,172**	**609,422**	**417,109**	**244,240**	**175,107**	**109,774**	**76,732**	**91,487**	**178**	**65,062**	**2,224,510**

Securities at amortized cost as at 31 December2021

2021	Aaa	Aa2	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	B1	B3	Not rated	Total
Government bonds	185,261	45,392	20,043	-	31,892	172,502	2,858,111	174,929	26,544	12,617	25,587	91,423	-	**3,644,301**
Corporate bonds	-	-	-	-	-	-	-	32,013	-	-	-	-	138,862	**170,875**
Discounted Treasury bills	-	-	-	-	-	-	6	-	-	-	-	15,696	-	**15,702**
Mortgage bonds	-	-	12,992	-	-	-	-	47	-	-	-	-	11,282	**24,321**
Other securities	298	-	-	8,210	-	7,343	3,682	-	-	-	-	-	16,603	**36,136**
Total	**185,559**	**45,392**	**33,035**	**8,210**	**31,892**	**179,845**	**2,861,799**	**206,989**	**26,544**	**12,617**	**25,587**	**107,119**	**166,747**	**3,891,335**

[1] Moody's ratings

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.8. Financial instruments by rating categories[1] [continued]

Securities held for trading as at fair value through profit or loss as at 31 December 2020

2020	Aaa	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	Not rated	Total
Government bonds	-	-	-	9,138	2,155	5,734	7,247	-	13,762	-	-	**38,036**
Discounted Treasury bills	-	-	-	-	-	1,233	-	-	11,428	-	60	**12,721**
Equity instruments and fund units	535	36	33	45	7	36	-	7	-	5	3,036	**3,740**
Other interest bearing securities	-	-	495	-	-	998	-	-	-	-	582	**2,075**
Total	**535**	**36**	**528**	**9,183**	**2,162**	**8,001**	**7,247**	**7**	**25,190**	**5**	**3,678**	**56,572**

Non-trading securities mandatorily at fair value through profit or loss as at 31 December 2020

2020	Aa3	A1	Baa3	Not rated	Total
Non-trading equity instruments mandatorily at fair value through profit or loss	-	-	-	46,063	**46,063**
Non-trading debt instruments mandatorily at fair value through profit or loss	2,794	-	1,457	7,263	**11,514**
Debt securities designated at fair value through profit or loss	-	2,235	-	-	**2,235**
Total	**2,794**	**2,235**	**1,457**	**53,326**	**59,812**

[1] Moody's ratings

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.8. Financial instruments by rating categories[1] [continued]

Securities at fair value through other comprehensive income as at 31 December 2020

2020	Aaa	Aa2	Aa3	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	B3	Caa1	C	Not rated	Total
Government bonds	20,639	8,215	-	37,195	120,112	192,994	-	959,133	182,685	-	200,478	18,166	69,248	145	46,124	-	**1,855,134**
Mortgage bonds	-	-	-	63,577	-	-	-	-	-	-	-	-	-	-	-	24,695	**88,272**
Corporate bonds	-	-	-	-	4,815	-	2,336	39,179	4,997	979	12,532	-	-	-	-	16,782	**81,620**
Discounted Treasury bills	-	-	-	-	-	-	-	9,957	66,401	-	-	-	-	-	-	-	**76,358**
Non-trading equity instruments	-	-	3,875	-	-	47	-	898	-	-	-	-	-	-	-	30,505	**35,325**
Total	**20,639**	**8,215**	**3,875**	**100,772**	**124,927**	**193,041**	**2,336**	**1,009,167**	**254,083**	**979**	**213,010**	**18,166**	**69,248**	**145**	**46,124**	**71,982**	**2,136,709**

Securities at amortized cost as at 31 December 2020

2020	Aa2	A1	A3	Baa1	Baa3	Ba1	Ba3	B1	B3	Not rated	Total
Government bonds	45,975	10,939	38,987	38,573	2,306,821	9,922	4,147	9,961	74,743	-	**2,540,068**
Corporate bonds	-	-	-	-	14,605	10,517	-	-	-	49,372	**74,494**
Discounted Treasury bills	-	-	-	-	-	-	-	-	10,358	-	**10,358**
Total	**45,975**	**10,939**	**38,987**	**38,573**	**2,321,426**	**20,439**	**4,147**	**9,961**	**85,101**	**49,372**	**2,624,920**

[1] Moody's ratings

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.2. Maturity analysis of assets, liabilities and liquidity risk

Liquidity risk is a measure of the extent to which the Group may be required to raise funds to meet its commitments associated with financial instruments. The Group maintains its liquidity profiles 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 2021.

The contractual amounts disclosed in the maturity analyses are the contractual undiscounted cash-flows like gross finance lease obligations (before deducting finance charges); prices specified in forward agreements to purchase financial assets for cash; net amounts for pay-floating/receive-fixed interest rate swaps for which net cash-flows are exchanged; contractual amounts to be exchanged in a derivative financial instrument for which gross cash-flows are exchanged; gross loan commitments.

Such undiscounted cash-flows differ from the amount included in the Consolidated Statement of Financial Position because the amount in that statement is based on discounted cash-flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. For example, when the amount payable varies with changes in an index, the amount disclosed may be based on the level of the index at the end of the period.

The following tables provide an analysis of assets and liabilities about the non-discounted cash-flow into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.2. Maturity analysis of assets, liabilities and liquidity risk [continued]

2021	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash, amounts due from banks and balances with the National Banks	2,557,092	51	-	-	-	2,557,143
Placements with other banks, net of loss allowance for placements	1,314,523	61,455	145,180	67,764	-	1,588,922
Repo receivables	61,373	-	-	-	-	61,373
Trading securities at fair value through profit or loss	29,714	21,975	37,345	13,530	1,738	104,302
Non-trading instruments mandatorily at fair value through profit or loss	-	-	9,769	19	43,615	53,403
Securities at fair value through other comprehensive income	295,977	249,131	1,114,027	544,167	40,798	2,244,100
Securities at amortized cost	34,190	482,530	2,146,652	1,202,747	-	3,866,119
Loans at amortized cost	1,827,131	2,599,854	5,897,202	4,742,146	136,975	15,203,308
Finance lease receivable	124,074	307,745	770,154	48,636	-	1,250,609
Loans measured at fair value through profit or loss	30,164	31,662	221,069	835,014	-	1,117,909
Associates and other investments	-	-	-	-	79,736	79,736
Other financial assets[1]	130,133	3,244	6,265	3,270	9,804	152,716
TOTAL ASSETS	**6,404,371**	**3,757,647**	**10,347,663**	**7,457,293**	**312,666**	**28,279,640**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	332,330	173,171	704,505	366,025	-	1,576,031
Repo liabilities	79,045	-	2	-	-	79,047
Financial liabilities designated at fair value through profit or loss	530	1,253	4,421	34,980	-	41,184
Deposits from customers	19,593,347	997,565	336,246	148,580	-	21,075,738
Liabilities from issued securities	6,702	2,664	303,223	159,139	-	471,728
Leasing liabilities	3,060	9,058	27,307	15,530	-	54,955
Other financial liabilities[1]	465,022	26,311	10,312	674	6,235	508,554
Subordinated bonds and loans	2,886	-	7,495	269,698	-	280,079
TOTAL LIABILITIES	**20,482,922**	**1,210,022**	**1,393,511**	**994,626**	**6,235**	**24,087,316**
NET POSITION	**(14,078,551)[2]**	**2,547,625**	**8,954,152**	**6,462,667**	**298,142**	**4,184,035**

[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 assets, liabilities and liquidity risk [continued]

2021	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Receivables from derivative financial instruments held for trading	4,396,050	1,993,311	302,924	151,959	-	6,844,244
Liabilities from derivative financial instruments held for trading	(4,349,598)	(1,991,763)	(296,648)	(146,398)	-	(6,784,407)
Net position of financial instruments held for trading	**46,452**	**1,548**	**6,276**	**5,561**	**-**	**59,837**
Receivables from derivative financial instruments designated as hedge accounting	5,693	37,815	580,489	16,195	-	640,192
Liabilities from derivative financial instruments designated as hedge accounting	(7,765)	(47,374)	(595,938)	(16,417)	-	(667,494)
Net position of financial instruments designated as hedge accounting	**(2,072)**	**(9,559)**	**(15,449)**	**(222)**	**-**	**(27,302)**
Net position of derivative financial instruments total	**44,380**	**(8,011)**	**(9,173)**	**5,339**	**-**	**32,535**
Commitments to extend credit	3,749,199	234,503	74,915	6,385	-	4,065,002
Bank guarantees	532,445	347,448	307,030	106,918	-	1,293,841
Confirmed letters of credit	61,124	2,937	853	163	-	65,077
Factoring loan commitment	464,341	-	-	-	-	464,341
Off-balance sheet commitments	**4,807,109**	**584,888**	**382,798**	**113,466**	**-**	**5,888,261**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.2. Maturity analysis of assets, liabilities and liquidity risk [continued]

2020	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash, amounts due from banks and balances with the National Banks	2,370,130	36	41,471	20,675	-	2,432,312
Placements with other banks, net of loss allowance for placements	902,977	77,646	134,780	34,502	635	1,150,540
Repo receivables	191,143	-	-	-	-	191,143
Trading securities at fair value through profit or loss	14,546	16,163	15,093	8,032	777	54,611
Non-trading instruments mandatorily at fair value through profit or loss	28	-	-	9,590	42,879	52,497
Debt securities designated at fair value through profit or loss	2,235	-	-	-	-	2,235
Securities at fair value through other comprehensive income	136,746	278,017	984,596	644,612	31,688	2,075,659
Securities at amortized cost	121,993	47,251	1,577,822	819,600	-	2,566,666
Loans at amortized cost	1,720,314	2,130,394	5,190,401	4,219,165	-	13,260,274
Finance lease receivable	127,856	274,143	659,682	42,439	-	1,104,120
Loans measured at fair value through profit or loss	24,352	25,193	159,934	607,274	-	816,753
Associates and other investments	-	-	-	-	58,307	58,307
Other financial assets [1]	134,672	3,520	4,551	1,902	14,376	159,021
TOTAL ASSETS	**5,746,992**	**2,852,363**	**8,768,330**	**6,407,791**	**148,662**	**23,924,138**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	165,619	86,991	695,707	254,897	-	1,203,214
Repo liabilities	8,379	-	109,612	-	-	117,991
Financial liabilities designated at fair value through profit or loss	3,159	1,421	8,350	21,201	-	34,131
Deposits from customers	15,065,456	2,300,365	305,074	221,028	-	17,891,923
Liabilities from issued securities	1,971	130,445	269,133	65,841	-	467,390
Leasing liabilities	2,859	8,163	27,776	11,169	-	49,967
Other financial liabilities [1]	374,525	19,447	3,239	89	10,496	407,796
Subordinated bonds and loans	2,843	-	6,838	267,083	-	276,764
TOTAL LIABILITIES	**15,624,811**	**2,546,832**	**1,425,729**	**841,308**	**10,496**	**20,449,176**
NET POSITION	**(9,877,819)[2]**	**305,531**	**7,342,601**	**5,566,483**	**138,166**	**3,474,962**

[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 assets, liabilities and liquidity risk [continued]

2020	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	594,663	3,080,660	532,012	246,922	-	4,454,257
Liabilities from derivative financial instruments held for trading	(473,510)	(3,302,801)	(441,330)	(200,525)	(31)	(4,418,197)
Net position of financial instruments held for trading	**121,153**	**(222,141)**	**90,682**	**46,397**	**(31)**	**36,060**
Receivables from derivative financial instruments designated as hedge accounting	186	8,082	169,339	173,109	-	350,716
Liabilities from derivative financial instruments designated as hedge accounting	(41,382)	(118,914)	(468,378)	(88,720)	-	(717,394)
Net position of financial instruments designated as hedge accounting	**(41,196)**	**(110,832)**	**(299,039)**	**84,389**	**-**	**(366,678)**
Net position of derivative financial instruments total	**79,957**	**(332,973)**	**(208,357)**	**130,786**	**(31)**	**(330,618)**
Commitments to extend credit	2,375,279	609,431	350,195	85,813	-	3,420,718
Bank guarantees	225,440	280,625	416,293	137,739	99,602	1,159,699
Confirmed letters of credit	13,670	8,916	1,476	11,377	276	35,715
Factoring loan commitment	305,269	-	-	-	-	305,269
Off-balance sheet commitments	**2,919,658**	**898,972**	**767,964**	**234,929**	**99,878**	**4,921,401**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.3. Net foreign currency position and foreign currency risk

2021	USD	EUR	CHF	Egyéb	Total
Assets	1,163,960	7,661,460	88,639	7,677,060	16,591,119
Liabilities	(1,013,972)	(6,769,472)	(107,902)	(5,971,941)	(13,863,287)
Derivative financial instruments	(186,774)	(371,225)	32,021	(101,951)	(627,929)
Net position	**(36,786)**	**520,763**	**12,758**	**1,603,168**	**2,099,903**

2020	USD	EUR	CHF	Egyéb	Total
Assets	717,819	7,003,090	73,344	6,435,309	14,229,562
Liabilities	(878,916)	(5,926,666)	(87,551)	(5,195,693)	(12,088,826)
Derivative financial instruments	259,993	(921,666)	32,905	(147,436)	(776,204)
Net position	**98,896**	**154,758**	**18,698**	**1,092,180**	**1,364,532**

The table above provides an analysis of the main foreign currency exposures of the Group that arise in the non-functional currency of the entities constituting the Group. The remaining foreign currencies are shown within 'Others'. 'Others' category contains mainly foreign currencies in RON, RSD, HRK, UAH, RUB, BGN, ALL and MDL. The Group monitors its foreign exchange position for compliance with the regulatory requirements of the National Banks and its own limit system established in respect of limits on open positions. The measurement of the open foreign currency position of the Group involves monitoring the "VaR" limit on the foreign exchange exposure of the Group. The derivative financial instruments detailed in the table above are presented at fair value.

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 dates of the Group. 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 Deceember 2021

ASSETS	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
Cash, amounts due from banks and balances with the National Banks	**37,712**	**821,501**	**-**	**28,183**	**-**	**12,391**	**-**	**6,697**	**-**	**12,423**	**133,248**	**1,503,880**	**170,960**	**2,385,075**	**2,556,035**
fixed rate	36,376	661,318	-	28,183	-	12,391	-	6,697	-	12,423	-	-	36,376	721,012	757,388
variable rate	1,336	160,183	-	-	-	-	-	-	-	-	-	-	1,336	160,183	161,519
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	133,248	1,503,880	133,248	1,503,880	1,637,128
Placements with other banks, net of allowance for placements losses	**435,888**	**360,795**	**67,304**	**109,822**	**30,509**	**50,770**	**49,632**	**27,234**	**405,437**	**17,202**	**24,415**	**5,853**	**1,013,185**	**571,676**	**1,584,861**
fixed rate	271,734	134,382	449	96,918	1,007	50,238	49,632	27,234	254,065	17,202	-	-	576,887	325,974	902,861
variable rate	164,154	226,413	66,855	12,904	29,502	532	-	-	151,372	-	-	-	411,883	239,849	651,732
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	24,415	5,853	24,415	5,853	30,268
Repo receivables	**33,638**	**21,535**	**-**	**5,828**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**51**	**33,638**	**27,414**	**61,052**
fixed rate	33,638	21,535	-	5,828	-	-	-	-	-	-	-	-	33,638	27,363	61,001
variable rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	51	-	51	51
Trading instruments at fair value through profit or loss	**1,237**	**7,034**	**664**	**26,796**	**2,506**	**16,960**	**360**	**6,634**	**25,036**	**13,415**	**1,770**	**1,098**	**31,573**	**71,937**	**103,510**
fixed rate	32	7,034	487	26,796	2,233	16,960	360	6,634	25,036	13,415	-	-	28,148	70,839	98,987
variable rate	1,205	-	177	-	273	-	-	-	-	-	-	-	1,655	-	1,655
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	1,770	1,098	1,770	1,098	2,868
Non-trading instruments mandatorily at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**28,074**	**25,329**	**28,074**	**25,329**	**53,403**
fixed rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
variable rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	28,074	25,329	28,074	25,329	53,403

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.4. Interest rate risk management [continued]

As at 31 Deceember 2021 [continued]

ASSETS [continued]	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
Securities at fair value through other comprehensive income	**205,473**	**291,988**	**22,420**	**92,258**	**97,202**	**202,157**	**40,289**	**177,681**	**362,610**	**697,456**	**(353)**	**35,329**	**727,641**	**1,496,869**	**2,224,510**
fixed rate	157,136	291,987	6,897	92,258	88,628	202,157	40,289	177,681	395,460	684,739	-	-	688,410	1,448,822	2,137,232
variable rate	48,337	1	15,523	-	8,574	-	-	-	(32,850)	12,717	-	-	39,584	12,718	52,302
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	(353)	35,329	(353)	35,329	34,976
Securities at amortized cost	**117**	**124,634**	**-**	**24,325**	**365,576**	**28,559**	**264,200**	**56,712**	**2,305,098**	**722,114**	**-**	**-**	**2,934,991**	**956,344**	**3,891,335**
fixed rate	-	117,026	-	19,513	365,576	28,559	264,200	56,712	2,305,098	722,114	-	-	2,934,874	943,924	3,878,798
variable rate	117	7,608	-	4,812	-	-	-	-	-	-	-	-	117	12,420	12,537
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans at amortized cost, net of allowance for loan losses	**800,665**	**5,419,263**	**534,858**	**1,525,057**	**60,259**	**1,431,981**	**264,434**	**410,199**	**1,636,001**	**1,180,170**	**121,187**	**109,109**	**3,417,404**	**10,075,779**	**13,493,183**
fixed rate	51,410	1,029,075	2,075	260,668	16,048	683,927	187,209	374,260	942,294	835,327	-	-	1,199,036	3,183,257	4,382,293
variable rate	749,255	4,390,188	532,783	1,264,389	44,211	748,054	77,225	35,939	693,707	344,843	-	-	2,097,181	6,783,413	8,880,594
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	121,187	109,109	121,187	109,109	230,296
Finance lease receivables	**117,384**	**304,444**	**16,580**	**131,417**	**5,736**	**161,672**	**20,288**	**88,194**	**197,583**	**137,387**	**-**	**1,943**	**357,571**	**825,057**	**1,182,628**
fixed rate	6,555	118,251	440	8,408	5,736	37,140	20,288	40,715	188,967	64,125	-	-	221,986	268,639	490,625
variable rate	110,829	186,193	16,140	123,009	-	124,532	-	47,479	8,616	73,262	-	-	135,585	554,475	690,060
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	1,943	-	1,943	1,943
Loans mandatorily at fair value through profit or loss	**27,185**	**281**	**11,172**	**-**	**73,893**	**-**	**29,473**	**-**	**926,107**	**-**	**-**	**-**	**1,067,830**	**281**	**1,068,111**
fixed rate	2	-	-	-	-	-	-	-	-	-	-	-	2	-	2
variable rate	27,183	281	11,172	-	73,893	-	29,473	-	926,107	-	-	-	1,067,828	281	1,068,109
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fair value adjustment of derivative financial instruments	**1,516,897**	**1,249,024**	**395,951**	**937,234**	**680,161**	**863,886**	**10,760**	**57,580**	**221,053**	**17,693**	**181,110**	**672,531**	**3,005,932**	**3,797,948**	**6,803,880**
fixed rate	1,409,585	1,125,415	188,029	551,410	574,143	862,177	10,760	57,521	221,053	17,681	-	-	2,403,570	2,614,204	5,017,774
variable rate	107,312	123,609	207,922	385,824	106,018	1,709	-	59	-	12	-	-	421,252	511,213	932,465
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	181,110	672,531	181,110	672,531	853,641
Other financial assets	**3,395**	**13,864**	**1,261**	**19**	**-**	**212**	**-**	**-**	**-**	**128**	**49,086**	**67,951**	**53,742**	**82,174**	**135,916**
fixed rate	3,393	4,860	1,155	13	-	12	-	-	-	103	-	-	4,548	4,988	9,536
variable rate	2	9,004	106	6	-	200	-	-	-	25	-	-	108	9,235	9,343
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	49,086	67,951	49,086	67,951	117,037

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.4. Interest rate risk management [continued]

As at 31 Deceember 2021 [continued]

LIABILITIES	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks	**103,123**	**200,292**	**41,404**	**56,912**	**26,730**	**79,200**	**355,132**	**26,401**	**616,005**	**12,724**	**35,951**	**13,474**	**1,178,345**	**389,003**	**1,567,348**
fixed rate	58,913	103,240	12,367	23,208	26,730	52,310	355,132	26,356	615,961	12,724	-	-	1,069,103	217,838	1,286,941
variable rate	44,210	97,052	29,037	33,704	-	26,890	-	45	44	-	-	-	73,291	157,691	230,982
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	35,951	13,474	35,951	13,474	49,425
Repo liabilities	**49,726**	**29,321**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**49,726**	**29,321**	**79,047**
fixed rate	49,726	29,321	-	-	-	-	-	-	-	-	-	-	49,726	29,321	79,047
variable rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities designated at fair value through profit or loss	**20,133**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**21,051**	**-**	**41,184**	**-**	**41,184**
fixed rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
variable rate	20,133	-	-	-	-	-	-	-	-	-	-	-	20,133	-	20,133
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	21,051	-	21,051	-	21,051
Deposits from customers	**7,533,566**	**10,675,265**	**198,955**	**456,849**	**94,140**	**735,911**	**31,975**	**75,104**	**248,209**	**120,403**	**16,356**	**881,911**	**8,123,201**	**12,945,443**	**21,068,644**
fixed rate	463,512	4,039,568	198,955	456,849	92,653	735,911	31,975	74,680	248,209	120,403	-	-	1,035,304	5,427,411	6,462,715
variable rate	7,070,054	6,635,697	-	-	1,487	-	-	424	-	-	-	-	7,071,541	6,636,121	13,707,662
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	16,356	881,911	16,356	881,911	898,267
Liabilities from issued securities	**864**	**-**	**8,514**	**-**	**170,732**	**-**	**-**	**51**	**256,151**	**-**	**-**	**13**	**436,261**	**64**	**436,325**
fixed rate	211	-	-	-	-	-	-	51	256,151	-	-	-	256,362	51	256,413
variable rate	653	-	8,514	-	170,732	-	-	-	-	-	-	-	179,899	-	179,899
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	13	-	13	13

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.4. Interest rate risk management [continued]

As at 31 Deceember 2021 [continued]

LIABILITIES [continued]	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
Fair value adjustment of derivative financial instruments	**941,607**	**1,905,033**	**220,057**	**1,084,185**	**709,948**	**870,647**	**12,943**	**54,920**	**96,381**	**77,044**	**453,672**	**388,146**	**2,434,608**	**4,379,975**	**6,814,583**
fixed rate	721,374	1,714,718	151,795	579,964	526,007	868,848	12,398	54,847	96,558	77,044	-	-	1,508,132	3,295,421	4,803,553
variable rate	220,233	190,315	68,262	504,221	183,941	1,799	545	73	(177)	-	-	-	472,804	696,408	1,169,212
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	453,672	388,146	453,672	388,146	841,818
Leasing liabilities	**916**	**7,401**	**353**	**1,076**	**483**	**5,359**	**892**	**4,534**	**1,011**	**24,823**	**-**	**6,438**	**3,655**	**49,631**	**53,286**
fixed rate	830	6,948	72	435	7	1,757	319	2,582	1,011	17,403	-	-	2,239	29,125	31,364
variable rate	86	453	281	641	476	3,602	573	1,952	-	7,420	-	-	1,416	14,068	15,484
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	6,438	-	6,438	6,438
Other financial liabilities	**117,189**	**50,063**	**2,518**	**672**	**-**	**479**	**-**	**133**	**-**	**103**	**173,503**	**141,111**	**293,210**	**192,561**	**485,771**
fixed rate	117,185	50,046	907	564	-	211	-	133	-	67	-	-	118,092	51,021	169,113
variable rate	4	17	1,611	108	-	268	-	-	-	36	-	-	1,615	429	2,044
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	173,503	141,111	173,503	141,111	314,614
Subordinated bonds and loans	**-**	**-**	**-**	**85,551**	**-**	**186,225**	**-**	**-**	**-**	**6,514**	**-**	**44**	**-**	**278,334**	**278,334**
fixed rate	-	-	-	-	-	-	-	-	-	6,514	-	-	-	6,514	6,514
variable rate	-	-	-	85,551	-	186,225	-	-	-	-	-	-	-	271,776	271,776
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	44	-	44	44
Net position	**(5,587,533)**	**(4,253,012)**	**578,409**	**1,195,694**	**313,809**	**890,767**	**278,494**	**669,788**	**4,861,168**	**2,556,377**	**(161,996)**	**991,937**	**282,351**	**2,051,551**	**2,333,902**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.4. Interest rate risk management [continued]

As at 31 December 2020

ASSETS	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
Cash, amounts due from banks and balances with the National Banks	**150,707**	**777,104**	**1**	**4,647**	**2,008**	**14,793**	**-**	**9,277**	**-**	**21,056**	**168,850**	**1,283,869**	**321,566**	**2,110,746**	**2,432,312**
fixed rate	149,701	679,634	-	4,647	2,008	14,793	-	9,277	-	21,056	-	-	151,709	729,407	881,116
variable rate	1,006	97,470	1	-	-	-	-	-	-	-	-	-	1,007	97,470	98,477
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	168,850	1,283,869	168,850	1,283,869	1,452,719
Placements with other banks, net of allowance for placements losses	**240,397**	**339,537**	**104**	**103,038**	**665**	**194,919**	**2,003**	**5**	**124,478**	**7,633**	**19,253**	**116,711**	**386,900**	**761,843**	**1,148,743**
fixed rate	220,155	197,680	104	102,080	665	194,919	2,003	5	-	5,750	-	-	222,927	500,434	723,361
variable rate	20,242	141,857	-	958	-	-	-	-	124,478	1,883	-	-	144,720	144,698	289,418
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	19,253	116,711	19,253	116,711	135,964
Repo receivables	**183,364**	**7,485**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**183,364**	**7,485**	**190,849**
fixed rate	183,364	7,485	-	-	-	-	-	-	-	-	-	-	183,364	7,485	190,849
variable rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trading instruments at fair value through profit or loss	**1,261**	**9,247**	**287**	**9,013**	**614**	**14,644**	**1,280**	**2,753**	**5,270**	**8,463**	**2,473**	**1,267**	**11,185**	**45,387**	**56,572**
fixed rate	355	8,721	287	9,013	614	14,644	1,280	2,753	5,254	8,463	-	-	7,790	43,594	51,384
variable rate	906	526	-	-	-	-	-	-	16	-	-	-	922	526	1,448
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	2,473	1,267	2,473	1,267	3,740
Non-trading instruments mandatorily at fair value through profit or loss	**-**	**4,487**	**-**	**1,006**	**-**	**-**	**-**	**-**	**-**	**-**	**30,674**	**21,410**	**30,674**	**26,903**	**57,577**
fixed rate	-	4,459	-	1,006	-	-	-	-	-	-	-	-	-	5,465	5,465
variable rate	-	28	-	-	-	-	-	-	-	-	-	-	-	28	28
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	30,674	21,410	30,674	21,410	52,084
Financial assets designated at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,235**	**-**	**-**	**-**	**2,235**	**2,235**
fixed rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
variable rate	-	-	-	-	-	-	-	-	-	2,235	-	-	-	2,235	2,235
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.4. Interest rate risk management [continued]

As at 31 December 2020 [continued]

ASSETS [continued]	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
Securities at fair value through other comprehensive income	**47,073**	**11,706**	**673**	**95,897**	**118,558**	**183,940**	**49,095**	**200,651**	**567,675**	**826,116**	**536**	**34,789**	**783,610**	**1,353,099**	**2,136,709**
fixed rate	600	11,706	673	83,363	117,558	183,940	49,095	200,631	567,675	819,295	-	-	735,601	1,298,935	2,034,536
variable rate	46,473	-	-	12,534	1,000	-	-	20	-	6,821	-	-	47,473	19,375	66,848
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	536	34,789	536	34,789	35,325
Securities at amortized cost	**-**	**79,401**	**-**	**21,055**	**37,771**	**4,574**	**398,158**	**40,066**	**1,844,129**	**199,766**	**-**	**-**	**2,280,058**	**344,862**	**2,624,920**
fixed rate	-	79,401	-	21,055	37,771	4,574	398,158	40,066	1,837,731	199,766	-	-	2,273,660	344,862	2,618,522
variable rate	-	-	-	-	-	-	-	-	6,398	-	-	-	6,398	-	6,398
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans at amortized cost, net of allowance for loan losses	**656,665**	**4,758,061**	**340,558**	**1,115,958**	**52,487**	**998,326**	**49,217**	**349,978**	**1,723,813**	**1,442,688**	**125,865**	**61,226**	**2,948,605**	**8,726,237**	**11,674,842**
fixed rate	68,714	854,962	2,048	264,431	13,026	488,106	36,198	288,272	772,219	806,553	-	-	892,205	2,702,324	3,594,529
variable rate	587,951	3,903,099	338,510	851,527	39,461	510,220	13,019	61,706	951,594	636,135	-	-	1,930,535	5,962,687	7,893,222
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	125,865	61,226	125,865	61,226	187,091
Finance lease receivables	**285,219**	**281,683**	**34,926**	**134,848**	**18**	**134,266**	**-**	**69,096**	**5,685**	**103,954**	**-**	**1,445**	**325,848**	**725,292**	**1,051,140**
fixed rate	167,083	113,778	8,141	6,117	18	26,854	-	25,036	-	41,005	-	-	175,242	212,790	388,032
variable rate	118,136	167,905	26,785	128,731	-	107,412	-	44,060	5,685	62,949	-	-	150,606	511,057	661,663
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	1,445	-	1,445	1,445
Loans mandatorily at fair value through profit or loss	**24,871**	**1,159**	**68**	**141**	**498**	**634**	**710**	**218**	**772,833**	**1,473**	**-**	**-**	**798,980**	**3,625**	**802,605**
fixed rate	-	70	-	141	-	634	-	218	-	1,473	-	-	-	2,536	2,536
variable rate	24,871	1,089	68	-	498	-	710	-	772,833	-	-	-	798,980	1,089	800,069
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fair value adjustment of derivative financial instruments	**945,704**	**699,341**	**880,168**	**378,971**	**557,280**	**416,304**	**26,776**	**5,084**	**40,243**	**97,805**	**742,345**	**245,973**	**3,192,516**	**1,843,478**	**5,035,994**
fixed rate	929,702	561,503	658,754	183,337	559,388	387,848	26,799	5,084	40,490	97,487	-	-	2,215,133	1,235,259	3,450,392
variable rate	16,002	137,838	221,414	195,634	(2,108)	28,456	(23)	-	(247)	318	-	-	235,038	362,246	597,284
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	742,345	245,973	742,345	245,973	988,318
Other financial assets	**10,221**	**16,335**	**155**	**16**	**-**	**270**	**-**	**-**	**-**	**47**	**50,991**	**62,527**	**61,367**	**79,195**	**140,562**
fixed rate	10,221	10,982	-	14	-	19	-	-	-	-	-	-	10,221	11,015	21,236
variable rate	-	5,353	155	2	-	251	-	-	-	47	-	-	155	5,653	5,808
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	50,991	62,527	50,991	62,527	113,518

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.4. Interest rate risk management [continued]

As at 31 December 2020 [continued]

LIABILITIES	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks	**75,420**	**72,092**	**12,005**	**109,125**	**3,741**	**78,752**	**39,270**	**13,770**	**742,198**	**27,016**	**114**	**11,812**	**872,748**	**312,567**	**1,185,315**
fixed rate	6,185	41,403	12,005	78,467	3,422	17,551	39,270	13,770	735,267	24,708	-	-	796,149	175,899	972,048
variable rate	69,235	30,689	-	30,658	319	61,201	-	-	6,931	2,308	-	-	76,485	124,856	201,341
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	114	11,812	114	11,812	11,926
Repo liabilities	**-**	**2,019**	**-**	**6,360**	**-**	**109,612**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**117,991**	**117,991**
fixed rate	-	2,019	-	6,360	-	-	-	-	-	-	-	-	-	8,379	8,379
variable rate	-	-	-	-	-	109,612	-	-	-	-	-	-	-	109,612	109,612
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities designated at fair value through profit or loss	**25,902**	**-**	**-**	**-**	**5,994**	**-**	**-**	**-**	**-**	**2,235**	**-**	**-**	**31,896**	**2,235**	**34,131**
fixed rate	79	-	-	-	5,994	-	-	-	-	-	-	-	6,073	-	6,073
variable rate	25,823	-	-	-	-	-	-	-	-	2,235	-	-	25,823	2,235	28,058
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits from customers	**6,143,610**	**8,390,678**	**101,521**	**633,365**	**142,203**	**880,099**	**68,741**	**171,992**	**239,805**	**502,668**	**15,169**	**601,012**	**6,711,049**	**11,179,814**	**17,890,863**
fixed rate	413,308	2,873,541	101,521	633,233	142,203	879,857	68,741	171,989	239,805	502,658	-	-	965,578	5,061,278	6,026,856
variable rate	5,730,302	5,517,137	-	132	-	242	-	3	-	10	-	-	5,730,302	5,517,524	11,247,826
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	15,169	601,012	15,169	601,012	616,181
Liabilities from issued securities	**3,090**	**221**	**11,691**	**414**	**223,762**	**721**	**46,451**	**-**	**177,807**	**46**	**-**	**10**	**462,801**	**1,412**	**464,213**
fixed rate	213	-	-	-	111,565	-	46,451	-	177,807	46	-	-	336,036	46	336,082
variable rate	2,877	221	11,691	414	112,197	721	-	-	-	-	-	-	126,765	1,356	128,121
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	10	-	10	10

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.4. Interest rate risk management [continued]

As at 31 December 2020 [continued]

LIABILITIES [continued]	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
Fair value adjustment of derivative financial instruments	**1,264,893**	**385,359**	**1,035,006**	**208,880**	**479,592**	**492,998**	**9,260**	**24,904**	**48,555**	**90,112**	**732,937**	**255,219**	**3,570,243**	**1,457,472**	**5,027,715**
fixed rate	1,111,465	376,893	648,487	189,185	481,603	469,867	9,321	24,904	48,802	89,931	-	-	2,299,678	1,150,780	3,450,458
variable rate	153,428	8,466	386,519	19,695	(2,011)	23,131	(61)	-	(247)	181	-	-	537,628	51,473	589,101
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	732,937	255,219	732,937	255,219	988,156
Leasing liabilities	**1,131**	**6,748**	**465**	**739**	**536**	**6,823**	**467**	**5,388**	**1,213**	**19,644**	**-**	**5,297**	**3,812**	**44,639**	**48,451**
fixed rate	1,085	6,572	401	322	536	4,911	467	4,219	433	18,310	-	-	2,922	34,334	37,256
variable rate	46	176	64	417	-	1,912	-	1,169	780	1,334	-	-	890	5,008	5,898
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	5,297	-	5,297	5,297
Other financial liabilities	**4,091**	**30,795**	**512**	**234**	**-**	**333**	**-**	**417**	**-**	**255**	**261,223**	**92,042**	**265,826**	**124,076**	**389,902**
fixed rate	4,072	30,762	-	228	-	148	-	417	-	87	-	-	4,072	31,642	35,714
variable rate	19	33	512	6	-	185	-	-	-	168	-	-	531	392	923
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	261,223	92,042	261,223	92,042	353,265
Subordinated bonds and loans	**-**	**-**	**-**	**84,833**	**-**	**184,090**	**-**	**-**	**-**	**5,781**	**-**	**-**	**-**	**274,704**	**274,704**
fixed rate	-	-	-	-	-	-	-	-	-	5,684	-	-	-	5,684	5,684
variable rate	-	-	-	84,833	-	184,090	-	-	-	97	-	-	-	269,020	269,020
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net position	**(4,972,655)**	**(1,902,366)**	**95,740**	**820,640**	**(85,929)**	**209,242**	**363,050**	**460,657**	**3,874,548**	**2,063,479**	**131,544**	**863,825**	**(593,702)**	**2,515,477**	**1,921,775**

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	
	2021	2020
Foreign exchange	1,691	1,530
Interest rate	212	146
Equity instruments	20	141
Diversification	-	-
Total VaR exposure	**1,923**	**1,817**

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 months period. The sensitivity analysis included only outstanding foreign currency denominated monetary items as strategic open positions related to foreign activities. In line with the Management's intention, the former EUR (310) million strategic open position was fully closed as 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		Effects to the consolidated statement of other comprehensive income	
	In HUF million	In HUF million	In HUF million	In HUF million
	2021	2020	2021	2020
1%	(194)	(522)	(1,707)	(5,239)
5%	(132)	(388)	(1,038)	(2,261)
25%	(50)	(173)	(398)	(896)
50%	(1)	(14)	98	(227)
25%	53	111	531	584
5%	142	352	1,215	1,918
1%	221	696	1,509	2,981

Note:
(1) Historical VaR simulation is based on the empirical distribution of the historical exchange rate movements between 31 December 2021 and 31December 2020.

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.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.5. Market risk [continued]

37.5.3. Interest rate sensitivity analysis [continued]

The sensitivity of interest income to changes in BUBOR was analysed by assuming two interest rate path scenarios:

(1) HUF base rate and BUBOR increases gradually by 100 bps over the next year (probable scenario)
(2) HUF base rate and BUBOR decreases gradually by 50 bps over the next year (alternative scenario)

The net interest income in a one year period after 1 January 2022 would be increased by HUF 1,487 million (probable scenario) and decreased by HUF 1,025 million (alternative scenario) as a result of these simulation. A similar simulation indicated HUF 1,301 million (probable scenario) and HUF 5,732 million (alternative scenario) decrease in the Net interest income in a one year period after 1 January 2021.
This effect is counterbalanced by capital gains HUF (619) million (for probable scenario), HUF 322 million (for alternative scenario) as at 31 December 2021 and (HUF 584 million for probable scenario, HUF 2,329 million for alternative scenario as at 31 Decmeber 2020) 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):

	2021		2020	
Description	**Effects to the net interest income (one-year period)**	**Effects to capital (Price change of government bonds at fair value through other comprehensive income)**	**Effects to the net interest income (one-year period)**	**Effects to capital (Price change of government bonds at fair value through other comprehensive income)**
HUF (0.1%) parallel shift	(105)	64	(1,809)	389
EUR (0.1%) parallel shift	(1,989)	-	(2,179)	-
USD (0.1%) parallel shift	(257)	-	(497)	-
Total	**(2,351)**	**64**	**(4,485)**	**389**

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	**2021**	**2020**
VaR (99%, one day, HUF million)	12	141
Stress test (HUF million)	(21)	(233)

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 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 Group members in the short run is the continuous monitoring of their capital position, in the long run the strategic and the business planning, which includes the monitoring and forecast of the capital position.
The Group members maintain the capital adequacy required by the regulatory bodies and the planned risk taking mainly by means of ensuring and developing their profitability. In the event that the planned risk level of a Group member exceeded its Core and the previously raised Supplementary capital, it ensures the prudent operation by occasional measures. A further tool in the capital management of the Bank is the dividend policy, and the transactions performed with the treasury shares.

Capital adequacy

The Capital Requirements Directive package (CRDIV/CRR) transposes the new global standards on banking regulation (known as the Basel III agreement) into the EU legal framework. The new rules are applied from 1 January 2014. They set stronger prudential requirements for institutions, requiring them to keep sufficient capital reserves and liquidity. This new framework makes institutions in the EU more solid and strengthens their capacity to adequately manage the risks linked to their activities, and absorb any losses they may incur in doing business.
The capital adequacy of the Group is supervised based on the financial statements data prepared in accordance with IFRS applying the current directives, rulings and indicators from 1 January 2014.

The Group uses the standard method for determining the regulatory capital requirements of the credit risk and market risk, and parallel to that, the base indicator method and the advanced method ("AMA") in case of the operational risk.

For international comparison purposes, the Group calculated the Regulatory capital based on IFRS data as adopted by the EU, and the consolidated Capital adequacy ratio based on this in accordance with the regulations of Basel III. The Capital adequacy ratio of the Group (IFRS) was 19.1%, the Regulatory capital was HUF 3,191,765 million and the Total regulatory capital requirement was HUF 1,335,305 million as at 31 December 2021. The same ratios calculated as at 31 December 2020 were the following: 17.7%, HUF 2,669,806 million and HUF 1,203,751 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)	**2021**	**2020**
Core capital (Tier 1) = Common Equity Tier 1 (CET 1)	***2,926,882***	***2,316,118***
Issued capital	28,000	28,000
Reserves[1]	2,896,118	2,342,166
Fair value adjustments	(15,715)	33,991
Other capital components	104,326	39,204
Non-controlling interests	1,996	1,795
Treasury shares	(121,941)	(145,939)
Goodwill and other intangible assets	(183,440)	(174,997)
Other adjustments	217,538	191,898
Additional Tier 1 (AT1)		**-**
Supplementary capital (Tier 2)	***264,883***	***353,688***
Subordinated bonds and loans	264,397	263,439
Other issued capital components	-	89,935
Components recognized in T2 capital issued by subsidiaries	486	314
Regulatory capital	**3,191,765**	**2,669,806**
Credit risk capital requirement	1,199,423	1,071,163
Market risk capital requirement	13,440	19,170
Operational risk capital requirement	122,442	113,418
Total requirement regulatory capital	**1,335,305**	**1,203,751**
Surplus capital	**1,856,460**	**1,466,055**
CET 1 ratio	17.50%	15.40%
Tier 1 ratio	17.50%	15.40%
Capital adequacy ratio	**19.10%**	**17.70%**

Basel III

The components of the Common Equity Tier 1 capital (CET 1) are the following: Issued capital, Reserves (Profit reserves, Other reserves, Changes in the equity of subsidiaries, Net Profit for the year, Changes due to consolidation) Fair value adjustments, Other capital components, (Revaluation reserves, Share based payments, Cash-flow hedges, Net investment hedge in foreign operations), Non-controlling interest, Treasury shares, Goodwill and other Intangible assets, other adjustments (due to prudential filters, due to deferred tax receivables, due to temporary regulations).

Supplementary capital (Tier 2): Subordinated loan capital, Supplementary loan capital, Other issued capital components, Components recognized in T2 capital issued by subsidiaries.

For regulatory compliance the capital adequacy ratios according to regulatory scope of consolidation are relevant. The Pillar3 Disclosure of OTP Group contains the capital adequacy ratios calculated under regulatory scope of consolidation.

The Group has entirely complied with the regulatory capital requirements in 2021 as well as in 2020.

[1] The dividend amount planned to pay out after the profit of financial years 2019 , 2020 and 2021 is also deducted from reserves.

NOTE 38: RECLASSIFICATION AND TRANSFER OF FINANCIAL INSTRUMENTS (in HUF mn)

Reclassification from securities held for trading to securities at fair value through other comprehensive income:

As at 31 December 2021

Date of reclassification	Reason for reclassification	Type of securities	Nominal value at reclassification	Fair value at the date of reclassification	EIR at the date of reclassification	Interest income
1 September 2018	Change in business model	Retail Hungarian government bonds	1,069	1,087	2%-3%	38

During 2018, securities issued by the Hungarian Government with the nominal value of HUF 66,506 million were transferred from the trading portfolio to the securities at fair value through other comprehensive income of which HUF 1,087 million remaining amount was presented as at 31 December 2021. The Bank has previously held retail government bonds in the portfolio at fair value through other comprehensive income. During 2018, the Bank changed the business model of the retail government bonds to manage all on the basis of a single business model aimed at collecting the future contractual cash flows and/or selling them.
In 2018, the terms and conditions of sale of retail government bonds and the pricing environment have changed significantly, as a result of which the Bank is no longer able to maintain its sole trading intent with these securities that the Bank applied earlier. Furthermore, there is an option-agreement between the Bank and the Government Debt Management Agency ("GDMA") that GDMA will buy back this portfolio therefore it has been reclassified.

Financial assets transferred but not derecognized

	Transferred assets	Associated liabilities	Transferred assets	Associated liabilities
	Carrying amount 2021		Carrying amount 2020	
Financial assets at fair value through other comprehensive income				
Debt securities	52,371	45,484	48,176	44,287
Total	**52,371**	**45,484**	**48,176**	**44,287**
Financial assets at amortized cost				
Debt securities	92,765	90,986	136,316	119,789
Loans and advances	833	1,056	1,171	-
Total	**93,598**	**92,042**	**137,487**	**119,789**
Total	**145,969**	**137,526**	**185,663**	**164,076**

As at 31 December 2021 and 2020, the Group had an obligation from repurchase agreements (repo liability) of HUF 79,045 million and HUF 109,612 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 2021 or 2020.

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	**2021**	**2020**
Commitments to extend credit	4,065,002	3,420,718
Guarantees arising from banking activities	1,293,841	1,159,699
Factoring loan commitment	464,341	305,269
Confirmed letters of credit	65,077	35,715
Other	27,997	35,965
Contingent liabilities and commitments total in accordance with IFRS 9	**5,916,258**	**4,957,366**
Legal disputes (disputed value)	75,453	53,486
Other	5,410	22,164
Contingent liabilities and commitments total in accordance with IAS 37	**80,863**	**75,650**
Total	**5,997,121**	**5,033,016**

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 level of these claims and legal proceedings corresponds to the level 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 35,354 million as at 31 December 2021 and HUF 34,894 million as at 31 December 2020, 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 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.

A contract of guarantee is subject to the statute of frauds (or its equivalent local laws) and is only enforceable if recorded in writing and signed by the surety and the principal.
If the surety is required to pay or perform due to the principal's failure to do so, the law will usually give the surety a right of subrogation, allowing the surety to use the surety's contractual rights to recover the cost of making payment or performing on the principal's behalf, even in the absence of an express agreement to that effect between the surety and the principal.

Derivatives

The Group maintains strict control limits on net open derivative positions, i.e. the difference between purchase and sale contracts, by both amount and 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)

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.
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[1]. 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.

[1] Until the end of 2014 Board of Directors

NOTE 40: SHARE-BASED PAYMENTS AND EMPLOYEE BENEFITS (in HUF mn) [continued]

The parameters for the share-based payment relating to ongoing years 2016-2020 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 2016			for the year 2017			for the year 2018		
2017	7,200	2,500	9,200	-	-	-	-	-	-
2018	7,200	3,000	9,200	8,064	3,000	10,064	-	-	-
2019	7,200	3,500	9,200	8,064	3,500	10,064	10,413	4,000	12,413
2020	7,200	4,000	9,200	8,064	4,000	10,064	10,413	4,000	12,413
2021	-	-	-	8,064	4,000	10,064	10,413	4,000	12,413
2022	-	-	-	8,064	4,000	10,064	10,913	4,000	12,413
2023	-	-	-	-	-	-	10,913	4,000	12,413
2024	-	-	-	-	-	-	10,913	4,000	12,413
2025	-	-	-	-	-	-	10,913	4,000	12,413

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 2019			for the year 2020		
2020	9,553	4,000	11,553	-	-	-
2021	9,553	4,000	11,553	12,644	9,000	16,644
2022	9,553	4,000	11,553	12,644	8,000	16,644
2023	9,553	4,000	11,553	13,644	8,000	16,644
2024	9,553	4,000	11,553	13,644	8,000	16,644
2025	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

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	21.3%	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%

Year	Expected dividends (HUF/Share) 1 -year	2-year	3-year	4-year	5-year	6-year	7-year	Pricing model
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

NOTE 40: SHARE-BASED PAYMENTS AND EMPLOYEE BENEFITS (in HUF mn) [continued]

Based on parameters accepted by Supervisory Board relating to the year **2016** effective pieces are as follows as at 31 December 2021:

	Approved pieces of shares	Exercised until 31 December 2021	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable as at 31 December 2021
Share purchasing period started in 2017	147,984	147,984	9,544	-	-
Remuneration exchanged to share provided in 2017	4,288	4,288	9,194	-	-
Share purchasing period started in 2018	321,528	321,528	10,387	-	-
Remuneration exchanged to share provided in 2018	8,241	8,241	10,098	-	-
Share purchasing period started in 2019	161,446	161,446	12,415	-	-
Remuneration exchanged to share provided in 2019	4,033	4,033	11,813	-	-
Share purchasing period started in 2020	166,231	166,231	13,629	-	-
Remuneration exchanged to share provided in 2020	4,303	4,303	11,897	-	-

Based on parameters accepted by Supervisory Board relating to the year **2017** effective pieces are as follows as at 31 December 2021:

	Approved pieces of shares	Exercised until 31 December 2021	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable as at 31 December 2021
Share purchasing period started in 2018	108,243	108,243	11,005	-	-
Remuneration exchanged to share provided in 2018	11,926	11,926	10,098	-	-
Share purchasing period started in 2019	212,282	212,282	12,096	-	-
Remuneration exchanged to share provided in 2019	26,538	26,538	11,813	-	-
Share purchasing period started in 2020	101,571	101,565	12,084	6	-
Remuneration exchanged to share provided in 2020	11,584	11,584	11,897	-	-
Share purchasing period started in 2021	109,460	106,719	16,441	-	2,741
Remuneration exchanged to share provided in 2021	11,531	11,531	16,477	-	-
Share purchasing period starting in 2022	-	-	-	-	42,820
Remuneration exchanged to share applying in 2022	-	-	-	-	3,003

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 2021:

	Approved pieces of shares	Exercised until 31 December 2021	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable as at 31 December 2021
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 starting in 2022	-	-	-	-	99,341
Remuneration exchanged to share applying in 2022	-	-	-	-	17,042
Share purchasing period starting in 2023	-	-	-	-	45,155
Remuneration exchanged to share applying in 2023	-	-	-	-	4,114
Remuneration exchanged to share applying in 2024	-	-	-	-	864
Remuneration exchanged to share applying in 2025	-	-	-	-	432

Based on parameters accepted by Supervisory Board relating to the year **2019** effective pieces are as follows as at 31 December 2021:

	Approved pieces of shares	Exercised until 31 December 2021	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable as at 31 December 2021
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	192,577	16,523	-	8,696
Remuneration exchanged to share provided in 2021	30,834	30,834	17,618	-	-
Share purchasing period starting in 2022	-	-	-	-	109,567
Remuneration exchanged to share applying in 2022	-	-	-	-	15,554
Share purchasing period starting in 2023	-	-	-	-	125,771
Remuneration exchanged to share applying in 2023	-	-	-	-	18,025
Share purchasing period starting in 2024	-	-	-	-	44,421
Remuneration exchanged to share applying in 2024	-	-	-	-	6,279
Remuneration exchanged to share applying in 2025	-	-	-	-	1,000
Remuneration exchanged to share applying in 2026	-	-	-	-	500

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 2021:

	Approved pieces of shares	Exercised until 31 December 2021	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable as at 31 December 2021
Share purchasing period started in 2021	41,098	8,194	18,471	-	32,914
Remuneration exchanged to share provided in 2021	17,881	17,881	17,498	-	-
Share purchasing period starting in 2022	-	-	-	-	82,826
Remuneration exchanged to share applying in 2022	-	-	-	-	19,390
Share purchasing period starting in 2023	-	-	-	-	47,826
Remuneration exchanged to share applying in 2023	-	-	-	-	9,292
Share purchasing period starting in 2024	-	-	-	-	51,002
Remuneration exchanged to share applying in 2024	-	-	-	-	9,518
Share purchasing period starting in 2025	-	-	-	-	13,080
Remuneration exchanged to share applying in 2025	-	-	-	-	3,443
Remuneration exchanged to share applying in 2026	-	-	-	-	680
Remuneration exchanged to share applying in 2027	-	-	-	-	680

Effective pieces relating to the periods starting in 2022-2027 settled during valuation of performance of year 2017-2020, 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 2021 based on performance assessment accounted as equity-settled share based transactions, HUF 3,589 million and HUF 3,394 million was recognized as expense for the year ended 31 December 2021 and 2020 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:

	2021	2020
Balance as at 1 January	**5,022**	**4,809**
Current service cost	457	402
Interest cost	61	66
Actuarial gains from changes in demographic assumptions	(6)	(14)
Actuarial gains from changes in financial assumptions	(122)	(203)
Benefits paid	(225)	(261)
Past service cost	(164)	(274)
Other increases	241	497
Closing balance	**5,264**	**5,022**

Amounts recognized in profit and loss

	2021	2020
Current service cost	457	402
Net interest expense	61	66
Past service cost	(164)	(274)
Actuarial losses	(78)	14
Other cost	44	-
Total	**320**	**208**

Actuarial assumptions

	2021	2020
Discount rate	0.35% - 4.50%	0.46%-3.00%
Future salary increases	0.75% - 8.00%	0.40%-5.00%

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.

Based on the current information of not presenting plan assets the expected contributions to the plan for the next annual reporting period are also without value.

OTP Group made an insignificant amount of contribution to the defined benefit plans during 2021 and 2020.

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	2021	2020
Short-term employee benefits	8,881	8,901
Share-based payment	3,110	2,619
Other long-term employee benefits	743	827
Termination benefits	-	472
Post-employment benefits	112	-
Total	**12,846**	**12,819**

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:

	2021	2020
Members of Board of Directors	3,023	2,502
Members of Supervisory Board	283	204
Total	**3,306**	**2,706**

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:

	2021				2020			
Assets	**Other related parties**	**Associated companies**	**Other companies**	**Total**	**Other related parties**	**Associated companies**	**Other companies**	**Total**
Securities	596	-	-	**596**	725	-	-	**725**
Loans at amortized cost (gross value)	111,529	1,828	1,798	**115,155**	104,795	1,169	16,414	**122,378**
Loss allowance on loans at amortized cost	(3,197)	(669)	(6)	**(3,872)**	(4,530)	(646)	(19)	**(5,195)**
Loans at fair value through profit or loss	108	-	-	**108**	102	-	-	**102**
Total assets	**109,036**	**1,159**	**1,792**	**111,987**	**101,092**	**523**	**16,395**	**118,010**
Liabilities								
Deposits from customers and loan liabilities	39,872	4,280	2,732	**46,884**	29,186	80	6,541	**35,807**
Total liabilities	**39,872**	**4,280**	**2,732**	**46,884**	**29,186**	**80**	**6,541**	**35,807**

	2021				2020			
Off-balance sheet items	**Other related parties**	**Associated companies**	**Other companies**	**Total**	**Other related parties**	**Associated companies**	**Other companies**	**Total**
Undrawn line of credit	30,369	1,913	1,176	**33,458**	24,932	350	2,314	**27,596**
Bank Guarantee	6,220	-	551	**6,771**	6,641	-	1,337	**7,978**
Total off-balance sheet items	**36,589**	**1,913**	**1,727**	**40,229**	**31,573**	**350**	**3,651**	**35,574**

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: SIGNIFICANT SUBSIDIARIES AND ASSOCIATES (in HUF mn)

The control is established when the Group has the right and exposure over the variable positive yield of the investee but the same time put up with the consequences of the negative returns and the Group by its decisions is able to influence the extent of the yields.
The Group primarily considering the following factors in the process of determining the existing of the control:
- investigation of the decision making mechanism of the entity,
- authority of the Board of Directors, Supervisory Board and General meeting based on the deed of association,
- existence of investments with preferential voting rights.

If the control can't be obviously determined then it should be supposed that the control does not exist.
Significant influence is presumed by the Group to exist – unless the contrary case is proven – when the Group holds 20% or more of the voting power of an investee but does not have a control.

Investments in companies in which the Bank has a controlling interest are detailed below. They are fully consolidated companies and incorporated in Hungary unless otherwise stated. The Group considers a subsidiary significant when it is a financial institution or when the subsidiary contributes to the Groups' total balance sheet with higher amount. The Bank considers the subsidiaries as cash generating units.

Name	Ownership (Direct and Indirect)		Activity
	2021	2020	
DSK Bank EAD (Bulgaria)	99.91%	99.91%	commercial banking services
OTP Bank JSC (Ukraine)	100.00%	100.00%	commercial banking services
JSC "OTP Bank" (Russia)	97.92%	97.91%	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 (previously: Vojvodjanska banka 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. (previously: Mobiasbanca - OTP Group S.A.) (Moldova)	98.26%	98.26%	commercial banking services
SKB Banka d.d. Ljubljana (Slovenia)	100.00%	100.00%	commercial banking services
OTP Financing Malta Company Ltd. (Malta)	100.00%	100.00%	refinancing activities
OTP Financing Netherlands B.V. (the Netherlands)	100.00%	100.00%	refinancing activities
OTP Holding Ltd. (Cyprus)	100.00%	100.00%	refinancing activities
OTP Financing Cyprus Ltd. (Cyprus)	-	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 42: SIGNIFICANT SUBSIDIARIES AND ASSOCIATES (in HUF mn) [continued]

Significant associates and joint ventures

Summarized financial and non-financial information of associates and joint ventures which are not significant on Group level and are accounted according to IAS 28 or accounted on cost is as follows:

As at 31 December 2021

List of associated entities	Carrying amount	Ownership of OTP Bank	Profit after tax	Country / Headquarter	Activity
OTP Kockázati Fund I.	526	44.12%	(52)	Hungary /Budapest	Trusts, funds and similar financial entities
OTP-DayOne Magvető Fund	288	22.00%	13	Hungary /Budapest	Trusts, funds and similar financial entities
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, exc. insurance and pension funding
Edrone spółka z ograniczoną odpowiedzialnością	779	17.34%	(293)	Poland / Krakow	Computer programming activities
Graboplasr Closed Co. Plc.	700	7.00%	n.a.	Hungary / Győr	Manufacture of builders' ware of plastic
NovaKid Inc.	2,006	4.17%	(4,621)	USA / San Francisco	Online kids English learning platform operator
Banzai Cloud Closed Co. Plc.	374	17.42%	n.a.	Hungary /Budapest	Computer programming activities
ClodeCool Ltd.	1,770	20.15%	1	Hungary /Budapest	Other education n.e.c.
Papita.hu Closed Co. Plc.	516	34.00%	(132)	Hungary / Szeghalom	Retail sale via mail order houses or via Internet
Seon Holdings Ltd.	4,756	23.86%	(4)	UK / London	Computer programming activities
Starschema Ltd.	3,944	36.19%	n.a.	Hungary /Budapest	Computer consultancy activities
VCC Live Group Closed Co. Plc.	1,672	49.56%	(203)	Hungary /Budapest	Computer programming activities
Virtual Solutaion Ltd.	-	8.33%	n.a.	Hungary /Budapest	Computer programming activities
Yieldigo s.r.o.	76	1.97%	(168)	Czech Republic/Prague	Computer programming activities
Szallas.hu Closed Co. Plc.	8,809	51.19%[1]	1,278	Hungary / Miskolc	Web portals
Cursor Insight LTD	146	6.75%	(247)	UK / London	Computer programming activities
Fabetker Ltd.	1	20.48%	132	Hungary / Nádudvar	Manufacture of concrete products for construction purposes
OneSoil Ag.	318	3.72%	(1,058)	Switzerland / Zurich	Computer programming activities
Packhelp Spółka Akcyjna	2,160	1.00%	(3,038)	Poland / Warsaw	Manufacture of corrugated paper and paperboard and of containers of paper and paperboard

[1] The Group does not control the entity even though it holds more than half of the voting rights.

NOTE 42: SIGNIFICANT SUBSIDIARIES AND ASSOCIATES (in HUF mn) [continued]

Significant associates and joint ventures [continued]

The Group made significant investments into associates during 2021. Venture capital funds under the control of the Group obtained ownership interest in Phoenix Play Invest Co.Plc., in Algorithmiq Invest Closed Co. Plc. and in NGY Propertiers Investment SRL.

As at 31 December 2021 [continued]

List of associated entities	Carrying amount	Ownership of OTP Bank	Profit after tax	Country / Headquarter	Activity
Phoenix Play Invest closed Co. Plc.	3,081	21.69%	(1)	Hungary /Budapest	Activities of holding companies
Algorithmiq Invest Closed Co. Plc.	8,996	21.69%	792	Hungary /Budapest	Activities of holding companies
NGY Propertiers Investment SRL	12,331	14.54%	(22,567)	Romania / Bucharest	Renting and operating of own or leased real estate

As at 31 December 2020

List of associated entities	Carrying amount	Ownership of OTP Bank	Profit after tax	Country / Headquarter	Activity
OTP Kockázati Fund I.	531	44.12%	(2)	Hungary /Budapest	Trusts, funds and similar financial entities
OTP-DayOne Magvető Fund	674	22.00%	(37)	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%	(254)	Bulgaria / Sofia	Other financial service activities, except insurance and pension funding n.e.c.
Edrone spółka z ograniczoną odpowiedzialnością	497	17.34%	(79)	Poland / Krakow	Computer programming activities
Graboplasr Closed Co. Plc.	711	7.00%	(1,349)	Hungary / Győr	Manufacture of builders' ware of plastic
NovaKid Inc.	497	4.17%	(398)	USA / San Francisco	Online kids English learning platform operator
Banzai Cloud Closed Co. Plc.	1,008	17.42%	13,430	Hungary /Budapest	Computer programming activities
ClodeCool Ltd.	1,797	20.15%	132	Hungary /Budapest	Other education n.e.c.
Pepita.hu Closed Co. Plc.	575	34.00%	3	Hungary / Szeghalom	Retail sale via mail order houses or via Internet
Seon Holdings Ltd.	378	23.86%	37	UK / London	Computer programming activities
Starschema Ltd.	1,310	36.19%	454	Hungary /Budapest	Computer consultancy activities
Tresorit S.A.	1,501	7.77%	232	Luxembourg/Luxembourg	Activities of holding companies
VCC Live Group Closed Co. Plc.	1,599	49.56%	(58)	Hungary /Budapest	Computer programming activities
Virtual Solutaion Ltd.	72	8.33%	(86)	Hungary /Budapest	Computer programming activities
Yieldigo s.r.o.	79	1.97%	103	Czech Republic / Prague	Computer programming activities
Szallas.hu Closed Co. Plc.[1]	7,456	51.19%	595	Hungary / Miskolc	Web portals

[1] The Group does not control the entity even though it holds more than half of the voting rights.

NOTE 43: 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.

	2021	**2020**
The amount of loans managed by the Group as a trustee	36,517	36,811

NOTE 44: CONCENTRATION OF ASSETS AND LIABILITIES

	2021	**2020**
In the percentage of the total assets		
Receivables from, or securities issued by the Hungarian Government or the NBH	15.87%	14.45%

There were no other significant concentrations of the assets or liabilities of the Group either as at 31 December 2021 or 2020 respectively.
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 45: EARNINGS PER SHARE (in HUF mn)

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	**2021**	**2020**
Consolidated net profit for the period attributable to ordinary shareholders (in HUF mn)	455,592	259,416
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	262,017,836	258,461,554
Basic Earnings per share (in HUF)	**1,738**	**1,004**
Consolidated net profit for the period attributable to ordinary shareholders (in HUF mn)	455,592	259,416
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	262,094,958	258,543,088
Diluted Earnings per share (in HUF)	**1,738**	**1,003**

Earnings per share from continuing operations	**2021**	**2020**
Consolidated net profit for the period attributable to ordinary shareholders (in HUF mn)	455,476	253,826
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	262,017,836	258,461,554
Basic Earnings per share (in HUF)	**1,738**	**982**
Consolidated net profit for the period attributable to ordinary shareholders (in HUF mn)	455,476	253,826
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	262,094,958	258,543,088
Diluted Earnings per share (in HUF)	**1,738**	**982**

Earnings per share from discontinued operations	**2021**	**2020**
Consolidated net profit for the period attributable to ordinary shareholders (in HUF mn)	116	5,590
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	262,017,836	258,461,554
Basic Earnings per share (in HUF)	**-**	**22**
Consolidated net profit for the period attributable to ordinary shareholders (in HUF mn)	116	5,590
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	262,094,958	258,543,088
Diluted Earnings per share (in HUF)	**-**	**22**

NOTE 45: EARNINGS PER SHARE (in HUF mn) [continued]

	2021	2020
Weighted average number of ordinary shares	280,000,010	280,000,010
Average number of Treasury shares	17,982,174	21,538,456
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS	**262,017,836**	**258,461,554**
Dilutive effects of options issued in accordance with the remuneration policy and convertible into ordinary shares[1]	77,122	81,534
The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS	**262,094,958**	**258,543,088**

NOTE 46: NET GAIN OR LOSS REALIZED ON FINANCIAL INSTRUMENTS (in HUF mn)

2021	Net interest / similar to interest gain and loss	Net non-interest gain and loss	Loss allowance	Other Compre-hensive Income
Cash, amounts due from banks and balances with the National Banks	16,527	-	(952)	-
Placements with other banks, net of loss allowance for placements	24,594	-	(1,664)	-
Repo receivables	827	-	12	-
Trading securities at fair value through profit or loss	-	5,016	-	-
Non-trading instruments mandatorily at fair value through profit or loss	1,749	4,812	-	-
Securities at fair value through other comprehensive income	49,473	(2,587)[2]	(961)	(44,877)
Securities at amortized cost	79,602	1,031	(3,013)	-
Loans at amortized cost	692,432	26,354	(32,159)	-
Finance lease receivables	59,084	-	(5,776)	-
Loans mandatorily at fair value through profit or loss	40,131	4,459	(16,289)	-
Other financial assets	3,639[3]	-	438	-
Derivative financial instruments	3,321[2]	9,412	-	-
Total result on financial assets	**971,379**	**48,497**	**(60,364)**	**(44,877)**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	(25,235)	-	-	-
Repo liabilities	(2,299)	-	-	-
Financial liabilities designated at fair value through profit or loss	493	(3,916)	-	-
Deposits from customers	(51,052)	267,033	-	-
Liabilities from issued securities	(9,822)	-	-	-
Leasing liabilities	(1,556)	-	-	-
Subordinated bonds and loans	(7,598)	-	-	-
Total result on financial liabilities	**(97,069)**	**263,117**	**-**	**-**
Total result on financial instruments	**874,310**	**311,614**	**(60,364)**	**(44,877)**

[1] Both in the year 2022 and in the year 2021 the dilutive effect is in connection with the Remuneration Policy and the Management Option Program.
[2] For the year of 2021 HUF (2,587) million net non-interest gain on securities at fair value through other comprehensive income was transferred from other comprehensive income to profit or loss.
[3] Gains from other financial assets and derivative financial instruments recognized in net interest income as Income similar to interest income.

NOTE 46: NET GAIN OR LOSS REALIZED ON FINANCIAL INSTRUMENTS (in HUF mn) [continued]

2020	Net interest / similar to interest gain and loss	Net non-interest gain and loss	Loss allowance	Other Compre-hensive Income
Cash, amounts due from banks and balances with the National Banks	5,103	-	-	-
Placements with other banks, net of loss allowance for placements	9,200	-	(851)	-
Repo receivables	286	-	62	-
Trading securities at fair value through profit or loss	-	2,745	-	-
Non-trading instruments mandatorily at fair value through profit or loss	473	7,239	-	-
Securities at fair value through other comprehensive income	44,782	2,325[1]	(4,507)	(6,931)
Securities at amortized cost	69,905	1,402	(2,802)	-
Loans at amortized cost	658,579	26,254	(189,554)	-
Finance lease receivables	54,046	-	(9,972)	-
Loans mandatorily at fair value through profit or loss	28,251	2,125	(3,262)	-
Other financial assets	2,739[2]	-	878	-
Derivative financial instruments	(628)[2]	13,734	-	-
Total result on financial assets	**872,736**	**55,824**	**(210,008)**	**(6,931)**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	(18,492)	-	-	-
Repo liabilities	(653)	-	-	-
Financial liabilities designated at fair value through profit or loss	(307)	1,270	-	-
Deposits from customers	(53,522)	234,030	-	-
Liabilities from issued securities	(7,750)	-	-	-
Leasing liabilities	(1,623)	-	-	-
Subordinated bonds and loans	(7,718)	-	-	-
Total result on financial liabilities	**(90,065)**	**235,300**	**-**	**-**
Total result on financial instruments	**782,671**	**291,124**	**(210,008)**	**(6,931)**

[1] For the year 2020 HUF 2,325 million net non-interest gain on securities at fair value through other comprehensive income was transferred from other comprehensive income to profit or loss.
[2] Gains from other financial assets and derivative financial instruments recognized in net interest income as Income similar to interest income.

NOTE 47: 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 47. 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 amortized cost, the Group used the discounted cash-flow analyses (loans, placements with other banks, repo receivables, amounts due to banks, repo liabilities, deposits from customers). The fair value of issued securities and subordinated bonds is based on quoted prices (e.g. Reuters). Cash and amounts due from banks and balances with the National Banks represent amounts available immediately thus the fair value equals to the cost.

The assumptions used when calculating the fair value of financial assets and liabilities when using valuation technique are the following:

- the discount rates are the risk free rates related to the denomination currency adjusted by the appropriate risk premium as of the end of the reporting period,
- the contractual cash-flows are considered for the performing loans and for the non-performing loans, the amortized cost less impairment is considered as fair value,
- the future cash-flows for floating interest rate instruments are estimated from the yield curves as of the end of the reporting period,
- the fair value of the deposit which can be due in demand cannot be lower than the amount payable on demand.

Classes of assets and liabilities not measured at fair value in the Consolidated Statement of Financial Position, the income approach was used to convert future cash-flows to a single current amount. Fair value of current assets is equal to carrying amount, fair value of liabilities from issued securities and other bond-type classes of assets and liabilities not measured at fair value measured based on Reuters market rates, and the fair value of other classes not measured at fair value of the Consolidated Statement of Financial Position is measured at discounted cash-flow method. Fair value of loans, net of loss allowance for loans measured at discount rate adjustment technique, the discount rate is derived from observed rates of return for comparable assets or liabilities that are traded in the market.
Fair value measurements – in relation to instruments measured not at fair value – are mainly categorized in level 3 of the fair value hierarchy.

NOTE 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

a) Fair value of financial assets and liabilities

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash, amounts due from banks and balances with the National Banks	2,556,035	2,556,035	2,432,312	2,432,312
Placements with other banks, net of loss allowance for placements	1,584,861	1,566,458	1,148,743	1,150,081
Repo receivables	61,052	61,121	190,849	191,149
Financial assets at fair value through profit or loss	341,397	341,397	234,007	234,007
Trading securities at fair value through profit or loss	*103,510*	*103,510*	*56,572*	*56,572*
Fair value of derivative financial assets held for trading	*184,484*	*184,484*	*117,623*	*117,623*
Non-trading instruments mandatorily at fair value through profit or loss	*53,403*	*53,403*	*57,577*	*57,577*
Financial assets designated at fair value through profit or loss	-	-	*2,235*	*2,235*
Securities at fair value through other comprehensive income	2,224,510	2,224,510	2,136,709	2,136,709
Securities at amortized cost	3,891,335	3,645,046	2,624,920	2,384,933
Loans at amortized cost[1]	13,493,183	13,106,425	11,674,842	12,303,182
Finance lease receivables	1,182,628	1,183,089	1,051,140	1,070,528
Loans measured at fair value through profit or loss	1,068,111	1,068,111	802,605	802,605
Derivative financial assets designated as hedge accounting	18,757	18,757	6,820	6,820
Other financial assets	135,916	135,916	140,562	140,562
Financial assets total	**26,557,785**	**25,906,865**	**22,443,509**	**22,852,888**
Amounts due to the National Governments, to the National Banks and other banks	1,567,348	1,446,036	1,185,315	1,172,036
Repo liabilities	79,047	79,010	117,991	119,927
Financial liabilities designated at fair value through profit or loss	41,184	41,184	34,131	34,131
Deposits from customers	21,068,644	21,002,125	17,890,863	17,905,676
Liabilities from issued securities	436,325	400,071	464,213	529,723
Held for trading derivative financial liabilities	202,716	202,716	104,823	104,823
Derivative financial liabilities designated as hedge accounting	11,228	11,228	11,341	11,341
Leasing liabilities	53,286	53,447	48,451	48,451
Other financial liabilities	485,771	485,771	389,902	389,902
Subordinated bonds and loans	278,334	284,709	274,704	265,679
Financial liabilities total	**24,223,883**	**24,006,297**	**20,521,734**	**20,581,689**

[1] Higher discount rate due to the lower yield environment resulted in higher fair value comparing to the carrying values.

NOTE 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

b) 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 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

b) Fair value of derivative instruments [continued]

	2021					2020				
	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	58,512	(56,070)	40,783	17,729	(15,287)	33,963	(33,736)	8,984	24,979	(24,752)
Cross currency interest rate swaps	7,316	(7,621)	-	7,316	(7,621)	7,315	(7,419)	-	7,315	(7,419)
OTC options	484	(299)	-	484	(299)	359	(8)	-	359	(8)
Forward rate agreement	-	-	-	-	-	-	-	-	-	-
Total interest rate derivatives (OTC derivatives)	**66,312**	**(63,990)**	**40,783**	**25,529**	**(23,207)**	**41,637**	**(41,163)**	**8,984**	**32,653**	**(32,179)**
Foreign exchange derivatives										
Foreign exchange swaps	37,638	(42,272)	-	37,638	(42,272)	41,838	(35,537)	-	41,838	(35,537)
Foreign exchange forward contracts	10,790	(7,738)	-	10,790	(7,738)	8,689	(10,750)	-	8,689	(10,750)
OTC options	801	(180)	-	801	(180)	3,909	(3,835)	-	3,909	(3,835)
Foreign exchange spot conversion	187	(242)	-	187	(242)	553	(657)	-	553	(657)
Total foreign exchange derivatives (OTC derivatives)	**49,416**	**(50,432)**	**-**	**49,416**	**(50,432)**	**54,989**	**(50,779)**	**-**	**54,989**	**(50,779)**
Equity stock and index derivatives										
Commodity Swaps	51,523	(51,508)	-	51,523	(51,508)	9,695	(8,269)	-	9,695	(8,269)
Equity swaps	10,538	(357)	-	10,538	(357)	7,071	(560)	-	7,071	(560)
OTC derivatives total	**62,061**	**(51,865)**	**-**	**62,061**	**(51,865)**	**16,766**	**(8,829)**	**-**	**16,766**	**(8,829)**
Exchange traded futures and options	171	(278)	-	171	(278)	379	(1,262)	-	379	(1,262)
Total equity stock and index derivatives	**62,232**	**(52,143)**	**-**	**62,232**	**(52,143)**	**17,145**	**(10,091)**	**-**	**17,145**	**(10,091)**
Derivatives held for risk management not designated in hedge										
Interest rate swaps	47,457	(78,340)	5,682	41,775	(72,658)	24,679	(20,944)	12,736	11,943	(8,208)
Foreign exchange swaps	1,090	(4,108)	-	1,090	(4,108)	808	(3,566)	-	808	(3,566)
Foreign exchange spot	-	-	-	-	-	-	-	-	-	-
Forward contracts	-	-	-	-	-	41	-	-	41	-
Cross currency interest rate swaps	4,442	(168)	-	4,442	(168)	44	-	-	44	-
Total derivatives held for risk management not designated in hedge	**52,989**	**(82,616)**	**5,682**	**47,307**	**(76,934)**	**25,572**	**(24,510)**	**12,736**	**12,836**	**(11,774)**
Total held for trading derivative financial instruments	**230,949**	**(249,181)**	**46,465**	**184,484**	**(202,716)**	**139,343**	**(126,543)**	**21,720**	**117,623**	**(104,823)**

NOTE 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

b) Fair value of derivative instruments [continued]

	2021					2020				
	Before netting		Netting	After netting		Before netting		Netting	After netting	
	Assets	Liabilities		Assets	Liabilities	Assets	Liabilities		Assets	Liabilities
Derivative financial instruments designated as hedge accounting										
Derivatives designated in cash flow hedges										
Interest rate swaps	1,020	(1,020)	1,020	-	-	8,027	(8,027)	8,027	-	-
Total derivatives designated in cash flow hedges	**1,020**	**(1,020)**	1,020	**-**	**-**	**8,027**	**(8,027)**	**8,027**	**-**	**-**
Derivatives designated in fair value hedges										
Interest rate swaps	25,417	(17,908)	12,131	13,286	(5,777)	2,436	(7,129)	1,795	641	(5,334)
Cross currency interest rate swaps	5,471	(5,451)	-	5,471	(5,451)	6,179	(6,007)	-	6,179	(6,007)
Foreign exchange swaps	-	-	-	-	-	-	-	-	-	-
Total derivatives designated in fair value hedges	**30,888**	**(23,359)**	12,131	**18,757**	**(11,228)**	**8,615**	**(13,136)**	**1,795**	**6,820**	**(11,341)**
Total derivatives held for risk management (OTC derivatives)	**31,908**	**(24,379)**	13,151	**18,757**	**(11,228)**	**16,642**	**(21,163)**	**9,822**	**6,820**	**(11,341)**

c) 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 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Types of hedge accounting [continued]

Amount, timing and uncertainty of future cash flows – hedging instruments as at 31 December 2021 (in fx million)

Type of hedge	Type of risk	Type of instrument	Within one month	Within three months and over one month	Within one year and over three months	Within five years and over one year	More than five years	Total
Fair Value Hedge	**Interest rate risk**	**Interest rate swap**						
		HUF						
		Notional	-	2,000	900	(52,474)	42,950	**(6,624)**
		Average Interest Rate (%)	-	1.09%	0.49%	1.65%	1.31%	
		EUR						
		Notional	-	-	1	111	50	**162**
		Average Interest Rate (%)	-	-	0.23%	0.24%	0.05%	
		USD						
		Notional	-	-	-	119	47	**166**
		Average Interest Rate (%)	-	-	-	2.54%	4.18%	
		JPY						
		Notional	-	-	-	4,500	-	**4,500**
		Average Interest Rate (%)	-	-	-	0.22%	-	
Fair Value Hedge	**Foreign exchange & Interest rate risk**	**Cross currency interest rate swap**						
		EUR/HUF						
		Notional	-	1	2	12	12	**27**
		Average Interest Rate (%)	(1.64)%	(1.68)%	(1.67%)	(1.69%)	(1.82%)	
		Average FX Rate	310.41	310.29	310.26	310.01	307.81	

NOTE 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Types of hedge accounting [continued]

Amount, timing and uncertainty of future cash flows – hedging instruments as at 31 December 2021 (in fx million) [continued]

Type of hedge	Type of risk	Type of instrument	Within one month	Within three months and over one month	Within one year and over three months	Within five years and over one year	More than five years	Total
Fair Value Hedge	**Foreign exchange risk**	**Cross currency interest rate swap**						
		EUR/HUF						
		Notional	-	(6)	35	572	-	**601**
		Average FX Rate	363.88	354.22	356.94	355.93	-	
		RON/HUF						
		Notional	-	-	200	2,225	-	**2,425**
		Average FX Rate	-	-	66.21	73.08	-	
		RUB/HUF						
		Notional	-	-	-	11,200	-	**11,200**
		Average FX Rate	-	-	-	4.15	-	
		JPY/HUF						
		Notional	-	-	-	4,500	-	**4,500**
		Average FX Rate	-	-	-	2.79	-	
		USD/HUF						
		Notional	-	-	(3)	306	-	**303**
		Average FX Rate	-	323.77	323.77	323.77	-	
	Other	**Interest rate swap**						
		HUF						
		Notional	-	3,345	1,823	3,093	-	**8,261**

NOTE 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Types of hedge accounting [continued]

Amount, timing and uncertainty of future cash flows – hedging instruments as at 31 December 2020 (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	-	-	60,000	(89,622)	173,810	**144,188**
		Average Interest Rate (%)	-	-	1.31%	1.06%	1.35%	
		EUR						
		Notional	15	-	5	102	10	**132**
		Average Interest Rate (%)	(0.11)%	-	0.09%	0.24%	0.22%	
		USD						
		Notional	-	-	21	171	29	**221**
		Average Interest Rate (%)	-	-	2.00%	2.38%	2.35%	
		RUB						
		Notional	-	-	-	2,100	-	**2,100**
		Average Interest Rate (%)	-	-	-	7.38%	-	
Fair Value Hedge	**Foreign exchange & Interest rate risk**	**Cross currency interest rate swap**						
		EUR/HUF						
		Notional	-	-	2	12	14	**28**
		Average Interest Rate (%)	(1.55)%	(1.59)%	(1.60)%	(1.63)%	(1.67)%	
		Average FX Rate	311.08	310.95	310.82	310.14	308.15	

NOTE 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Types of hedge accounting [continued]

Amount, timing and uncertainty of future cash flows – hedging instruments as at 31 December 2020 (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	1	92	123	613	-	**829**
		Average FX Rate	360.19	354.92	360.47	356.03	-	
		RON/HUF						
		Notional	-	-	-	1,550	-	**1,550**
		Average FX Rate	-	-	-	72.60	-	
		RUB/HUF						
		Notional	-	-	-	4,100	-	**4,100**
		Average FX Rate	-	-	-	4.46	-	
	Other	**Interest rate swap**						
		HUF						
		Notional	-	(183)	6,940	8,342	-	**15,099**

NOTE 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Types of hedge accounting [continued]

As at 31 December 2021 is as follows:

Type of hedge	Type of instrument	Type of risk	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument as at 31 December 2021					Line item in the consolidated statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge ineffectiveness for the year ended as at 31 December 2021
				Before netting		Netting	After netting			
				Assets	Liabilities		Assets	Liabilities		
Fair value hedge	Interest rate swap	Interest rate risk	409,595	23,986	(17,908)	12,131	11,855	(5,777)	Derivative financial instruments designated as hedge accounting	6,494
	Cross-currency swap	FX & IR risk	8,175	-	(2,375)	-	-	(2,375)	Derivative financial instruments designated as hedge accounting	4
	Cross-currency swap	FX risk	566,936	5,471	(3,076)	-	5,471	(3,076)	Derivative financial instruments designated as hedge accounting	(1,687)
	Interest rate swap	Other	8,261	1,431	-	-	1,431	-	Derivative financial instruments designated as hedge accounting	3
Fair value hedges total			**992,967**	**30,888**	**(23,359)**	**12,131**	**18,757**	**(11,228)**		**4,814**

NOTE 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Types of hedge accounting [continued]

As at 31 December 2020 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 2020					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 2020
				Before netting		Netting	After netting			
				Assets	Liabilities		Assets	Liabilities		
Fair value hedge	Interest rate swap	Interest rate risk	468,574	1,839	(7,065)	1,795	44	(5,270)	Derivative financial instruments designated as hedge accounting	(370)
	Cross-currency swap	FX & IR risk	8,874	-	(1,615)	-	-	(1,615)	Derivative financial instruments designated as hedge accounting	(36)
	Cross-currency swap	FX risk	438,401	6,246	(4,456)	-	6,246	(4,456)	Derivative financial instruments designated as hedge accounting	(809)
	Interest rate swap	Other	16,224	530	-	-	530	-	Derivative financial instruments designated as hedge accounting	2
Fair value hedges total			**932,073**	**8,615**	**(13,136)**	**1,795**	**6,820**	**(11,341)**		**(1,213)**

NOTE 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Types of hedge accounting [continued]

As at 31 December 2021 is as follows:

Type of hedge	Type of risk	Carrying amount of the hedged item as at 31 December 2021		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item for the year ended 31 December 2021		Line item in the consolidated statement of financial position in which the hedged item is included
		Assets	Liabilities	Assets	Liabilities	
Fair value hedges						
- Loans	Interest rate risk	57,176	-	637	-	Loans
- Loans	Interest rate risk	-	142,649	-	(16,858)	Amounts due to banks, the National Governments, deposits from the National Banks and other banks
- Government bonds	Interest rate risk	13,921	-	(1,230)	-	Securities at amortized cost
- Government bonds	Interest rate risk	152,830	-	(22,457)	-	Securities at fair value through other comprehensive income
- Other securities	Interest rate risk	42,008	-	318	-	Securities at fair value through other comprehensive income
- Loans	Foreign exchange & Interest rate risk	101,934	-	611	(1,114)	Loans
- Loans	Foreign exchange risk	458,312	-	-	-	Loans
- Government bonds	Foreign exchange risk	12,811	-	-	-	Securities at fair value through other comprehensive income
- Government bonds	Foreign exchange risk	98,668	-	-	-	Securities at amortized cost
- Other securities	Other risk	-	8,261	-	(161)	Liabilities from issued securities
Fair value hedges total		**937,660**	**150,910**	**(22,121)**	**(18,133)**	

NOTE 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Types of hedge accounting [continued]

As at 31 December 2020 is as follows:

Type of hedge	Type of risk	Carrying amount of the hedged item as at 31 December 2020		Accumulated 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 2020		Line item in the consolidated statement of financial position in which the hedged item is included
		Assets	Liabilities	Assets	Liabilities	
Fair value hedges						
- Loans	Interest rate risk	35,256	-	1,679	-	Loans
- Loans	Interest rate risk	-	100,299	-	(235)	Loans
- Government bonds	Interest rate risk	8,678	-	(106)	-	Securities at amortized cost
- Government bonds	Interest rate risk	269,838	-	2,518	-	Securities at fair value through other comprehensive income
- Other securities	Interest rate risk	47,560	-	781	-	Securities at fair value through other comprehensive income
- Loans	Foreign exchange & Interest rate risk	96,972	-	284	(1,634)	Loans
- Loans	Foreign exchange risk	303,572	-	-	-	Loans
- Other securities	Other risk	-	15,032	-	(528)	Liabilities from issued securities
Fair value hedges total		**761,876**	**115,331**	**5,156**	**(2,397)**	

NOTE 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) 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 recognised in the consolidated other comprehensive income for the year 2021	Change in the items recognized in other comprehensive income for the year 2021	Line item in the consolidated statement of financial position in which the hedged item is included
	Assets	Liabilities			
FX risk	458,312	-	(1,032)	(1,681)	Loans at amortised cost
FX risk	12,811	-	64	-	Securities at fair value through other comprehensive income
	471,123	**-**	**(968)**	**(1,681)**	

Type of risk	Carrying amount of the hedged item		Items recognised in the consolidated other comprehensive income for the year 2020	Change in the items recognized in other comprehensive income for the year 2020	Line item in the consolidated statement of financial position in which the hedged item is included
	Assets	Liabilities			
FX risk	303,572	-	713	-	Loans at amortised cost
	303,572	**-**	**713**	**-**	

On Group level there weren't any cash-flow hedges for the year ended 31 December 2021 and 2020.

According to the strategic direction designated by the Management Committee, a decision was made about closing in accounting meaning the former EUR 310 million strategic open position which was presented at the end of 2019 in the Consolidated Financial Statements, so at the end of 2020 regarding net investment hedges for foreign subsidiaries there aren't any disclosure requirements to be presented.

NOTE 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

d) Fair value levels

Methods and significant assumptions used to determine fair value of the different levels of financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly. Fair value measurements – in relation with instruments measured not at fair value – are categorized in level 2;
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

2021	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss	**341,397**	**90,877**	**227,153**	**23,367**
Trading securities at fair value through profit or loss	103,510	58,727	44,777	6
Positive fair value of derivative financial assets held for trading	184,484	171	174,143	10,170
Non-trading instruments mandatorily at fair value through profit or loss	53,403	31,979	8,233	13,191[1]
Securities at fair value through other comprehensive income	2,224,510	910,324	1,250,833	63,353[2]
Loans mandatorily measured at fair value through profit or loss	1,068,111	281	-	1,067,830
Positive fair value of derivative financial assets designated as fair value hedge	18,757	-	18,757	-
Financial assets measured at fair value total	**3,652,775**	**1,001,482**	**1,496,743**	**1,154,550**
Financial liabilities designated at fair value through profit or loss	41,184	-	-	41,184
Negative fair value of held-for-trading derivative financial liabilities	202,716	278	202,438	-
Negative fair value of derivative financial liabilities designated as fair value hedge	11,228	-	11,228	-
Financial liabilities measured at fair value total	**255,128**	**278**	**213,666**	**41,184**

[1] The portfolio includes Visa C shares.
[2] The portfolio includes mainly HUF 55,476 million Ukrainian government bonds.

NOTE 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

d) Fair value levels [continued]

2020	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss	**234,007**	**62,472**	**149,504**	**22,031**
Trading securities at fair value through profit or loss	56,572	30,333	26,227	12
Positive fair value of derivative financial assets held for trading	117,623	388	110,649	6,586
Non-trading instruments mandatorily at fair value through profit or loss	57,577	31,751	10,393	15,433[1]
Financial assets designated at fair value through profit or loss	2,235	-	2,235	-
Securities at fair value through other comprehensive income	2,136,709	1,137,821	941,982	56,906[2]
Loans mandatorily measured at fair value through profit or loss	802,605	1,089	2,535	798,981
Positive fair value of derivative financial assets designated as fair value hedge	6,820	-	6,820	-
Financial assets measured at fair value total	**3,180,141**	**1,201,382**	**1,100,841**	**877,918**
Financial liabilities designated at fair value through profit or loss	34,131	-	2,235	31,896
Negative fair value of held-for-trading derivative financial liabilities	104,823	1,386	103,437	-
Negative fair value of derivative financial liabilities designated as fair value hedge	11,341	-	11,341	-
Financial liabilities measured at fair value total	**150,295**	**1,386**	**117,013**	**31,896**

[1] The portfolio includes mainly Visa C shares.
[2] The portfolio includes mainly HUF 46,124 million Albanian government bonds.

NOTE 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

d) 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:

2021	Opening balance	Purchase (+)	Issuance /Disbursement (+)	Settlement / Close (-)	Sale (-)	FVA (+/-)	Transfer (+/-)	Fx effect / Revaluation	Other	Closing balance
Trading securities at fair value through profit or loss	12	-	-	-	-	-	-	-	(6)	**6**
Positive fair value of derivative financial assets held for trading	6,586	-	-	-	-	3,584	-	-	-	**10,170**
Nont-trading securities mandatorily at fair value through profit or loss	15,433	-	390	-	(4,501)	640	(57)	256	1,030	**13,191**
Securities at fair value through other comprehensive income	56,906	81,795	-	(5,544)	(2,018)	(91)	(69,636)	1,813	128	**63,353**
Loans mandatorily measured at fair value through profit or loss	798,981	-	333,931	(41,038)	-	(24,044)[1]	-	-	-	**1,067,830**
Financial assets measured at fair value total	**877,918**	**81,795**	**334,321**	**(46,582)**	**(6,519)**	**(19,911)**	**(69,693)**	**2,069**	**1,152**	**1,154,550**
Financial liabilities designated at fair value through profit or loss	31,896	-	-	(7,223)	-	1,454	-	-	15,057	**41,184**
Financial liabilities designated at fair value total	**31,896**	**-**	**-**	**(7,223)**	**-**	**1,454**	**-**	**-**	**15,057**	**41,184**

[1] FVA change for the current year consists of HUF 16,289 million adjustment resulting from risk factors and HUF 7,755 million adjustment resulting from market factors.

NOTE 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

d) 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:

2020	Opening balance	Purchase (+)	Issuance /Disbursement (+)	Settlement / Close (-)	Sale (-)	FVA (+/-)	Transfer (+/-)	Fx effect / Revaluation	Other	Closing balance
Trading securities at fair value through profit or loss	-	-	-	-	-	-	12	-	-	**12**
Positive fair value of derivative financial assets held for trading	4,227	-	-	-	-	2,359	-	-	-	**6,586**
Nont-trading securities mandatorily at fair value through profit or loss	8,155	-	1,204	(5,043)	-	(862)	9,961	2,018	-	**15,433**
Securities at fair value through other comprehensive income	59,695	11,076	-	(9,398)	(162)	1,637	(10,812)	4,870	-	**56,906**
Loans mandatorily measured at fair value through profit or loss	493,207	-	333,908	(21,397)	-	(6,737)	-	-	-	**798,981**
Financial assets measured at fair value total	**565,284**	**11,076**	**335,112**	**(35,838)**	**(162)**	**(3,603)**	**(839)**	**6,888**	**-**	**877,918**
Financial liabilities designated at fair value through profit or loss	28,861	-	(1,689)	-	-	(1,270)	-	-	5,994	**31,896**
Financial liabilities designated fair value total	**28,861**	**-**	**(1,689)**	**-**	**-**	**(1,270)**	**-**	**-**	**5,994**	**31,896**

NOTE 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

d) Fair value levels [continued]

Valuation techniques and sensitivity analysis on Level 3 instruments

Sensitivity analysis is performed on products with significant unobservable inputs (Level 3) to generate a range of reasonably possible alternative valuations. The sensitivity methodologies applied take account of the nature of the valuation techniques used, as well as the availability and reliability of observable proxy and historical date and the impact of using alternative models.
The calculation is based on a range or spread data of reliable reference source or a scenario based on relevant market analysis alongside the impact of using alternative models. Sensitivities are calculated without reflecting the impact of any diversification in the portfolio.

Unobservable inputs used in measuring fair value

Type of financial instrument	Valuation technique	Significant unobservable input	Range of estimates for unobservable input
VISA C shares	Market approach combined with expert judgement.	Discount applied due to illiquidity and litigation.	+12% / (12%)
MFB refinancing loans	Discounted cash flow model	Probability of default	+/- 20%
Subsidised personal loans	Discounted cash flow model	Probability of default	+/- 20%
Subsidised personal loans	Discounted cash flow model	Operational costs	+/- 20%
Subsidised personal loans	Discounted cash flow model	Demography	Change in the cash flow estimation

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.

2021	Unobservable inputs	Fair values		Effect on profit and loss	
		Favourable	Unfavourable	Favourable	Unfavourable
VISA C shares	Illiquidity	6,704	5,079	813	(813)
Loans mandatorily at fair value throuhg profit or loss	Probability of default	406,362	405,266	549	(547)
Loans mandatorily at fair value throuhg profit or loss	Operational costs	412,868	399,020	7,054	(6,794)
Subsidised personal loans	Probability of default	639,007	631,856	3,590	(3,561)
Subsidised personal loans	Operational costs	647,292	623,934	11,875	(11,483)
Subsidised personal loans	Demography	635,484	635,387	68	(29)
MFB refinancing loans	Probability of default	19,218	18,972	123	(123)
Total		**2,766,935**	**2,719,514**	**24,072**	**(23,350)**

NOTE 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

d) Fair value levels [continued]

The effect of unobservable inputs on fair value measurement [continued]

2020	**Unobservable inputs**	**Fair values**		**Effect on profit and loss**	
		Favourable	Unfavourable	Favourable	Unfavourable
VISA C shares	Illiquidity	6,324	4,821	751	(751)
Loans mandatorily at fair value throuhg profit or loss	Probability of default	319,857	316,251	1,813	(1,793)
Loans mandatorily at fair value throuhg profit or loss	Operational costs	324,845	311,525	6,801	(6,519)
Subsidised personal loans	Probability of default	452,782	447,647	2,579	(2,555)
Subsidised personal loans	Operational costs	464,974	436,194	14,772	(14,008)
Subsidised personal loans	Demography	451,419	448,987	1,217	(1,215)
MFB refinancing loans	Probability of default	24,876	24,690	93	(93)
Total		**2,045,077**	**1,990,115**	**28,026**	**(26,934)**

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 2021 and 2020 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 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.
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.
Cash flow estimation are based on assumption related to the future number of childbirths performed by the debtors. According to the current assumptions 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 before. 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.

NOTE 48: 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 operations in the Slovakian segment and the Croatian insurance operation were discontinued. The segment information reported on the next pages does not include any amounts for these discontinued operations neither for this period nor for the previous year, which are described in more details in Note 49.

The reportable segments of the Group on the base of IFRS 8 are as the follows:
OTP Core Hungary, Russia, Ukraine, Bulgaria, Romania, Serbia, Croatia, Montenegro, Albania, Moldova, Slovenia, Merkantil Group, Asset Management subsidiaries, Other subsidiaries and Corporate Center.

OTP Core is an economic unit for measuring the result of core business activity of the Group in Hungary. Financials for OTP Core are calculated from the partially Consolidated Financial Statements of the companies engaged in the Group's underlying banking operation in Hungary. These companies include OTP Bank Hungary Plc., OTP Mortgage Bank Ltd., OTP Building Society Ltd., OTP Factoring Ltd., OTP Financial Point Ltd., and companies providing intragroup financing. The Bank Employee Stock Ownership Plan Organization was included from the fourth quarter of 2016; OTP Card Factory Ltd., OTP Facility Management Llc., Monicomp Ltd. and OTP Real Estate Lease Ltd. were included from the first quarter of 2017 (from the first quarter of 2019 OTP Real Estate Lease Ltd. was eliminated from OTP Core); OTP Mobile Service Llc., OTP Ingatlanpont Llc. were included from the first quarter of 2019, OTP eBIZ Ltd from the first quarter of 2020 and OTP Home Solutions Ltd. was included from the second quarter of 2021. The consolidated accounting results of these companies are segmented into OTP Core and Corporate Centre. The latter is a virtual entity.

Within the Group, the Corporate Centre acts as a virtual entity established by the equity investment of OTP Core for managing the wholesale financing activity for all the subsidiaries within the Group but outside OTP Core. Therefore the balance sheet of the Corporate Centre is funded by the equity and intragroup lending received from OTP Core, the intragroup lending received from other subsidiaries, and the subordinated debt and senior notes arranged by OTP under its running EMTN program.

From this funding pool, the Corporate Centre is to provide intragroup lending to, and hold equity stakes in OTP subsidiaries outside OTP Core. Main subsidiaries financed by Corporate Centre are as follows: Hungarians: Merkantil Bank Ltd, Merkantil Leasing Ltd, OTP Fund Management Ltd, OTP Real Estate Fund Management Ltd, OTP Life Annuity Ltd; foreigners: banks, leasing companies, factoring companies.

The results of OTP Factoring Ukraine LLC, OTP Factoring SRL, OTP Factoring Bulgaria LLC, OTP Factoring Serbia d.o.o., and OTP Debt Collection d.o.o. (formerly known as: OTP Factoring Montenegro d.o.o.) are included into the foreign banks segment.

From the first quarter of 2019 Expressbank AD and its subsidiaries, OTP Leasing EOOD and Express Factoring EOOD (altogether: Express Group) were included into the Bulgarian operation, so from the first quarter of 2019 the statement of recognized income and balance sheet of DSK Leasing AD was included into this segment too.
The Bulgarian Expressbank AD merged with its parent DSK Bank AD in April 2020.
The Serbian segment, OTP banka Srbija AD Beograd and Vojvodjanska Banka a.d. Novi Sad includes from the first quarter of 2019 the statements of profit or loss and financial positions of OTP Lizing d.o.o, OTP Services d.o.o. and from the third quarter of 2019 the financial position of the newly acquired OTP banka Srbija AD Beograd and from the fourth quarter of 2019 its statement of profit or loss too. OTP banka Srbija a.d. merged with its parent bank in April 2021.
The Montenegrin segment, Crnogorska Komercijalna Banka a.d. and Podgoricka banka a.d. includes from the third quarter of 2019 the statement of profit or loss and financial position of the newly acquired Podgoricka banka a.d. In December 2020 Podgoricka banka a.d. merged into Crnogorska Komercijalna Banka a.d.
In the first quarter of 2019 the Albanian, and from the second half of year 2019 the Moldovan and Slovenian segments were included as new segments in the consolidated segment report.

The activities of the other subsidiaries are out of the leasing and fund management and factoring activity, such as: OTP Real Estate Ltd., OTP Life Annuity Ltd, OTP Funds Servicing and Consulting Ltd., OTP Building s.r.o., OTP Real Slovensko s.r.o.

NOTE 48: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

The reportable business and geographical segments of the Group are those components where:
- separated income and ex penses, 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.

Adjustments

Goodwill / investment impairment and their tax saving effect:

As at 31 December 2021 HUF 39,546 million impairment was booked on the investment in OTP Bank Romania S.A. on which HUF 3,559 million positive tax effect was recognized, HUF 9,906 million impairment release was booked on OTP Banka Srbija a.d. on which HUF 892 million negative tax effect was recognized, 16,628 million impairment release was booked on Crnogorska komercjalna banka a.d. on which HUF 1,496 million negative tax effect was recognized, 8,463 million impairment was booked on Monicomp Ltd. on which HUF 763 million positive tax effect was recognized.

As at 31 December 2020 HUF 9,841 million impairment was booked on the investment in OTP Bank Romania S.A. on which HUF 886 million positive tax effect was recognized.

Special tax on financial institutions (after income tax):

Special tax on financial institutions includes the special tax paid by the Hungarian financial institutions, the net present value effect of the one-off additional banking tax payable into the pandemic fund in 2020 (the payments are deductible from future banking taxes), the banking tax paid by the Romanian bank, subsidiary of OTP Group and as well as for 2020 the Slovakian banking levy. Besides, it also contained for 2020 the Slovakian Deposit Protection Fund contributions being introduced again in 2014, and the contribution into the Resolution Fund in Slovakia, too.

Effect of acquisitions (after income tax):

The following main items appear on this line: the negative goodwill related to acquisitions which improves the accounting result, integration costs of the newly acquired banks and other direct effects due to the acquisitions (such as customer base value amortisation) and effects related to the sale of the Slovakian bank for the end of 2020.

Explanation to the segments in the following table below:

2; 3; 8: The segments distinguished by geographical basis contain banks in that country and sometimes other financial institutions (like leasing or factoring companies) or other companies. The incomes mainly arises from providing financial services like: collecting deposits, granting loans, leasing and treasury activities, payment and investment services and other financial services.
16: Merkantil Group, is responsible for Hungarian leasing activities, originates its income from providing leasing services (financing cars and production equipment).
17: 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.
18: The activities of other Hungarian and foreign subsidiaries are very divergent so the incomes can be also originated from different sources. The main part of the income in this segment comes from the activities of OTP Funds Servicing and Consulting, OTP Real Estate and the investments of OTP Real Estate Fund Management and Portfolion Funds.
19: Net interest income of Corporate Center includes interest expense on received resources and interest income on assets exposed.

NOTE 48: 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 2021

Main components of the consolidated statement of profit or loss in HUF million	OTP Group - in the consolidated statement of profit or loss - structure of accounting reports	Adjustments on the accounting in Recognized Income	OTP Group - in the consolidated statement of profit or loss - structure of management reports	OTP CORE (Hungary)	Foreign banks in EU subtotal (without adjustments)	DSK Bank AD (Bulgaria)	OTP banka d.d. (Croatia)	SKB Banka d.d. (Slovenia)	OTP Bank Romania S.A. (Romania)
	a	b	1=a+b; 1= 2+3+8+15+19+20	2	3=4+…+7	4	5	6	7
Net profit for the year from continued and discontinued operations	**456,428**		**456,428**						
Net profit for the year from discontinued operations	116		116						
Net profit for the year from continued opearations	**456,312**		**456,312**						
Adjustments (total)		**(40,475)**	**(40,475)**						
Dividends and net cash transfers (after income tax)		729	729						
Goodwill /investment impairment (after income tax)		1,909	1,909						
Bank tax on financial institutions (after income tax)		(18,893)	(18,893)						
Effect of acquisition (after income tax)		(15,506)	(15,506)						
Expected one-off negative effect of the debt repayment moratorium in Hungary (after income tax)		(15,040)	(15,040)						
Result of the treasury share swap agreement at OTP Core (after income tax)		6,326	6,326						
Consolidated adjusted net profit for the year	**456,312**	**44,071**	**500,383**	**213,378**	**131,309**	**76,789**	**33,446**	**16,822**	**4,252**
Profit before income tax	**528,435**	**62,899**	**591,334**	**253,972**	**152,663**	**85,243**	**41,064**	**20,660**	**5,696**
Adjusted operating profit	**597,770**	**61,589**	**659,359**	**256,151**	**178,192**	**106,240**	**43,421**	**19,595**	**8,936**
Adjusted total income	1,345,382	(33,290)	1,312,092	545,185	356,257	178,470	88,735	42,354	46,698
Adjusted net interest income	874,310	9,702	884,012	369,309	237,745	112,869	60,933	27,673	36,270
Adjusted net profit from fees and commissions	442,174	(116,626)	325,548	150,578	90,092	54,508	18,183	13,258	4,143
Adjusted other net non-interest income	28,898	73,634	102,532	25,298	28,420	11,093	9,619	1,423	6,285
Adjusted other administrative expenses	(747,612)	94,879	(652,733)	(289,034)	(178,065)	(72,230)	(45,314)	(22,759)	(37,762)
Personnel expenses	(340,684)	483	(340,201)	(143,234)	(91,350)	(34,284)	(23,111)	(13,015)	(20,940)
Depreciation and amortization	(94,996)	22,180	(72,816)	(36,926)	(16,383)	(7,160)	(4,392)	(1,350)	(3,481)
Other general expenses	(311,932)	72,216	(239,716)	(108,874)	(70,332)	(30,786)	(17,811)	(8,394)	(13,341)
Gains from derecognition of financial assets at amortized cost	**1,885**	**(1)**	**1,884**	**(1,598)**	**1,814**	**1,893**	**1,449**	**-**	**(1,528)**
Modification loss	**(13,672)**	**10,131**	**(3,541)**	**(3,397)**	**(14)**	**-**	**-**	**(14)**	**-**
Total risk costs	**(57,548)**	**(8,820)**	**(66,368)**	**2,816**	**(27,329)**	**(22,890)**	**(3,806)**	**1,079**	**(1,712)**
Adjusted loss allowance on loan and placement losses (without the effect of revaluation of FX)	(47,645)	7,809	(39,836)	4,910	(23,973)	(20,831)	318	1,833	(5,293)
Other impairment (adjustment)	(9,903)	(16,629)	(26,532)	(2,094)	(3,356)	(2,059)	(4,124)	(754)	3,581
Adjusted impairment under IAS 36	(9,903)	437	(9,466)	70	(3,001)	(2,401)	(135)	-	(465)
Income tax	**(72,123)**	**(18,828)**	**(90,951)**	**(40,594)**	**(21,354)**	**(8,454)**	**(7,618)**	**(3,838)**	**(1,444)**
Total Assets[1]	**27,551,338**	**-**	**27,551,338**	**14,205,354**	**10,075,267**	**4,627,132**	**2,576,445**	**1,433,206**	**1,438,484**
Total Liabilities	**24,516,618**	**-**	**24,516,618**	**12,195,467**	**8,680,440**	**3,927,757**	**2,225,422**	**1,253,691**	**1,273,570**

( ) used at: provisions, impairment and expenses

[1] Relating to the discontinued operations the assets were HUF 2,046 million.

NOTE 48: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

Information regarding the Group's reportable segments is presented below [continued]:

As at 31 December 2021 [continued]

Main components of the consolidated statement of profit or loss in HUF million [continued]	Foreign banks not in EU subtotal (without adjustments)	OTP banka Srbija a.d. (Serbia)	OTP Bank JSC (Ukraine)	JSC "OTP Bank" (Russia) and Touch Bank	Crnogorska komercijalna banka a.d. (Montenegro)	Banka OTP Albania SHA (Albania)	OTP Bank S.A. (Moldova)	Non-banking subsidiaries subtotal	Merkantil Group (Hungary)	Asset Management subsidiaries	Other subsidiaries	Corporate Centre	Eliminations and adjustments
	8=9+…+14	9	10	11	12	13	14	15=16+17+18	16	17	18	19	20
Net profit for the year from continued and discontinued operations													
Net profit for the year from discontinued operations													
Net profit for the year from continued opearations													
Adjustments (total)													
Dividends and net cash transfers (after income tax)													
Goodwill /investment impairment (after income tax)													
Bank tax on financial institutions (after income tax)													
Effect of acquisition (after income tax)													
Expected one-off negative effect of the debt repayment moratorium in Hungary (after income tax)													
Result of the treasury share swap agreement at OTP Core (after income tax)													
Consolidated adjusted net profit for the year	**124,272**	**32,104**	**39,025**	**37,624**	**4,139**	**5,521**	**5,859**	**24,573**	**7,998**	**6,321**	**10,254**	**2,887**	**3,964**
Profit before income tax	**148,419**	**35,714**	**47,267**	**47,314**	**4,956**	**6,507**	**6,661**	**27,831**	**8,916**	**7,138**	**11,777**	**3,000**	**5,449**
Adjusted operating profit	**183,171**	**40,754**	**54,761**	**62,368**	**10,240**	**7,212**	**7,836**	**43,040**	**11,961**	**7,141**	**23,938**	**240**	**(1,435)**
Adjusted total income	335,934	83,493	83,567	118,158	22,046	13,398	15,272	85,568	23,291	11,064	51,213	1,260	(12,112)
Adjusted net interest income	252,782	62,497	62,051	91,364	16,553	10,619	9,698	22,019	20,680	4	1,335	1,260	897
Adjusted net profit from fees and commissions	63,699	14,410	14,494	25,728	4,880	1,843	2,344	26,456	116	10,786	15,554	-	(5,277)
Adjusted other net non-interest income	19,453	6,586	7,022	1,066	613	936	3,230	37,093	2,495	274	34,324	-	(7,732)
Adjusted other administrative expenses	(152,763)	(42,739)	(28,806)	(55,790)	(11,806)	(6,186)	(7,436)	(42,528)	(11,330)	(3,923)	(27,275)	(1,020)	10,677
Personnel expenses	(85,606)	(22,569)	(16,580)	(33,773)	(5,805)	(2,794)	(4,085)	(20,628)	(4,654)	(2,443)	(13,531)	(95)	712
Depreciation and amortization	(13,966)	(2,820)	(2,131)	(6,263)	(1,461)	(559)	(732)	(5,160)	(1,428)	(231)	(3,501)	(2)	(380)
Other general expenses	(53,191)	(17,350)	(10,095)	(15,754)	(4,540)	(2,833)	(2,619)	(16,740)	(5,248)	(1,249)	(10,243)	(923)	10,345
Gains from derecognition of financial assets at amortized cost	**1,862**	**554**	**916**	**467**	**(31)**	**(33)**	**(11)**	**(193)**	**(193)**	**-**	**-**	**-**	**(1)**
Modification loss	**(130)**	**-**	**(130)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total risk costs	**(36,484)**	**(5,594)**	**(8,280)**	**(15,521)**	**(5,253)**	**(672)**	**(1,164)**	**(15,016)**	**(2,852)**	**(3)**	**(12,161)**	**2,760**	**6,885**
Adjusted loss allowance on loan and placement losses (without the effect of revaluation of FX)	(21,918)	(941)	(6,613)	(13,542)	677	(847)	(652)	(2,900)	(2,900)	-	-	-	4,045
Other impairment (adjustment)	(14,566)	(4,653)	(1,667)	(1,979)	(5,930)	175	(512)	(12,116)	48	(3)	(12,161)	2,760	2,840
Adjusted impairment under IAS 36	(274)	(245)	(3)	24	(51)	1	-	(6,260)	179	(14)	(6,425)	-	(1)
Income tax	**(24,147)**	**(3,610)**	**(8,242)**	**(9,690)**	**(817)**	**(986)**	**(802)**	**(3,258)**	**(918)**	**(817)**	**(1,523)**	**(113)**	**(1,485)**
Total Assets[1]	**5,183,118**	**2,224,715**	**983,557**	**799,965**	**513,522**	**350,848**	**310,511**	**1,322,717**	**782,222**	**27,753**	**512,742**	**3,109,369**	**(6,344,487)**
Total Liabilities	**4,316,145**	**1,918,085**	**823,801**	**559,241**	**431,495**	**315,713**	**267,810**	**972,287**	**722,976**	**12,610**	**236,701**	**1,693,363**	**(3,341,084)**

( ) used at: provisions, impairment and expenses

[1] Relating to the discontinued operations the assets were HUF 2,046 million.

NOTE 48: 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 2020

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	OTP CORE (Hungary)	Foreign banks in EU subtotal (without adjustments)	DSK Group including Expressbank AD (Bulgaria)	OTP banka Hrvatska d.d. (Croatia)	SKB Banka (Slovenia)	OTP Bank Romania S.A. (Romania)
	a	b	1=a+b; 1= 2+3+8+15+19+20	2	3=4+…+7	4	5	6	7
Net profit for the year from continued and discontinued operations	**259,636**		**259,636**						
Net profit for the year from discontinued operations	5,590		5,590						
Net profit for the year from continued opearations	**254,046**		**254,046**						
Adjustments (total)		**(53,860)**	**(53,860)**						
Dividends and net cash transfers (after income tax)		213	213						
Goodwill /investment impairment (after income tax)		886	886						
Bank tax on financial institutions (after income tax)		(17,365)	(17,365)						
Effect of acquisition (after income tax)		(12,441)	(12,441)						
Impact of fines imposed by the Hungarian Competition Authority (after income tax)		749	749						
Expected one-off negative effect of the debt re-payment moratorium in Hungary (after income tax)		(28,262)	(28,262)						
Result of the treasury share swap agreement at OTP Core (after income tax)		2,360	2,360						
Consolidated adjusted net profit for the year	**254,046**	**57,072**	**311,118**	**156,273**	**69,777**	**42,735**	**15,466**	**10,126**	**1,450**
Profit before income tax	**297,964**	**71,230**	**369,194**	**189,373**	**78,603**	**46,442**	**18,237**	**12,565**	**1,359**
Adjusted operating profit	**516,439**	**37,538**	**553,977**	**197,720**	**161,700**	**89,774**	**40,329**	**19,787**	**11,810**
Adjusted total income	1,207,564	(37,646)	1,169,918	453,635	335,709	166,667	84,907	40,388	43,747
Adjusted net interest income	782,671	5,408	788,079	286,448	230,280	111,239	58,199	28,103	32,739
Adjusted net profit from fees and commissions	397,633	(104,523)	293,110	130,470	76,486	45,453	16,093	11,127	3,813
Adjusted other net non-interest income	27,260	61,469	88,729	36,717	28,943	9,975	10,615	1,158	7,195
Adjusted other administrative expenses	(691,125)	75,184	(615,941)	(255,915)	(174,009)	(76,893)	(44,578)	(20,601)	(31,937)
Personnel expenses	(308,642)	(3,853)	(312,495)	(125,949)	(85,252)	(34,033)	(21,772)	(12,060)	(17,387)
Depreciation and amortization	(92,761)	22,475	(70,286)	(35,935)	(16,447)	(8,385)	(4,098)	(1,296)	(2,668)
Other general expenses	(289,722)	56,562	(233,160)	(94,031)	(72,310)	(34,475)	(18,708)	(7,245)	(11,882)
Gains from derecognition of financial assets at amortized cost	**3,380**	**62**	**3,442**	**(669)**	**2,790**	**1,778**	**637**	**482**	**(107)**
Modification loss	**(29,773)**	**29,543**	**(230)**	**-**	**(20)**	**-**	**-**	**(20)**	**-**
Total risk costs	**(192,082)**	**4,087**	**(187,995)**	**(7,678)**	**(85,867)**	**(45,110)**	**(22,729)**	**(7,684)**	**(10,344)**
Adjusted loss allowance on loan and placement losses (without the effect of revaluation of FX)	(190,875)	32,454	(158,421)	2,374	(78,450)	(44,875)	(19,491)	(6,244)	(7,840)
Other impairment (adjustment)	(1,207)	(28,367)	(29,574)	(10,052)	(7,417)	(235)	(3,238)	(1,440)	(2,504)
Adjusted impairment under IAS 36	(1,207)	720	(487)	(30)	(441)	(278)	(9)	-	(154)
Income tax	**(43,918)**	**(14,158)**	**(58,076)**	**(33,100)**	**(8,826)**	**(3,707)**	**(2,771)**	**(2,439)**	**91**
Total Assets[1]	**23,329,771**	**-**	**23,329,771**	**11,492,949**	**9,125,249**	**4,283,625**	**2,325,669**	**1,353,772**	**1,162,183**
Total Liabilities[2]	**20,793,243**	**-**	**20,793,243**	**9,726,310**	**7,883,344**	**3,663,247**	**1,997,504**	**1,187,648**	**1,034,945**

( ) used at: provisions, impairment and expenses

[1] Relating to the discontinued operations the assets were HUF 6,070 million.
[2] Relating to the discontinued operations the liabilities were HUF 5,486 million.

NOTE 48: 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 2020 [continued]

Main components of the consolidated statement of profit or loss in HUF million [continued]	Foreign banks not in EU subtotal (without adjustments)	Vojvodjanska banka a.d. + OTP Banka Srbija AD. Beograd (Szerbia)	OTP Bank JSC (Ukraine)	JSC "OTP Bank" (Russia) and Touch Bank	Crnogorska komercijalna banka a.d. + Podgorička banka AD (Montenegro)	Banka OTP Albania SHA (Albania)	Mobiasbanca - OTP Group S.A. (Moldova)	Non-banking subsidiaries subtotal	Merkantil Bank (Hungary)	Asset Management subsidiaries	Other subsidiaries	Corporate Centre	Eliminations and adjustments
	8=9+…+14	9	10	11	12	13	14	15=16+17+18	16	17	18	19	20
Net profit for the year from continued and discontinued operations													
Net profit for the year from discontinued operations													
Net profit for the year from continued opearations													
Adjustments (total)													
Dividends and net cash transfers (after income tax)													
Goodwill /investment impairment (after income tax)													
Bank tax on financial institutions (after income tax)													
Effect of acquisition (after income tax)													
Impact of fines imposed by the Hungarian Competition Authority (after income tax)													
Expected one-off negative effect of the debt re-payment moratorium in Hungary (after income tax)													
Result of the treasury share swap agreement at OTP Core (after income tax)													
Consolidated adjusted net profit for the year	**61,048**	**7,739**	**26,815**	**18,205**	**3,413**	**1,656**	**3,220**	**25,792**	**7,623**	**9,824**	**8,345**	**(569)**	**(1,203)**
Profit before income tax	**74,113**	**8,896**	**32,300**	**23,297**	**3,715**	**2,145**	**3,760**	**28,445**	**8,579**	**10,749**	**9,117**	**(526)**	**(814)**
Adjusted operating profit	**164,960**	**35,899**	**42,030**	**65,068**	**8,352**	**5,904**	**7,707**	**28,889**	**10,279**	**10,765**	**7,845**	**(526)**	**1,234**
Adjusted total income	317,872	79,001	67,385	123,198	22,095	11,597	14,596	59,158	21,283	15,248	22,627	419	3,125
Adjusted net interest income	243,868	59,514	48,581	99,872	17,188	9,824	8,889	19,020	17,688	5	1,327	419	8,044
Adjusted net profit from fees and commissions	58,670	14,766	13,540	22,503	4,446	1,278	2,137	25,212	40	14,883	10,289	-	2,272
Adjusted other net non-interest income	15,334	4,721	5,264	823	461	495	3,570	14,926	3,555	360	11,011	-	(7,191)
Adjusted other administrative expenses	(152,912)	(43,102)	(25,355)	(58,130)	(13,743)	(5,693)	(6,889)	(30,269)	(11,004)	(4,483)	(14,782)	(945)	(1,891)
Personnel expenses	(83,401)	(21,652)	(14,535)	(34,139)	(6,681)	(2,565)	(3,829)	(12,418)	(4,297)	(2,853)	(5,268)	(91)	(5,384)
Depreciation and amortization	(13,054)	(3,181)	(1,362)	(5,855)	(1,479)	(475)	(702)	(3,110)	(1,666)	(197)	(1,247)	(2)	(1,738)
Other general expenses	(56,457)	(18,269)	(9,458)	(18,136)	(5,583)	(2,653)	(2,358)	(14,741)	(5,041)	(1,433)	(8,267)	(852)	5,231
Gains from derecognition of financial assets at amortized cost	**1,298**	**440**	**921**	**1,888**	**(894)**	**(304)**	**(753)**	**(38)**	**(38)**	**-**	**-**	**-**	**61**
Modification loss	**(210)**	**-**	**(210)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total risk costs	**(91,935)**	**(27,443)**	**(10,441)**	**(43,659)**	**(3,743)**	**(3,455)**	**(3,194)**	**(406)**	**(1,662)**	**(16)**	**1,272**	**-**	**(2,109)**
Adjusted loss allowance on loan and placement losses (without the effect of revaluation of FX)	(78,260)	(22,170)	(6,286)	(41,160)	(3,434)	(2,515)	(2,695)	(1,487)	(1,491)	-	4	-	(2,598)
Other impairment (adjustment)	(13,675)	(5,273)	(4,155)	(2,499)	(309)	(940)	(499)	1,081	(171)	(16)	1,268	-	489
Adjusted impairment under IAS 36	(989)	(251)	(39)	79	(457)	(301)	(20)	549	(79)	-	628	-	424
Income tax	**(13,065)**	**(1,157)**	**(5,485)**	**(5,092)**	**(302)**	**(489)**	**(540)**	**(2,653)**	**(956)**	**(925)**	**(772)**	**(43)**	**(389)**
Total Assets[1]	**4,484,527**	**2,052,332**	**729,012**	**688,980**	**477,676**	**286,606**	**249,921**	**1,118,927**	**667,120**	**35,584**	**416,223**	**2,865,511**	**(5,757,392)**
Total Liabilities[2]	**3,768,384**	**1,779,286**	**611,941**	**505,578**	**401,119**	**257,826**	**212,634**	**842,473**	**614,566**	**17,052**	**210,855**	**1,504,289**	**(2,931,557)**

[1] Relating to the discontinued operations the assets were HUF 6,070 million.
[2] Relating to the discontinued operations the liabilities were HUF 5,486 million.

NOTE 49: DISCONTINUED OPERATIONS (in HUF mn)

The Serbian Pevec d.o.o. Beograd company as the investment of OTP Factoring Ltd. was classified as asset held-for-sale by the Group as at 31 December, 2021. This investment was not revalued in the Consolidated Financial Statements. Classification as asset held-for-sale was needed due to the purchase agreement had been concluded already in 2021 for the real estates in the ownership of Pevec. In 2022, the purchase price was paid out and the transfer of ownership happened. The purchase price of the real estate was EUR 9,928,667, the estimated value of those real estates which weren't sold was defined in the amount of EUR 300,000 according to their present condition by a value assessment in January 2021.

	2021	2020
Assets classified as held-for-sale	2,046	-
Equity instrument as at fair value through other comprehensive income	-	2,046

On 31 December 2020, the Group classifies the operations of its Croatian subsidiary, OTP Osiguranje d.d. as disposal groups classified as held-for-sale. The classification was needed because there is intention for the sale.

These operations, which are expected to be sold within 12 months, have been classified as a discontinued operation, so the assets, liabilities of these discontinued operations and their losses are presented separately in both the Consolidated Statement of Financial Position and Consolidated Statement of Profit or Loss.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	2021	2020
Cash, amounts due from banks and balances with the National Banks	-	2
Placements with other banks, net of loss allowance for placements, net of repo receivables	-	244
Non-trading instruments mandatorily at fair value through profit or loss	-	1,188
Securities at fair value through other comprehensive income	-	3,410
Securities at amortized cost	-	1,031
Tangible assets on net value	-	92
Right-of-use assets on net value	-	42
Other assets on net value	-	61
Non-current assets and disposal group classified as held-for-sale		**6,070**
Leasing liabilities	-	44
Other liabilities	-	5,442
Disposal group liabilities classified as held-for-sale		**5,486**

	2021	2020
Income	-	1,548
Expense	-	(1,334)
Profit before income tax	**-**	**214**
Income tax expense of OTP Osiguranje d.d.	-	(15)
Gain from non-current assets and disposal group classified as held-fo-sale	**-**	**199**

The Croatian insurance company cash-flow contributed to the Group's operating activity with HUF 431 million, to the Group's investing activity with HUF 327 million, and in respect of the Group's financing activity with HUF 232 million which were modified by the eliminations during the consolidation by HUF (988) million as at 31 December 2020.

NOTE 49: DISCONTINUED OPERATIONS (in HUF mn) [continued]

The financial transaction regarding the sale of the Slovakian subsidiary was closed, presented in those Consolidated Financial Statements for the end of 2020 as discontinued operations.

The results of the discontinued operations, which have been included in the profit for the previous year, were as follows:

	2021	2020
Income	-	15,503
Expense	-	(17,216)
Profit before income tax	**-**	**(1,713)**
Income tax expense of OTP Banka Slovensko a.s.	-	(142)
Realized gain of the sale of OTP Banka Slovensko a.s.	-	7,887
Income tax effect of the discontinued operation	-	(641)
Gain from sale of the Slovakian subsidiary	**-**	**5,391**

The Slovakian subsidiary bank cash-flow contributed to the Group's operating activity with HUF (8,231) million, to the Group's investing activity with HUF (9,653) million, and in respect of the Group's financing activity with HUF 86,281 million which were modified by the eliminations during the consolidation by HUF (67,767) million as at 31 December 2020.

NOTE 50: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2021

1) Term Note Program

See details in Note 21.

2) Purchase of new bank in Albania

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 Euro 55 million. With a total asset-based market share of almost 5%, Alpha Bank is the 8th largest bank on the Albanian banking market, and as a universal bank it has been active in the retail and corporate segment as well. The financial closing of the transaction is expected by the end of the second quarter of 2022 subject to obtaining all the necessary regulatory approvals

3) Potential acquisition of majority stake in Uzbek Ipoteka Bank

On 29 September 2021, OTP Bank signed a non-binding Memorandum of Agreement regarding the potential acquisition of the majority stake of Ipoteka Bank and its subsidiaries with the Ministry of Finance of the Republic of Uzbekistan. Ipoteka Bank is the fifth largest bank in Uzbekistan, with a market share of 8.5% based on total assets at the end of July 2021, with more than 1.2 million retail customers and a large corporate clientele.

4) Purchase of new bank in Slovenia

On 31 May 2021, OTP Bank signed a share sale and purchase agreement on purchasing 100% shareholding of Nova KBM d.d. and its subsidiaries, which are 80% owned by funds managed by affiliates of Apollo Global Management, Inc. and 20% by EBRD. With a market share of 20.5% by total assets as of December 2020, Nova KBM d.d. is the 2nd largest bank in the Slovenian banking market and as a universal bank it has been active in the retail and corporate segments as well. The financial closing of the transaction is estimated in the second quarter of 2022 subject to obtaining all the necessary regulatory approvals.

NOTE 50: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2021 [continued]

5) Closure of the sale of OTP Osiguranje d.d.

On 31 August 2021, the Croatian OTP Osiguranje d.d transaction was financially closed, as a result of which Groupama Biztosító Zrt. has acquired 100% ownership of the insurance company from OTP Banka d.d., the Croatian subsidiary of OTP Bank.

6) The discontinuance of the international arbitration proceedings

On 30 June 2021, OTP Bank Plc. has jointly with the Republic of Croatia requested the discontinuance of the international arbitration proceedings - registered on 16th October 2020 relating to mandatory exchange of FX loans and FX based consumer loans - from the Centre for Settlement of Investment Disputes (ICSID), due to the fact that the parties have resolved their disputes by way of mutual consent. The ICSID Secretary has on 30 June 2021 acknowledged receipt of the joint claim of the contending parties relating the discontinuance of the proceedings. According to the request of the parties, ICSID formerly confirmed the termination of the litigation during 2021.

7) Termination of ICES bonds and repurchase of OTP shares

See details in Note 27.

8) Resolutions made at OTP Bank's Extraordinary General Meeting

The Extraordinary General Meeting hold on 15 October, 2021 resolved that, the Bank had sold its treasury shares on the stock exchange to those two Special Employee Stock Ownership Program organizations having been established by the Bank employees ("OTP SECOP I." and "OTP SECOP II.").

The Extraordinary General Meeting decided that if additional SECOP organisations would be initiated, those would be given one-off support on a yearly basis, under defined conditions, defined extent and in specified manner.

9) 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 solitions,
- The new reference rates are different in nature from LIBOR that cause difficulties to settle the value differencies 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,

NOTE 50: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2021 [continued]

9) Interest benchmark reform [continued]

- 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 bussiness loss for the Group,
  - o bussiness loss due to negative customer experience,
  - o 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 June 30, 2023: overnight and 1, 3, 6 and 12 Months. The affected USD LIBOR contracts will be handled on an ongoing basis until the remaining USD LIBOR settings' cessation date.
**In the case of CHF LIBOR, OTP Bank acts in accordance with the implementing regulation of the European Commission (https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=PI_COM:C(2021)7488&from=EN).

Amounts effected by IBOR reform as at 31 December 2021

Reference rate	**Type of the contract**	**Nominal value of the contract**	**Pieces of contracts**
USD LIBOR	Loan	158,747	2,747
USD LIBOR	Deposit	13,851	27
USD LIBOR	Derivatives	699,066	170
Other LIBOR	Loan	75,060	3,853
Other LIBOR	Deposit	25,864	98
Other LIBOR	Derivatives	25,464	4
Other LIBOR	Bonds (assets)	13,162	3
Total		**1,011,214**	**6,902**

The above LIBOR-based amounts outstanding as at 31 December 2021 will be managed at the first interest period in 2022 therefore they do not cause a risk to he Bank or to the customers

NOTE 51: POST BALANCE SHEET EVENTS

1) Decision in Slovenia about distribution of foreign exchange risk concerning loan agreement in Swiss francs

On 2 February 2022, the Slovenian Parliament passed the "Law on limitation and distribution of foreign exchange risk between creditors and borrowers concerning loan agreements in Swiss francs" (the "Law").

The Law affects all loan agreements denominated in Swiss francs between 28 June 2004 and 31 December 2010. The law sets a currency cap that is activated by more than 10% change of the exchange rate between the CHF and EUR from the day of drawing of the loan. During the period of validity of the currency cap, the value of instalments and other payments is equal to the amount at which the currency cap limit was established. The law requires creditors to calculate the remaining debt, prepare a new annuity plan and prepare a draft contract on the regulation of mutual relations. In the event of overpayment, the lender is obliged to reimburse the borrower the default interest, which runs from the date of occurrence of the overpayment to the date of payment of the overpayment.

2) Ukrainian-Russian conflict

In the second half of February 2022 the military conflict between Russia and Ukraine escalated
It is difficult to quantify the effect of the Ukrainian-Russian conflict regarding the Ukrainian and the Russian operations, the possible scenarios are covering a wide range of spectrum. According to the worst possible scenario, the Bank may lose its control over its investments, which under extreme conditions could result in the full write-off of the invested amount. These Consolidated Financial Statements do not contain any write-offs as possible consequences of the Ukrainian-Russian conflict, the Group recognizes it as not adjusting, post balance sheet event.

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 984 billion at the end of 2021 (3.6% of total consolidated assets), while net loans comprised HUF 614 billion (3.9% of consolidated net loans) and shareholders' equity HUF 160 billion (5.3% of the consolidated total equity). At the end of 2021 the book value of the capital investment in the Ukrainian subsidiaries comprised HUF 105 billion; there was no goodwill at all, it was already written down entirely in 2014.

The gross intragroup funding towards the Ukrainian operation represented HUF 72 billion, and taking into account the Ukrainian deposits placed with the HQ, i.e. the net group funding represented HUF 29 billion equivalent. According to the 28 February 2022 figures, the gross funding amounted to HUF 75 billion equivalent and the net intragroup funding stood at HUF 9 billion equivalent.

The Ukrainian sub-consolidated RWA ("risk-weighted asset") was HUF 1,115 billion by the end of 2021 (6.7% of the total consolidated RWA).

The consolidated maximum capital effect on the potential write-off of the Ukrainian operation, taking into account the equity, the intragroup funding and the Ukrainian risk weighted assets, is estimated at 27 bps on the consolidated CET1 ratio, according to year-end figures.

The Ukrainian operation posted HUF 39.0 billion adjusted profit in 2021 which represented 7.9% of OTP Group's adjusted annual profit.

Russia

The total assets of the Group's Russian operation represented HUF 800 billion at the end of 2021 (2.9% of consolidated total assets), while net loans comprised HUF 621 billion (3.9% of consolidated net loans) and shareholders' equity HUF 241 billion (7.9% of consolidated total equity). At the end of 2021 the book value of the capital investment in the Russian subsidiaries comprised directly HUF 74 billion and indirectly HUF 50 billion.

The gross intragroup funding towards the Russian operation represented HUF 73 billion, and taking into account the Russian deposits placed with the Headquarter, i.e. the net group funding represented HUF 14 billion equivalent. On 28 February 2022 the gross intragroup funding reached HUF 52 billion equivalent, which equalled the net figure because there was no deposit placement by the Russian operation at other Group members.

The Russian sub-consolidated RWA was HUF 822 billion by the end of 2021 (4.9% of the total consolidated RWA).

NOTE 51: POST BALANCE SHEET EVENTS [continued]

2) Ukrainian-Russian conflict [continued]

Russia [continued]

The consolidated capital maximum effect on the potential write-off of the Russian operation, taking into account the equity, the intragroup funding and the Russian risk weighted assets, is estimated at 116 bps on the consolidated CET1 ratio, according to year-end figures.
The Russian operation posted HUF 37.6 billion adjusted profit in 2021 which represented 7.9% of OTP Group's adjusted annual profit.
Although the impact of the Russian-Ukrainian conflict on the Group's Russian and Ukrainian operations is currently difficult to quantify, and as such uncertain, based on the current estimation of the Bank's Management the Ukrainian-Russian conflict does not have considerably negative impact on the business activity, financial position, efficiency, liquidity and capital position of OTP Bank. Even after the recognition of the potential losses and write-offs outlined above, the Group's capital adequacy remains above the expected regulatory level. There is no sign of significant uncertainties having been arisen regarding carrying out its business as a going concern. The Bank's Management is monitoring the situation of the Ukrainian-Russian conflict continuously and will take the necessary steps in order to moderate the business risk.

REPORT OF THE SUPERVISORY BOARD ON THE ANNUAL FINANCIAL STATEMENTS FOR 2021 AND ITS PROPOSAL REGARDING THE USE OF AFTER-TAX PROFIT

In 2021, the Supervisory Board conducted its activity and performed its duties in compliance with the procedures regulated in Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises, as well as in Act V of 2013 on the Civil Code and in its own procedural rules.

In order to protect the interests of the company and the owners, it strengthened **its audit function**, in the context of which it requested reports from the executive management, heard briefings and passed resolutions.

Based on reports submitted by the Company's executive management, it continuously monitored

- the development of the Bank's interim results,
- the Bank's business activity,
- the changes in the portfolio's quality,
- compliance with the provisions of the Act on Credit Institutions and Financial Enterprises,
- the activity of the internal audit unit that is under its professional supervision and the audit units involved in the unified internal audit system,
- the results of the execution of the tasks requiring the measures and internal audits stipulated by the resolutions and recommendations of the National Bank of Hungary,
- execution of the resolutions passed by its own board.

Prior to the present ordinary annual General Meeting of 2021, the Supervisory Board reviewed all the material business policy reports on the agenda of the General Meeting, as well as all the proposals relating to matters that fall within the exclusive competence of the company's supreme body. During 2021, it passed regular decisions in connection with its tasks concerning the Remuneration Policy of OTP Bank and the Bank Group, and it performed all other tasks referred to its authority by law or by the Articles of Association of OTP Bank Plc. or set out in the authorities' recommendations.

In accordance with Section 152(3)(a) of Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises and its Rules of Procedure, which comply with such provisions, the Supervisory Board continued to take steps to ensure that OTP Bank Plc. has an audit system in place suitable for comprehensive and efficient operation and, furthermore, given its scope of authority, also supervised the operation, in accordance with a uniform approach, of the internal audit units of the credit institutions, financial firms and investment firms that are under the controlling influence of the Bank.

The Supervisory Board performed its professional **governance role** in accordance with the provisions of the Credit Institutions Act, through audits conducted and regular reports submitted by the internal audit unit under its professional supervision (Internal Audit Directorate).

As a part of its professional oversight of the internal audit units, the Supervisory Board

- commented on, then approved, the **annual audit plan** – elaborated on the basis of risk analysis and through the application of a process approach – of the Internal Audit Directorate and the Bank Group members subject to consolidated supervision. It designated the audit topics to be implemented at the group level, which it deemed to be of priority importance in terms of legal compliance and compliance with the expectations of the supervisory authority, the achievement of the set business goals, as well as risk factors.
- **requested reports** from the internal audit unit, at regular intervals in accordance with its work schedule, on audits carried by it and by Group members under its consolidated supervision, the conclusions drawn and proposals submitted, furthermore, on the

completion of the tasks undertaken in action plans drawn up by the audited departments, as well as extraordinary events that came to light in the course of internal audit activities and which are also of significance at the level of the Bank Group.

- discussed the reports and accounts prepared by the internal audit unit, and, based on the findings of the audits completed and on its own experience, it accepted recommendations and proposals, and prescribed further obligations to provide information.

Prior to the present ordinary annual General Meeting of 2022, the Supervisory Board, in fulfilment of its statutory obligation, **reviewed** all the material business policy reports on the agenda of the General Meeting, as well as all the proposals relating to matters that fall within the exclusive competence of the company's supreme body.

The Supervisory Board studied the Bank's **2021 financial statements** and was **briefed by the auditor**.

The Supervisory Board commented on and approved the **Corporate Governance Report** (for 2021) prior to its proposal to the General Meeting.

The Supervisory Board – based on prior agreement with the Board of Directors – **makes a proposal at the 2022 General Meeting** regarding the identity and the remuneration of the **auditor** to be selected.

The Supervisory Board evaluated **the performance of the senior officers during the business year** and made a proposal to the 2022 Annual General Meeting on whether to grant the senior officers discharge from liability.

Prior to the 2022 Annual General Meeting, the Supervisory Board ascertains that the Bank has, in compliance with its statutory obligations, **published** its material data, its declaration on remuneration, and the information that is required by law to be made public.

The Supervisory Board has, by compiling this document, prepared its report on **the 2021 annual financial statements** and on the proposal for the **use of the after-tax profit,** and it will submit it to the 2022 Annual General Meeting.

Based on the documents made available to it in respect of the 2021 business year, the Supervisory Board has concluded that OTP Bank Plc. prepared its **annual financial statements** in line with the provisions of Act C of 2000 on Accounting and in compliance with the rules on the presentation of financial accounts as set out in the International Financial Reporting Standards (IFRS) as accepted by the European Union.

Based on the documents made available to it in respect of the **consolidated annual financial statements** of OTP Bank Plc., the Supervisory Board has concluded that the Bank prepared the latter in accordance with the provisions of Act C of 2000 on Accounting and with international financial reporting standards (IFRS) as accepted by the European Union.

The Supervisory Board of OTP Bank Plc., in agreement with the contents of the report of the auditor approves:

- the non-consolidated annual report on the 2021 business year, prepared in accordance with the International Financial Reporting Standards

  a balance sheet total of HUF 13,710,471 million, and

- the consolidated annual report on the 2021 business year, prepared in accordance with the International Financial Reporting Standards with

  a balance sheet total of HUF 27,553,384 million**,** and

- the non-consolidated net profit in accordance with the International Financial Reporting Standards

  in the amount of HUF 125,339 million

- having approved the **business report** of the Board of Directors,

submits the above for approval to the Company's General Assembly.

The Supervisory Board agrees on the proposal of the Board of Directors according to which dividend per share is HUF 425,89 for the 2019 and 2020 and HUF 3,57 for 2021, in total **HUF 429,46** and will be paid in accordance with the Articles of Association.

AUDIT COMMITTEE'S REPORT
ON THE ANNUAL FINANCIAL STATEMENTS FOR 2021
AND PROPOSAL FOR THE USE OF
THE AFTER-TAX PROFIT

In 2021 the Audit Committee (AC) conducted its activity and performed its duties in compliance with the procedures regulated in Act V of 2013 on the Civil Code, as well as in its own procedural rules accepted by the Bank's Supervisory Board.

In support of the work of the Bank's Supervisory Board, and as part of a close working relationship between the various Committees, it collaborated in the monitoring of the financial reporting system, in the selection of the auditor and in maintaining the expected and appropriate cooperation with the auditor.
The Audit Committee, in addition to what was discussed at the meetings of the Supervisory Board,

- *heard reports for the previous financial year,*
    - as part of the auditor's report, on the 2020 financial report of the parent company prepared in accordance with the accounting laws and other domestic financial reporting rules (balance sheet, profit and loss account, cash flow statement, notes to the financial statements),
    - on the proposal for the use of after-tax profit of the parent company and dividend payments,
    - as part of the auditor's report, on the 2020 IFRS-based consolidated financial reports of the Bank (financial situation report, profit and loss account, comprehensive income statement, cash flow statement, statement on changes in equity, explanatory notes),
    - on the results of the audit of the 2020 financial reports received from the auditor,
    - as part of the audit report, on the Bank's stand-alone report prepared in accordance with International Financial Reporting Standards (IFRS) in respect of the year 2020,
    - on the material data of the 2020 financial report that is to be published.

  It has agreed with the contents of the reports and proposed that these be presented to the Board of Directors acting under the authority of the General Meeting.

- *monitored*
    - in the interim financial statements approved by the auditor, changes in the results, as well as the contents of the interim balance sheet and the independent auditor's reports.

- *it obtained information*
    - on the Consolidated and group-member controlling reports for the 3rd quarter of 2021
    - On the 2022 operative business and financial plan of OTP Bank Plc. and OTP Core
    - on the approvals and rejections concerning contracts for non-prohibited, non-auditor services,
    - On the 2022 business and financial plan of OTP and the Bank Group
    - On the OTP Group's Risk Strategy 2020-2022
    - on the proposed auditor's report for OTP Bank, Merkantil Bank Zrt., OTP Jelzálogbank Zrt. and OTP Lakástakarék Zrt., drawn up by the Company's auditor concerning the financial statements for the previous year.
    - On the examination of IT support and information security during home-based work
    - On the Corporate Governance Report for 2020

- *commented on, and accepted,*
    - the proposal on the selection of the Company's auditor, the determination of the remuneration and the definition of the main elements of the contract to be concluded with the auditor,
    - the 2021 audit schedule for the Bank Group,
    - the report on management, the Company's financial position and its business policy (follow-up on the business plan) for Merkantil Bank Zrt. / OTP Jelzálogbank Zrt. / OTP Lakástakarék Zrt.

- *approved*
    - The report of the Audit Committee on the 2020 annual financial reports and the proposal regarding the use of the after-tax profit.
    - requests for non-prohibited, non-auditor services of a value below €100,000,

Prior to the General Meeting the Audit Committee examined and evaluated the audited annual financial statements and the consolidated annual financial statements featuring as items on the agenda of the General Meeting and heard the briefing of the auditor. It accepts the proposal on the selection of the Company's auditor.
Based on the documentation made available to it in respect of the 2021 business year, the Audit Committee has concluded that OTP Bank Plc. prepared its annual financial statements in accordance with the provisions of Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises, Act C of 2000 on Accounting, and Government Decree 250/2000. (XII. 24.) on special provisions regarding the annual reporting and book-keeping obligation of credit institutions and financial enterprises.

The Bank accounted for impairment and set aside risk provisions in accordance with the provisions of the Act on Credit Institutions and Financial Enterprises, the government decree on special provisions regarding the annual reporting and book-keeping obligation of credit institutions and financial enterprises, as well as of the Bank's Accounting Policy, by applying the regulations, agreed with the auditor, on rating and on valuation, impairment and provisioning.

Based on the documents made available to it in respect of the consolidated annual financial statements of OTP Bank Plc., the Audit Committee has concluded that the Bank prepared the latter in accordance with the provisions of Act C of 2000 on Accounting and with international financial reporting standards (IFRS) as accepted by the European Union.

The Audit Committee, on the basis of the audit reports reviewed, in agreement with the auditor, is in the opinion that on the 2021 business year prepared in accordance with the International Financial Reporting Standards:

- the non-consolidated report with

  a balance sheet total of HUF 13,710,471 million, and

- the consolidated annual report with

  a balance sheet total of HUF 27,553,384 million, and

- with the non-consolidated ***net profit***

  in the amount of HUF 125,339 million

submits the above for approval to the Annual General Meeting.

The Audit Committee agrees on the proposal of the Board of Directors according to which dividend per share is HUF 425,89 for the 2019 and 2020 and HUF 3,57 for 2021, in total **HUF 429,46** and will be paid in accordance with the Articles of Association.

RESULTS OF THE INDEPENDENT AUDITORS'S REPORT FOR THE YEAR ENDED 2021

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This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of OTP Bank Nyrt.

Report on the audit of the separate financial statements

Opinion

We have audited the accompanying 2021 separate financial statements of OTP Bank Nyrt. ("the Company") included in the accompanying Nem_konsz_IFRS_beszamolo_20211231_hun03.11.xhtml[1] digital file, which comprise the separate statement of financial position as at 31 December 2021 - showing a balance sheet total of HUF 13,710,471 million and a total comprehensive income for the year of HUF 87,935 million -, the related separate profit or loss, separate statement of comprehensive income, separate statement of changes in equity, separate statement of cash flows for the year then ended and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion the separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2021 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 materials 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 Nem_konsz_IFRS_beszamolo_20211231_hun03.11.xhtml separate financial statements, using SHA 256 HASH algorithm is 7B70D0042C4F288106C404CF838A2307C84AF2D88D6DE5A53C3599286E52C4ED

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.

Emphasis of matter

We draw attention to Note 47 of notes to the separate financial statements, which describes the risk and potential impact of the Ukrainian-Russian conflicts on the Company and the entire OTP Group's operation in Ukraine and Russia. Our opinion is not modified in respect of this matter.

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

Material misstatements due to fraudulent financial reporting often result from understatement of expected credit losses. Credit impairment is a highly subjective area due to the level of judgement	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.

applied by management in determining expected credit losses ("ECL"). The identification of impairment and the determination of the recoverable amount are an inherently uncertain process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, and expected net selling prices of collaterals. The portfolios which give rise to the greatest uncertainty are typically those where impairments are derived from estimates of future cash flows and realizable value of collateral, calculated using collective impairment models, 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.

Due to the significance of loans at amortised cost (representing 29% of Total Assets as of 31 December 2021) and the related estimation uncertainty, this is considered a key audit matter.

We assessed the design and tested the operating effectiveness of internal controls over the approval, recording and monitoring of loans at amortized cost and controls over ECL calculations including the quality of underlying data and applications. We assessed the controls over the general IT environment of the applications relevant from audit perspective related to the determination of ECL.

For ECL calculated on an individual basis, we tested the assumptions used by the management underlying the impairment identification and quantification focusing on loan cases with the most significant potential impact on the separate financial statements. We also assessed the management's assumptions on the expected future cash flows, including the value of realisable collateral and estimates of recovery on default based on our own understanding and available market information.

For ECL calculated on collective basis we evaluated the model governance, methodologies, inputs and management assumptions used (probability of default, loss given default, significant changes in credit risk and forward-looking elements).

We considered the regulatory measures on the assumptions applied by the Company for ECL estimation purposes.

We also assessed whether the disclosures in the separate financial statements appropriately reflect the Company's exposure to credit risk and are compliant with the EU IFRSs.

The Company's disclosures about its risk management policies are included in Note 2.12 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.

General Information Technology controls over the financial reporting process	
A significant part of the Company's financial reporting process, including revenue recognition is significantly reliant on IT systems with embedded automated processes and controls over the capture, storage and extraction of information. A fundamental component of these processes and controls is ensuring appropriate user access and change management protocols exist and are being adhered to. These protocols are important because they ensure that access and changes to IT systems and related data are made and authorized in an appropriate manner. As our audit of the financial statements sought to place a high level of reliance on IT systems and application controls related to financial reporting, a high proportion of the overall audit effort has been carried out regarding to understand and test IT infrastructure and applications including relevant application controls. Furthermore, the complexity of IT systems and nature of application controls requires special technology expertise and specialized skills to be involved in the audit we therefore consider this as a key audit matter.	We focused our audit on those IT systems and controls that are significant for the Company's financial reporting. As audit procedures over the IT systems and application controls require specific expertise, we involved IT audit specialists to assist us in performing our audit procedures. Our audit procedures included among others the following procedures. We understood and assessed the overall IT control environment and the controls in place which included controls over access to systems and data, as well as system changes. We adjusted our audit approach based on the financial significance of the system and whether there were automated procedures supported by that system. As part of our audit procedures we tested the operating effectiveness of controls over appropriate access rights to assess whether only appropriate users had the ability to create, modify or delete user accounts for the relevant in-scope applications. We also tested the operating effectiveness of controls around system development and program changes to establish that changes to the system were appropriately authorized, developed and implemented. Additionally, we assessed and tested the design and operating effectiveness of the application controls embedded in the processes relevant to our audit.

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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.

Other matters

The separate financial statements as at 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 17 March 2021.

Management is responsible for the presentation of the separate financial statements in the format that complies with the Article 3 of Commission (EU) Regulation 2019/815 of 17 December 2018 ("ESEF Regulation"). The scope of our audit was the human-readable content of the electronically identified digital file, which contains the separate financial statements. The scope of our audit did not include to review and consequently we do not report on, whether the digitalized information complies in all material respect with the requirements of ESEF Regulation.

Other information

Other information consists of the 2021 business report of the Company 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 2021" 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 business report 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.

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 2021 is consistent, in all material respects, with the 2021 separate financial statements of the Company and the relevant requirements of the Hungarian Accounting Law.

Since no other legal regulations prescribe for the Company further requirements with regard to its business report, we do not express opinion in this regard.

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 business report, 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 and fair presentation of the separate financial statements 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.

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

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 16 April 2021. 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 one year.

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, 17 March 2022

The original Hungarian version has been signed.

Kónya Zsolt
Engagement partner
Ernst & Young Kft.
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Nagyváradiné Szépfalvi Zsuzsanna
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This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of OTP Bank Nyrt.

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying 2021 consolidated financial statements of OTP Bank Nyrt. ("the Company") and its subsidiaries (altogether "the Group") included in the accompanying CON 2021-12-31_HU_final_v5_119_1_preview.xhtml[1] digital file, which comprise the consolidated statement of financial position as at 31 December 2021 - showing a balance sheet total of HUF 27,553,384 million and a total comprehensive income for the year of HUF 473,322 million -, the related consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 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 CON 2021-12-31_HU_final_v5_119_1_preview.xhtml consolidated financial statements, using SHA 256 HASH algorithm is 072C2A820D46B8755FFE07F5A12CBC2A0899FFDA58EF9B5C9B355C22A95903DB

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.

Emphasis of matter

We draw attention to Note 51 of notes to the consolidated financial statements, which describes the risk and potential impact of the Ukrainian-Russian conflicts on the Group's operation in Ukraine and Russia. Our opinion is not modified in respect of this matter.

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.

Determination of expected credit losses relating to loans at amortised cost

Material misstatements due to fraudulent financial reporting often result from understatement of expected credit losses. 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 an inherently uncertain process involving various assumptions and factors, including the	We involved valuation specialists to assist us in performing our audit procedures on ECL and related credit impairments. Our audit procedures included among others the following procedures. We assessed the design and tested the operating effectiveness of internal controls over the approval, recording and monitoring of loans at amortized cost and controls over ECL calculations including the quality of underlying data and

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financial condition of the counterparty, expected future cash flows, and expected net selling prices of collaterals. The portfolios which give rise to the greatest uncertainty are typically those where impairments are derived from estimates of future cash flows and realizable value of collateral, calculated using collective impairment models, 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.

Due to the significance of loans at amortised cost (representing 49% of Total Assets as of 31 December 2021) and the related estimation uncertainty, this is considered a key audit matter.

applications.

We assessed the controls over the general IT environment of the applications relevant from audit perspective related to the determination of ECL.

For ECL calculated on an individual basis, we tested the assumptions used by the management underlying the impairment identification and quantification focusing on loan cases with the most significant potential impact on the consolidated financial statements. We also assessed the management's assumptions on the expected future cash flows, including the value of realisable collateral and estimates of recovery on default based on our own understanding and available market information.

For ECL calculated on collective basis we evaluated the model governance, methodologies, inputs and management assumptions used (probability of default, loss given default, significant changes in credit risk and forward-looking elements).

We considered the regulatory measures on the assumptions applied by the Company for ECL estimation purposes.

We also assessed whether the disclosures in the consolidated financial statements appropriately reflect the Group's exposure to credit risk and are compliant with the EU IFRSs.

The Group's disclosures about its risk management policies are included in Note 2.14 Loss allowance and Note 37.1 Credit risk which specifically explains the key assumptions used when determining credit risk and their evaluation are detailed in Note 11 Loans at amortised cost and at fair value and Note 31 Loss allowance / Impairment / Provisions.

General Information Technology controls over the financial reporting process

A significant part of the Group's financial reporting process, including revenue recognition is significantly reliant on IT systems with embedded automated processes and controls over the capture, storage and extraction of information. A fundamental component of these processes and controls is ensuring appropriate user access and change management protocols exist and are being adhered to.

These protocols are important because they ensure that access and changes to IT systems and related data are made and authorized in an appropriate manner.

As our audit of the financial statements sought to place a high level of reliance on IT systems and application controls related to financial reporting, a high proportion of the overall audit effort has been carried out regarding to understand and test IT infrastructure and applications including relevant application controls. Furthermore, the complexity of IT systems and nature of application controls requires special technology expertise and specialized skills to be involved in the audit we therefore consider this as a key audit matter.

We focused our audit on those IT systems and controls that are significant for the Group's financial reporting. As audit procedures over the IT systems and application controls require specific expertise, we involved IT audit specialists to assist us in performing our audit procedures. Our audit procedures included among others the following procedures.

We understood and assessed the overall IT control environment and the controls in place which included controls over access to systems and data, as well as system changes. We adjusted our audit approach based on the financial significance of the system and whether there were automated procedures supported by that system.

As part of our audit procedures, we tested the operating effectiveness of controls 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.

Other matters

The consolidated financial statements as at 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 17 March 2021.

Management is responsible for the presentation of the consolidated financial statements in the format that complies with the Articles 3 and 4 of Commission (EU) Regulation 2019/815 of 17 December 2018 ("ESEF Regulation"). The scope of our audit was the human-readable content of the electronically identified digital file, which contains the consolidated financial statements. The scope of our audit did not include to review and consequently we do not report on, whether the digitalized information complies in all material respect with the requirements of ESEF Regulation.

Other information

Other information consists of the 2021 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 2021" 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.

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 2021 is consistent, in all material respects, with the 2021 consolidated financial statements of the Group and the relevant requirements of the Hungarian Accounting Law.

Since no other legal regulations prescribe for the Group further requirements with regard to its consolidated business report, we do not express opinion in this regard.

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 and fair presentation of the consolidated financial statements in accordance with the EU IFRSs and for the preparation in accordance with the supplementary requirements of the Hungarian Accounting Law relevant for consolidated financial statements prepared in accordance with EU IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ► Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ► Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ► Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ► Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ► Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ► Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Report on other legal and regulatory requirements

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 16 April 2021. 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 one year.

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, 17 March 2022

The original Hungarian version has been signed.

Kónya Zsolt
Engagement partner
Ernst & Young Kft.
1132 Budapest, Váci út 20.
Registration No. 001165

Nagyváradiné Szépfalvi Zsuzsanna
Registered auditor
Chamber membership No.: 005313

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RESOLUTION PROPOSAL No. 1/2022

The Annual General Meeting accepts the Board of Directors' report on the Company's financial activity for the year ended 2021, furthermore with full knowledge of the Independent Auditor's Report, the Audit Committee's Report and the Supervisory Board's report, it accepts the proposal on the Company's separate financial statements and the consolidated financial statements in accordance with the International Financial Reporting Standards for the year ended 2021, and the proposal for the allocation of the after-tax profit of the parent company.

The Annual General Meeting determines the statement of financial position for the year ended 2021 with total assets of HUF 13,710,471 million and with net profit for the period of HUF 125,339 million. The net profit for the period is allocated as follows: the general reserve must be increased by HUF 12,534 million, HUF 120,248 million shall be paid as dividend from the net profit for the period of which the amount for 2019 and 2020 is HUF 119,248 million and the amount for 2021 is HUF 1,000 million.

The dividend per share is HUF 425.89 for the 2019 and 2020 and HUF 3.57 for 2021, in total HUF 429.46, compared to the face value of shares it's 429.46%. The actual rate of dividend paid to shareholders is calculated and paid based on the Articles of Association, so the Company distributes the dividends for its own shares among the shareholders who are entitled for dividends. The dividends shall be paid from 30 May 2022 in accordance with the policy determined in the Articles of Association.

The Annual General Meeting determines the Company's consolidated balance sheet with total assets of HUF 27,553,384 million, and with net profit continuing operations of HUF 456,312 million. The profit of continuing operations for shareholders is HUF 455,476 million. Net income from discontinued operations is HUF 116 million, and net income from continuing and discontinuing operations is HUF 456,428 million.

APPROVAL OF THE CORPORATE GOVERNANCE REPORT FOR Y2021

Corporate Governance Report

Introduction

OTP Bank Plc. (hereinafter: OTP Bank, Bank or Company) regards the development and maintenance of an **advanced corporate governance system** that conforms to local and international standards as being of primary importance. A reliable governance system, accurate financial planning, responsible management and the appropriate control mechanisms provide a stable basis for efficient and profitable operation.
To this end, the Bank is continuously reviewing and developing its corporate governance practices.

Our corporate governance practice is an important means of ensuring the **fulfilment of our strategic objectives**. Accordingly, within the effective statutory frameworks, we have developed a corporate governance system that simultaneously ensures the confidence and satisfaction of our customers, growth in shareholder value, and our socially responsible corporate conduct. There is no perfect, universally applicable corporate governance solution through which every goal can be achieved as efficiently as possible. For this reason we continuously monitor our governance practices, identifying any deficiencies arising as the result of external and internal changes, and effect those modifications that best serve the fulfilment of our objectives.

The resulting governance structure, optimised to suit our objectives, takes into account the special characteristics of our operations as well as the statutory, supervisory and stock-market requirements that apply to the Bank, while also endeavouring to comply with the related Budapest Stock Exchange (hereinafter: BSE) guidelines. The purpose of the BSE's corporate governance guidelines is for the governance and operating structures of stock exchange-listed companies to be **transparent and comparable** based on a uniform set of criteria. This enables investors, taking into consideration the special characteristics of a given company's operations, the complexity of its activities, and the statutory requirements related to its risk management and financial reporting, to make a well-founded judgement regarding the extent to which the given corporate governance practice ensures reliable and profitable operation.

Like all organisations that provide financial and investment services, the operations of the Bank are, to a high degree, regulated in statutory provisions. As a consequence, not only certain business activities, but our operations as a whole are regulated in detail and monitored by the authorities on a continuous basis. The individual internal control functions (risk management, compliance, and internal audit) have to conform to strict standards, and their effectiveness must be attested not only within the internal corporate governance system, but also to the satisfaction of the external supervisory authorities. All these factors guarantee purposeful, comprehensive and verified risk management procedures, as well as reliable and appropriately supervised data reporting. Therefore, our status as a financial and investment service provider requires us to implement complex and effective corporate governance practices that simultaneously ensure **responsible conduct towards clients and shareholders, reliable operation, and long-term profitability**.

1.) Statement on Corporate Governance Practice

The Bank's operation fully complies with the provisions of the relevant statutory regulations, the decrees of the supervisory authorities and the regulations of the BSE. The structure and operating conditions of the Company are contained in the Articles of Association, which are approved by the General Meeting.

1.1. General meeting

The supreme body of the Bank shall be the General Meeting consisting of the shareholders. The Articles of Association regulate the manner of convocation and operation of the General Meeting, the manner of participation, and of the exercise of voting rights.
The General Meeting shall be convened at least once annually by the Board of Directors.

1.2. Management bodies

1.2.1. Board of Directors

The Company's management body is the Board of Directors. The liability of the Board of Directors extends to the operation of the entire Company, as part of which the Board's main tasks include the approval of the Company's strategy, annual report, major organisational restructurings and policies, as well as making other significant company law-related decisions. In its objectives and activities, particular emphasis is placed on increasing shareholder value, profitability and efficiency, and on managing risks and complying fully with external requirements – in other words on ensuring the most effective enforcement of business, ethical and internal control policies.
The scope of its authority is defined in the effective statutory provisions, the Company's Articles of Association, General Meeting resolutions, and the Organisational and Operational Regulations. Its rules of procedure include the legal status and composition of the Board of Directors, as well as the regulations applicable to its operation and decision making.
All the obligations and prohibitions specified for executive officers under Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (Credit Institutions Act) apply to the members of the Board of Directors.
The Board of Directors has an executive role in the governance of the Bank, and this is reflected in its members' remuneration, an important element of which is the share-based honorarium, which serves to harmonise the interests of the board with those of the shareholders.
It oversees the Company's operative management through the Chairman & CEO. The Chairman & CEO is authorised to decide in all matters that do not, pursuant to the Articles of Association, fall within the scope of authority of the General Meeting or the Board of Directors. The employer's rights related to the executive officers of the Company are in general exercised by the Board of Directors as a corporate body, with the proviso that in the case of the deputy CEOs, employer's rights are exercised through the Chairman & CEO, and the prior notification of the Board of Directors is required for their appointment and for the withdrawal of their appointment.
In view of the fact that the Board of Directors also has an important role to play in supervising the work of the management, it is important that **the principle of a majority of external (non-executive) members is applied in respect of the Board of Directors** (4 executive members, 7 non-executive members)**.** The composition of the Board of Directors ensures that professional expertise, experience, and a degree of impartiality that goes beyond the above-mentioned independence requirement, are brought to bear in equal measure in the decision-making processes.

The Board of Directors is an executive body elected by the General Meeting of the Bank. The Board of Directors shall be entitled and obliged to make all decisions which are not within the competence of the General Meeting, the Supervisory Board or the Audit Committee as defined by law, the Articles of Association, or a resolution of the General Meeting.

Members of the Board of Directors of OTP Bank Plc.:

The members of the Board of Directors are elected by the General Meeting for a term of five years. In 2021, the mandate of the Board of Directors expired and the Board of Directors, acting within the powers of the General Meeting, elected a new Board of Directors on 16 April 2021.

Members of the Board of Directors		Beginning of Board of Directors membership	Beginning of mandate	End of mandate	Non-executive/executive member
Chairman	Dr. Sándor Csányi	15 March 1992	2021	2026	Executive member
Deputy Chairman	Tamás György Erdei	27 April 2012	2021	2026	Non-executive member
Members	Mihály Baumstark	29 April 1999	2021	2026	Non-executive member
	Dr. Tibor Bíró*	15 May 1992	2016	2021	Non-executive member
	Dr. István Gresa	27 April 2012	2021	2026	Non-executive member
	Antal György Kovács	15 April 2016	2021	2026	Executive member
	Dr. Antal Pongrácz*	26 April 2002	2016	2021	Non-executive member
	Dr. László Utassy*	25 April 2001	2016	2021	Non-executive member
	Dr. József Vörös	15 May 1992	2021	2026	Non-executive member
	László Wolf	15 April 2016	2021	2026	Executive member
	Gabriella Balogh	16 April 2021	2021	2026	Non-executive member
	Péter Csányi	16 April 2021	2021	2026	Executive member
	György Nagy	16 April 2021	2021	2026	Non-executive member
	Dr. Márton Gellért Vági	16 April 2021	2021	2026	Non-executive member

*mandate not renewed

Executive members:

Dr. Sándor Csányi
Chairman of the BoD
Chairman & CEO

He graduated from the College of Finance and Accounting in 1974 with a bachelor’s degree in business administration and in 1980 from the Karl Marx University of Economic Sciences (now: Corvinus University) with a master in economics and finance, where he also obtained his doctorate in finance between 1981-1983. He is a chartered auditor – certified in 1982 at

the Ministry of Finance. After graduation he worked at the Tax Revenue Directorate and then at the Secretariat (Bank Supervision Section) of the Ministry of Finance. Between 1983 and 1986, he was a departmental head at the Ministry of Agriculture and Food Industry. From 1986 to 1989 he worked as a senior head of department at Hungarian Credit Bank (MHB). He was Deputy CEO of K&H Bank from 1989 to 1992.
He has been the Chairman & CEO of OTP Bank Plc. since 1992.
He is Vice Chairman of the Board of Directors of MOL Plc. and Co-Chairman of the Chinese-Hungarian Business Council.

He is one of the largest investors in agriculture and food industry in the CEE region through Bonafarm Group and KITE generating aggregated annual revenue of EUR 2 billion with over 9.000 employees and with 40.000 hectares cultivated land in total. Bonafarm Group is vertically integrated whereby agriculture companies produce the raw materials for food processors. He has significant investments in real estate through his minority holding in Gránit Pólus and Limedale (portfolio of USD 1 bn), in VC (Bonitás Venture Capital Fund) and asset management (CSAM in Singapore).

He has been the President of the Hungarian Football Association (MLSZ) since 2010, and a member of the UEFA Executive Committee since March 2015; and the Vice President of the UEFA Executive Committee since 2019. Since 2017 he has been a member of the FIFA Council and the Vice President of the FIFA Council since 2018. Within UEFA he is also the Chairman of the UEFA National Team Competition Committee, a member of the UEFA Finance Committee and the UEFA Professional Football Strategy Council.
He has been the owner of Pick Szeged Handball Club since 2011. He has been the Honorary Vice President of the International Judo Federation since 2008.
Since 1995 he has been the Vice President of the Board of Trustees of the International Children's Safety Service, and since 2003 he has been the Chairman of the Board of Trustees of the Prima Primissima Foundation. In 2005, he established the Csányi Foundation for Children from his own assets. Since 2009, he has been a member of the Board of Trustees of the Media Union for Social Awareness Formation Foundations. Since 2020, he has been the Chairman of the Board of Trustees of the Pro Sopron University Foundation. In 2021, he became Chairman of the Board of Trustees of the Foundation for the Hungarian Agricultural and Life Sciences University (MATE).

As of 31 December 2021 he held 293,907 ordinary OTP shares (while the total number of OTP shares held by him directly and indirectly was 4,080,034).

Péter Csányi
member of the BoD
Deputy CEO
Digital Division

He graduated from City University London in 2006 with a bachelor's degree in economics, then in 2007 with a master's degree in finance from the IE Business School in Madrid. In 2015, he received the Master of Business Administration (MBA) diploma from Kellogg School of Management in the USA.

He began his career in 2006 at Merrill Lynch's London office as an intern and he was working on corporate finance projects for financial institutions.
From 2007 to 2011, he worked at Deutsche Bank's London office, first as an analyst and later as an associate in the field of corporate finance (for Central and Eastern European corporate customers).

From 2011-2016, he worked for McKinsey & Company Inc. as an associate mostly working on banking related projects.

He joined OTP Bank in 2016 as Managing Director of the Digital Sales and Development Directorate. After the agile transformation at the Bank, he became responsible for the management of the Omnichannel Tribe from 2019. In addition, since January 2021, he has been the head of the Daily Banking Tribe.
From March 2021, he is the Deputy CEO of OTP Bank, the head of the IT Division (As of 1 May 2021 Digital Division).
From 2020 he has been Chairman of the Supervisory Board of OTP banka d.d. in Croatia. He is also a member of the OTP Mobil Kft. Supervisory Board and the head of the Digitization Working Group of the Hungarian Banking Association. He is member of the Mastercard European Advisory Board.

He has been a member of OTP Bank's Board of Directors since 16 April 2021.

As of 31 December 2021 he held 1 ordinary OTP share.

Antal György Kovács
member of the BoD
Deputy CEO
Retail Division

He graduated from the Karl Marx University of Economic Sciences with a degree in economics.
He began his professional career in 1990 at the Nagyatád branch of K&H Bank, where he worked as a branch manager between 1993 and 1995.

He has been working at OTP Bank Plc. since 1995, first as a county director and from 1998 as the executive director of OTP Bank’s South Transdanubian Region. Since 1 July 2007 he has been OTP Bank’s Deputy CEO.

He has received additional training at the International Training Centre for Bankers and on various courses held by the World Trade Institute.

Between April 2007 and April 2012 he was Chairman of the Supervisory Board of OTP banka Hrvatska d.d.
He has been Chairman of the Supervisory Board of OTP Bank Romania SA since 12 December 2012. He has been Chairman of the Board of Directors of OTP Mortgage Bank Ltd. and OTP Building Society Ltd. since 24 April 2014. He is Chairman of the Supervisory Board of OTP Fund Management and OTP Home Solutions Ltd.
He was a member of OTP Bank’s Supervisory Board from 2004 to 14 April 2016.

He has been a member of OTP Bank's Board of Directors since 15 April 2016.

As of 31 December 2021 he held 79,244 ordinary OTP shares.

László Wolf
member of the BoD
Deputy CEO
Commercial Banking Division

He graduated from the Karl Marx University of Economic Sciences in 1983. After graduation, he worked at the Bank Relations Department of the National Bank of Hungary for 8 years, and then he was head of Treasury at BNP-KH-Dresdner Bank between 1991 and 1993.

From April 1993 he was managing director of OTP Bank's Treasury Directorate, and since 1994 he has been Deputy CEO of the Commercial Banking Division. Member of DSK Bank's Supervisory Board.
He has been Chairman of the Board of Directors of OTP banka Srbija since 10 December 2010.

He has been a member of OTP Bank's Board of Directors since 15 April 2016.

As of 31 December 2021 he held 532,143 ordinary OTP shares.

Non-executive members:

Gabriella Balogh
member of the BoD
MSc Economics, specialization in marketing

She graduated as organizing chemical engineer from the University of Veszprém in 1993 and as marketing economist from the University of Economics, Budapest in 1997.

She worked as a marketing associate between 1993 and 1998, as director of the Marketing Department from 1998 to 2005 and as managing director of the Marketing and Sales Directorate between 2005 and 2008 at OTP Bank Plc.

She has been managing director of GoodStep Consulting Kft. since 2008. She fulfilled group management tasks as a Board of Directors member at the Central European Media and Publishing Company between 2010 and 2017.
She has been co-owner and Board of Directors member of Net Media Plc. since 2016. She is Presidium member and Chairwoman of the Marketing and Media Board of the Hungarian Football Association.

She has been a member of OTP Bank's Board of Directors since 16 April 2021.

As of 31 December 2021 she held 1,393 ordinary OTP shares.

Mihály Baumstark
member of the BoD
BSc Agricultural Business Administration,
MSc Economics

He graduated with a degree in agricultural business administration at Gödöllő University of Agriculture (1973), and went on to do a masters in economics at the Karl Marx University of Economic Science (1981).

He was employed by the Ministry of Agriculture and Food Industry between 1978 and 1989. When he left the Ministry he was Deputy head of the Investment Policy Department. Then he was managing director of Hubertus Bt., and from 1999 to 2011 he was deputy CEO and then Chairman & CEO of Villányi Winery Ltd. (now Csányi Winery Ltd.). He is currently retired.

He was a member of OTP Bank's Supervisory Board from 1992 to 1999, and has been a non-executive member of OTP Bank's Board of Directors since 1999.

He has been Chairman of OTP Bank's Ethics Committee since 2010, as well as a member of its Remuneration Committee since 2011. He was the member of the Nomination Committee between 2014 and 2020.

As of 31 December 2021 he held 44,000 ordinary OTP shares.

Dr. Tibor Bíró[1]
College Associate Professor

He graduated from the College of Finance and Accountancy (1974) and from the Karl Marx University of Economics (1978) with a degree in business administration. He has been a certified auditor and chartered accountant since 1986.
He was the Head of the Financial Department of the City Council of Tatabánya from 1978 to 1982. From 1982, he was a professor at the College of Finance and Accounting, and between 1990 and 2013 head of department at the Budapest Business School. Since his retirement in 2015, he has been a visiting lecturer, and working actively in his auditing and consulting company.
From 2000 onwards, for a period of ten years, he was a member of the Presidium of the Budapest branch of the Chamber of Hungarian Auditors, and also worked as a member of the Chamber's Education Committee for five years.
He was a non-executive member of OTP Bank's Board of Directors from 1992. He was a member of OTP Bank's Remuneration Committee from 2009, and he was the chairman of the Nomination Committee between 2014 and 2020.

Tamás György Erdei
Deputy Chairman of the BoD
BSc Business Administration

He graduated in 1978 with a degree from the College of Finance and Accounting. He began his professional career at OTP, in a variety of administrative roles (his last position was branch manager), before going on to work at the Ministry of Finance in the area of bank supervision.

From 1983 he was employed by the Hungarian Foreign Trade Bank (today MKB), where he gradually worked his way up through the ranks. In 1985 he became managing director, in 1990 he was appointed Deputy CEO, then in 1994 he became CEO, and from 1997 until the end of March 2012 he was Chairman & CEO.

Between 1997 and 2008, and between 2009 and 2011, he was the elected president of the Hungarian Banking Association.
He is the Chairman of the Supervisory Board of the International Children's Safety Service.

[1] His mandate expired on 16 April 2021.

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 2021 he held 32,285 ordinary OTP shares.

Dr. István Gresa
member of the BoD
PhD Business Administration and Economics

He graduated from the College of Finance and Accountancy in 1974 and received a degree in economics from the Karl Marx University of Economic Sciences in 1980. He earned a PhD from the University of Economic Sciences in 1983.

He has worked in the banking sector since 1989. Between 1989 and 1993 he was branch manager of Budapest Bank's Zalaegerszeg branch.
From 1993 he was director of OTP Bank's Zala County Directorate, and from 1998 he was the managing director of the Bank's West Transdanubian Region.
From 1 March 2006 until 14 April 2016 – when he retired – he was Deputy CEO of the Credit Approval and Risk Management Division. He was Chairman of the Board of Directors at OTP Factoring Ltd. between 2006 and 2017.

He has been a member of OTP Bank's Board of Directors since 27 April 2012.

As of 31 December 2020 he held 173,258 ordinary OTP shares.

Dr. Antal Pongrácz[2]
PhD Economics

He graduated from the Karl Marx University of Economic Sciences in 1969 and earned a PhD in 1971.

From 1969 he worked as an analyst at the Petrochemical Investment Company, then as a group manager at the Revenue Directorate until 1975. From 1976 he held various executive positions at the Ministry of Finance. After that, he was the first Deputy Chairman of the State Office for Youth and Sports.

Between 1988 and 1990 he was the first Deputy CEO of OTP Bank. Between 1991 and 1994 he was CEO, and then Chairman & CEO, of the European Commercial Bank Rt. Between 1994 and 1998 he was Chairman & CEO of Szerencsejáték Rt, then in 1998-99 he served as CEO of Hungarian flagship carrier, Malév. Since 2001 he has been managing director of OTP Bank's Staff Division and more recently – up until his retirement on 14 April 2016 – Deputy CEO.

1992-1999: Chairman of the Supervisory Board of Gemenc Zrt., 2002-2010: Chairman of the Board of Directors, 1999-2007: Chairman of the Supervisory Board of British American Tobacco (BAT), 2002-2008: Chairman of the Board of Directors of Casinos Hungary.

[2] His mandate expired on 16 April 2021.

Between 2007-2012, he was Chairman of OTP Bank Romania's Supervisory Board.
He was Chairman of the Supervisory Board of OTP banka Hrvatska d.d. from 12 April 2012, and was Chairman of the Supervisory Board of Splitska banka from 2 May 2017 until its successful integration (on 30 November 2018).
He was a member of OTP Bank's Board of Directors from 2002. He was Deputy Chairman of OTP Bank's Board of Directors from 9 June 2009 to 14 April 2016.

Dr. László Utassy[3]
Chairman & CEO
Merkantil Bank Zrt.

He graduated from the Faculty of Law of Eötvös Loránd University in Budapest in 1978.

He held various positions at the State Insurance Company between 1978 and 1995 and then went on to work at ÁB-Aegon Rt. He was Chairman & CEO of OTP Garancia Insurance from 1996 to 2008. He was managing director of OTP Bank between 2009 and 2010. Since 1 January 2011 he has been Chairman & CEO of Merkantil Bank Ltd.

He was a member of OTP Bank's Board of Directors from 2001. He was a member of OTP Bank's Risk Assumption and Risk Management Committee from 2014. He has been Chairman of the Board of Directors of OTP Real Estate Leasing Ltd. since 28 November 2019.

György Nagy
member of the BoD
Msc International Economics

He graduated from the Department of International Foreign Economics of University of International Relations (Moscow) in 1989.

He was a founding owner of Wallis Holding (founded in 1990) and he managed the Wallis Group as CEO until 2000.
He founded Westbay Holding Kft. in 2004, the company's portfolio includes several successful investments.
He has been the Chairman of the Hungarian Shooting Federation since 2012, Presidium member of the European Shooting Confederation (ESC) since 2013 and Council member of the International Shooting Sport Federation (ISSF) since 2019 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 2021 he held no ordinary OTP shares (while the total number of OTP shares held by him directly and indirectly was 600,000).

[3] His mandate expired on 16 April 2021.

Dr. Márton Gellért Vági
member of the BoD
General Secretary
Hungarian Football Association

He graduated in 1987 from the department of foreign economics at the Karl Marx University of Economic Science

From 1987 to 2000 he was lecturer at University of Economic Science of Budapest (today Corvinus University of Budapest) and from 1994 onwards associate professor and head of department. He has a university doctorate and a PhD in economics. He has authored or co-authored more than 80 studies, essays and books.
Between 2000 and 2006 he worked at the State Holding and Privatisation Co. (ÁPV Zrt.), as managing director, Deputy CEO and then CEO.
Between 2006 and 2010 he was Chairman of the National Development Agency.
Since 2010 he has been general secretary of the Hungarian Football Association.
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
He has been a member of UEFA's HatTrick Financial Assistance Committee since 2011. He has been a member of FIFA's Financial Committee since 2017.

He was a member of OTP Bank's Supervisory Board between 2011-2021.He was a member of OTP Bank's Audit Committee between 2014-2021.
He was a member of OTP Bank's Nomination Committee between 2020-2021.

He has been a member of OTP Bank's Board of Directors since 16 April 2021.

As of 31 December 2021 he held no ordinary OTP shares.

Dr. József Zoltán Vörös
member of the BoD
Professor emeritus, academician
University of Pécs

He earned a degree in economics from the Karl Marx University of Economic Sciences in 1974. In 1984 he earned a PhD in economics from the Hungarian Academy of Sciences, and a Doctor of Science degree in 1993. He has been a member of the Hungarian Academy of Sciences since 2013.

Between 1990 and 1993 he was the dean of the Faculty of Business and Economics, Janus Pannonius University (JPTE) in Pécs. In 1993 he attended a course in management for senior executives at Harvard University.
From 1994 he was a professor at JPTE, from 2021 he has been professor emeritus. He was the senior Vice Rector of the University from 2004-2007, between 2007 and 2011 he was Chairman of the Economic Council of the University of Pécs.

He has been a non-executive member of OTP Bank's Board of Directors since 1992. He has been Chairman of OTP Bank's Remuneration Committee since 2009, and member of its Risk Assumption and Risk Management Committee since 2014.

As of 31 December 2021 he held 171,114 ordinary OTP shares.

Operation of the Board of Directors of OTP Bank Plc.

Meetings of the **Board of Directors** are convened by the Chairman & CEO by means of a written invitation, in accordance with the prevailing work schedule.

The Chairman & CEO must convene a meeting of the Board of Directors if
- the Board of Directors has passed a resolution calling for an expedited meeting of the Board of Directors;
- at least three members of the Board of Directors initiate a meeting in writing by designating the reason and the purpose, and the agenda items, and by submitting a written proposal in respect of the decision to be made;
- the Supervisory Board or the auditor initiates such a meeting in writing;
- the National Bank of Hungary (hereinafter: MNB or Supervisory Authority) requires it;
- under the law, a decision must be made about whether to convene an extraordinary General Meeting.

The meetings of the Board of Directors shall be held as necessary, but at least six times a year.

The Board of Directors passes resolutions in accordance with the rules of procedure, by simple majority; minutes must be taken of its meetings, and its resolutions must be documented.

If decisions are made without convening a meeting, instead of the minutes, a summary must be prepared of the resolutions and these must be attached to the minutes of the next meeting of the Board of Directors that follows the successful written vote.

The table below provides a brief overview of the number of Board of Directors meetings held in 2021, and of the attendance at these meetings:

Board of Directors meetings
2021

Date	*Present*	*Absent*
16 February	*10*	-
17 March	*10*	-
16 April	*10*	-
16 April	*11*	-
15 June	*11*	-
06 September	*11*	-
11 October	*11*	-
17 November	*11*	-
14 December	*11*	-

Note:
In 2021 the Board of Directors met on a total of 9 occasions. In addition, resolutions were passed on 180 occasions by written vote.

The items on the agenda of the Board of Directors included, among other things, the tasks stipulated by law, such as making a decision on convening, and specifying the agenda of, the General Meeting, the acceptance of the documents submitted to the annual ordinary General Meeting, preparing a proposal concerning the annual report prepared in accordance with the Accounting Act and the use of the after-tax profit, preparation of the report on the

management, on the Company's asset/liability position and on its business policy, measures taken to ensure the appropriate management of the Bank's trading books.
Additional, strategic tasks are, for example, the approval and annual review of the Bank's strategy, determination of its business plan, a review of the Bank's asset/liability position based on the quick reports, review of the Bank's liquidity situation, evaluation of changes in the qualified receivables portfolio, approval and review of the regulations that fall within the Board of Director's scope of authority (collateral evaluation, risk assumption, customer rating, etc.), regular review of compliance with the Credit Institutions Act and Act CXX of 2001 on the Capital Market (hereinafter: Capital Market Act), compliance, and customer complaints management. Furthermore, the Board of Directors is informed of any undertaking of obligations in excess of HUF 3 billion.
In addition, as part of its operative duties, the Board of Directors may make case-by-case decisions in respect of transactions that exceed the threshold value limit.

In view of the situation caused by the virus epidemic, on 22 February 2021, the Parliament adopted Act I of 2021 on protection against the coronavirus pandemic. This Act extended the effect of Government Decree 502/2020. (XI. 16.) on the re-introduction of deviation provisions pertaining to the operation of partnerships and corporations during the state of emergency (hereinafter: Government Decree) until 22 May 2021. Under the Government Decree, public limited companies were not allowed to hold general meetings in person during the lockdown period, so the Board of Directors, acting within the powers of the general meeting, decided on the items on the agenda.

1.2.2. Supervisory Board

At the Bank, in line with the two-tier governance structure, the Supervisory Board – as a body elected by the General Meeting – performs the oversight of the Company's management, business activity and legal operation and fulfils the responsibilities assigned to it by the Credit Institutions Act.

In accordance with the legal provisions – the principle of a majority of independent (non-executive) members is fully enforced in respect of the composition of the Supervisory Board. The ratio of independent (non-executive) Supervisory Board members (4 persons) to the total number of Supervisory Board members (6 persons) is 67%.

The rules applicable to the appointment and recall of the employee delegate of the Supervisory Board are defined by the Works Council operating at the Company, and the Company does not consider such a member to be independent.

In order to avoid conflicts of interest, the General Meeting may not appoint the members of the Board of Directors and their close relatives to the Supervisory Board.

The Supervisory Board determines and approves its own rules of procedure.

The liability of the Supervisory Board extends to the supervision of the lawfulness of the Company's operation, its business practices and management, including the control of the Company's internal audit organisation. The Supervisory Board exercises a preliminary right of consent in respect of decisions relating to the establishment and termination by the employer of the employment of, and well as the determination of the remuneration of, the head of the internal audit organisation.

It is the task of the Supervisory Board to accept and regularly review – within the limits defined by the General Meeting – the principles of the Remuneration Policy.

Members of the Supervisory Board of OTP Bank Plc.:

Supervisory Board members are elected by the General Meeting for a term of three years. In 2021, the term of office of one member of the Supervisory Board expired and the Board of Directors, acting within the powers of the General Meeting, elected a new member on 16 April 2021.

Members of the Supervisory Board		**Beginning of Supervisory Board membership**	**Beginning of mandate**	**End of mandate**	**Independent/ Employee member**
Chairman	Tibor Tolnay	15 May 1992	2020	2023	Independent member
Deputy Chairman	Dr. József Gábor Horváth	29 April 2005	2020	2023	Independent member
Members	Klára Bella	12 April 2019	2020	2023	Employee delegate
	András Michnai	25 April 2008	2020	2023	Employee delegate
	Dr. Márton Gellért Vági*	29 April 2011	2020	2021	Independent member
	Olivier Péqueux	13 April 2018	2020	2023	Independent member
	Dr. Tamás Gudra**	16 April 2021	2021	2023	Independent member

* his office ceased on 16.04.2021
** elected member of the Supervisory Board on 16.04.2021

Independent members:

Tibor Tolnay
Chairman of the SB

He graduated from Budapest University of Technology as a qualified civil engineering in 1978, and in 1983 he obtained a degree in economic engineering. In 1993 he finished his studies as specialized economist at Budapest University of Economics.

From 1989 to 1994, he was Director of State Construction Company No. 21. From 1994 to 2015 he was Chairman & CEO of the already privatized Magyar Építő Joint Stock Company.
He has been the managing director of Érték Ltd. since 1994. Since 2020 he has been the managing director of Fenyves Garden Ltd.
From 2018 to 2021 he was President of the National Association of Entrepreneurs and Employers, since 2021 co-President.

Since 1992 he has been a member of OTP Bank's Supervisory Board, and Chairman of the Supervisory Board since 1999. He was a member and Deputy Chairman of OTP Bank’s Audit Committee between 2007 and 2011, and has been again since 2014. He has been the Chairman of OTP Bank’s Nomination Committee since 2020.

As of 31 December 2021 he held 54 ordinary OTP shares.

Dr. József Gábor Horváth
Deputy Chairman of the SB
Lawyer

He earned a degree in law from Eötvös Loránd University in Budapest in 1980.

From 1983 he worked for the Hungarian State Development Bank He has been a lawyer since 1986, and since 1990 has run his own law firm, which specialises in corporate finance and corporate governance.

He has been a member of the Supervisory Board of OTP Bank since 1995, and was a member of MOL Plc.'s Board of Directors between 1999 and 2014.
He has been Deputy Chairman of OTP Bank's Supervisory Board since 2007.
He was Chairman of OTP Bank's Audit Committee between 2007 and 2011, and has been again since 2014.
He has been a member of OTP Bank's Nomination Committee since 2020. He was a member of the Board of Directors of INA Industrija Nafte d.d. from 2014 to 2018.

As of 31 December 2021 he held no ordinary OTP shares.

Dr. Tamás Gudra
Member of the SB
BSc Business Administration, Lawyer

He graduated as business administrator in 1993 from the College of Commerce and Catering. He is a Hungarian chartered auditor since 1997. He also obtained a university degree in 2010 as a lawyer at the Faculty of Law of Janus Pannonius University in Pécs.

He worked as an auditor from 1993 to 2001 at Deloitte & Touche. Between 2001 and 2003 he was an accounting expert of subsidiaries at the Accounting and Tax Directorate of the Hungarian Oil and Gas Public Limited Company (MOL Rt). Then he was managing director at the Auditor, Financial and Accounting Directorate of the National Privatization and Asset Manager Plc. (ÁPV Zrt.) between 2003 and 2007 and became the director of Controlling Directorate at the Hungarian National Asset Manager Plc. (MNV Zrt.) from 2008 to 2010.
Following these assignments, he worked as the CFO of the Hungarian Football Association from 2011 until June of 2020. As of July 2020, he became the group-level CFO of Bonafarm Zrt.

He was a member of the Supervisory Board of OTP Lakástakarék Zrt. between 2012 and 2021 and he is Chairman of the Hungarian Paralympic Committee's Supervisory Board since 2016. Since 2021 he has been property inspector of Hungarian University of Agriculture and Life Sciences, member of the Executive Committee of Pick Szeged Zrt., SOLE-Mizo Zrt and MCS Vágóhíd Zrt.

He has been a member of the Supervisory Board and Audit Committee of OTP Bank since 16 April 2021.

As of 31 December 2021 he held no ordinary OTP shares.

<u>Olivier Péqueux</u>
Member of the SB
Groupama International SA

He graduated from Institute of Actuaries of France, Polytechnique School and ENSAE Paris Tech.

Started to work in 1998 as an insurance commissioner for the French Insurance Supervisory Authority. In 2003, he joined the French Ministry of Finance to take part in the pension law reform and the setup of a pension fund for French civil servants. Then he became technical adviser to the French Minister of health and pensions.

In 2005 he joined Groupama Group, first in charge of the actuary and accounting department of Gan Patrimoine, a life insurance company, and then in 2007 as Chief Financial Officer of Groupama Paris Val de Loire.
He moved to China in March 2011 as Deputy General Manager of Groupama China, in charge of finance, actuary and investments in the joint venture between AVIC and Groupama.
From 2015 to 2017, he was the General Manager of Groupama AVIC. He has been the Chief International Officer of Groupama Assurances Mutuelles since March 2018. He has been Groupama Assurances Mutuelles Deputy CEO since September 2020.

He has been a member of OTP Bank's Supervisory Board, and Audit Committee since 2018.

As of 31 December 2021 he held no ordinary OTP shares.

<u>Dr. Márton Gellért Vági</u>[4]
member of the SB
General Secretary
Hungarian Football Association
(For his CV, see point 1.2.1. Board of Directors of the section entitled 'Management bodies')

<u>Employee delegates:</u>

<u>Klára Bella</u>
Member of the SB
Director
Large Corporate Department

She graduated from the College of Finance and Accountancy and later obtained a degree from the Budapest University of Economic Sciences.

From 1992 to 1994 she worked as a clerk at the Fertőszentmiklós branch of OTP Bank.
From 1994 to 1995 she was a lending consultant at Polgári Bank.
From 1995 to 1996 she worked as a risk manager at the Central Branch of OTP Bank.
From 1996 to 1997 she was authorizer in the Credit Approval and Risk Management Division.
From 1997 to 2010 she was Deputy Managing Director at the Central Branch.
From 2010 to 2016 she was Director at the Central Branch.
Between 2017 and 2020, she was Director of the Corporate Directorate.

[4] His position on the Supervisory Board was terminated on 16 April 2021, and since that date he has been a member of the Board of Directors of OTP.

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 2021 she held 344 ordinary OTP shares.

András Michnai
Member of the SB
Managing Director

He graduated in 1981 from the College of Finance and Accounting with a degree in business administration.

He has been an employee of the Bank since 1974, and until 1981 held a variety of posts in the branch network. Following this he held a management position in the central network coordination department before returning to work in the branch network. From 1994, as deputy managing director, he participated in the central coordination of the branch network. Between 2005 and 2014 he was the managing director of the Bank's Compliance Department.
He further expanded his professional skills, obtaining a Master's degree at the Budapest Business School, and is a registered tax advisor.

He has been a member of OTP Bank's Supervisory Board, and representative of the Bank's employees, since 2008. He has been Secretary of OTP Bank's Employees' Trade Union since December 2011.

As of 31 December 2021 he held 100 ordinary OTP shares.

Operation of the Supervisory Board of OTP Bank Plc.

As stipulated in the Articles of Association, the **Supervisory Board** meets at least six times a year.

The meetings of the Supervisory Board are convened by the chairman. The meetings must also be convened if a member of the Supervisory Board or at least two members of the Board of Directors, or the auditor, requests it in writing, indicating the objectives and reasons for the meeting.

The Supervisory Board passes its resolutions by simple majority; minutes are taken of its meetings, and its resolutions are documented.

If decisions are made without convening a meeting, instead of the minutes, a summary must be prepared of the resolutions and these must be attached to the minutes of the next Supervisory Board meeting that follows the successful written vote.

The table below provides a brief overview of the number of Supervisory Board meetings held in 2021, and of the attendance at these meetings:

Supervisory Board Meetings
2021

Date	*Present*	*Absent*
18 February	*6*	*-*
17 March	*6*	*-*
20 May	*5*	*1*
14 June	*5*	*1*
16 September	*5*	*1*
14 December	*6*	*-*

Note:
In 2021 the Supervisory Board met on a total of 6 occasions. In addition, resolutions were passed on 90 occasions by written vote.

The main function of the Supervisory Board is to see to it that the Bank has a comprehensive and effectively operating system of oversight and control, and to manage the internal audit organisation. It is also responsible for verifying the financial institution's annual and interim financial statements, making a suggestion to the annual General Meeting for the acceptance of the documents, reports and annual reports verified by it and submitted to the annual General Meeting, as well as for the acceptance of the proposal for the use of after-tax profits, and the person and remuneration of the auditor to be elected.
The tasks concerning the management of the internal audit organisation includes the acceptance of the audit plan at the bank-group level, and the discussion of the report at the bank-group level of the audits performed by the internal audit units and of the performance of the audit tasks at the bank-group level.
The principles and frameworks of the long-term remuneration and incentives system for employees in senior positions are determined by the General Meeting. With effect from 2014, the principles of the Bank Group's Remuneration Policy are approved and reviewed by the Supervisory Board, while the Board of Directors is responsible for the annual internal audit of the Policy.
Additional agenda items of the meetings of the Supervisory Board included: compliance with the provisions of the Credit Institutions Act, the operation, at group level, of the Unified Internal Audit System and the further development of the system, a review of the volume and composition of the qualified receivables portfolio, annual compliance report, the Safeguarding officer's report on the protection of customers' financial assets, etc.

1.3 Audit Committee

The Audit Committee, consisting of independent members of the Bank's Supervisory Board elected by the General Meeting, is a body that assists the work of the Supervisory Board in relation to the monitoring of the financial reporting system, selection of the auditor, and cooperation with the auditor. Under its powers it monitors the internal audit, risk management and reporting systems, as well as the auditor's activity. The Audit Committee reviews and monitors – in respect of the entire OTP Bank Group – the auditor's independence, with special regard to the performance of any non-prohibited non-audit services to be provided by the auditor in addition to its audit activity. Furthermore, it fulfils the audit committee tasks of several domestic subsidiary banks.

Members of OTP Bank Plc.'s Audit Committee:

The Audit Committee consists of four members who are elected for a term of three years. The Audit Committee elects a chairperson from its own members. In 2021, the term of office of one member of the Audit Committee expired and the Board of Directors, acting within the powers of the General Meeting, elected a new member on 16 April 2021.

Members of the Audit Committee		Beginning of Audit Committee membership	Beginning of mandate	End of mandate
Chairman	Dr. József Gábor Horváth	21 September 2007 - 29 April 2011 25 April 2014	2020	2023
Deputy Chairman	Tibor Tolnay	21 September 2007 - 29 April 2011 25 April 2014	2020	2023
Members	Dr. Márton Gellért Vági*	25 April 2014	2020	2021
	Olivier Péqueux	13 April 2018	2020	2023
	Dr. Tamás Gudra**	16 April 2021	2021	2023

* his office ceased on 16.04.2021
** elected member of the Audit Committee on 16.04.2021

Dr. József Gábor Horváth
Chairman of the Audit Committee
(For his CV, see the section entitled 'Management bodies')

Tibor Tolnay
(For his CV, see the section entitled 'Management bodies')

Olivier Péqueux
(For his CV, see the section entitled 'Management bodies')

Dr. Márton Gellért Vági[5]
(For his CV, see the section entitled 'Management bodies')

Dr. Tamás Gudra
(For his CV, see the section entitled 'Management bodies')

Operation of OTP Bank Plc.'s Audit Committee

The Audit Committee meets at least two times a year, in accordance with its current rules of procedure.

The table below provides a brief overview of the number of Audit Committee meetings held in 2021, and of the attendance at these meetings:

[5] His position on the Audit Committee was terminated on 16 April 2021, and since that date he has been a member of the Board of Directors of OTP.

Audit Committee meetings
2021

Date	*Present*	*Absent*
17 March	*4*	*-*
14 December	*4*	*-*

Note:
In 2021 the Audit Committee met on a total of 2 occasions. In addition, resolutions were passed on 28 occasions by written vote.

The items on the agenda of the Audit Committee meetings included, among others, a briefing on the profit approved by the Company's auditor, the Company's non-consolidated financial statements prepared in accordance with International Financial Reporting Standards, the report on the financial statements and on the proposal regarding the distribution of the profit, and a recommendation on the selection of the Company's auditor, approval of the person nominated to be responsible for the audit, and the determining of his/her remuneration.
The proposals submitted by domestic subsidiary banks as well as the quarterly reports on contracts for non-prohibited auditor’s services, have also been included in the agenda of the Audit Committee.

Remuneration of the members of the Board of Directors, the Supervisory Board and the Audit Committee

Determining the remuneration of the Board of Directors, the Supervisory Board and the Audit Committee is in the competence of the Company’s supreme body, the General Meeting.

1.4. The operation of the committees

A key consideration in the establishment of the composition of special and standing committees is the election of members who are capable of taking a position in all fields and professional matters within the competence of the committee.

1.4.1. Committees that operate with the participation of external members of the Company’s Board of Directors and the non-executive members of the Supervisory Board:

Remuneration Committee
The Remuneration Committee, established by the Board of Directors and meeting on a continuous basis, prepares proposals to the management bodies for elaborating and monitoring the guidelines and system of remuneration, as well as for specific remuneration decisions.
The Remuneration Committee exercises its authority as a body.
Its chairperson and members are appointed by the Board of Directors, and its procedural rules are approved by the committee itself.

Members of the Remuneration Committee	
Chairman	Dr. József Vörös
Members	Dr. Tibor Bíró*
	Mihály Baumstark
	György Nagy**

* his membership ceased on 16.04.2021
** elected member of the Remuneration Committee on 16.04.2021

Nomination Committee

The Nomination Committee, which was established by the Board of Directors and operates on a continuous basis, elaborates the principles for selection of the members of the Bank's executive bodies, and nominates candidates accordingly, and also makes recommendations regarding the basic principles and framework for the testing of compliance with the requirements prescribed in respect of members of the executive bodies of the Bank and the Bank Group, and in respect of employees in management and key positions.

Its chairperson and members are appointed by the Board of Directors, and its procedural rules are approved by the committee itself.

Members of the Nomination Committee	
Chairman	Tibor Tolnay
Members	Dr. József Gábor Horváth
	Dr. Márton Gellért Vági*
	Dr. Tamás Gudra**

* his membership ceased on 16.04.2021
** elected member of the Nomination Committee on 16.04.2021

Risk Assumption and Risk Management Committee

The Risk Assumption and Risk Management Committee, which was established by the Board of Directors, operates on a continuous basis, fulfils a decision support function, commenting on the Bank's risk assumption strategy and propensity for risk, and providing support for the supervision of implementation of the risk assumption strategy.

Its chairperson and members are appointed by the Board of Directors, and its procedural rules are approved by the committee itself.

Members of the Risk Assumption and Risk Management Committee	
Chairman	Tamás György Erdei
Members	Dr. László Utassy*
	Dr. József Vörös
	Dr. István Gresa**

* his membership ceased on 16.04.2021
** elected member of the Risk Assumption and Risk Management Committee on 16.04.2021

1.4.2. **Special committee:**

Ethics Committee

A special committee of the Bank established by the Board of Directors – and consisting of delegated members thereof – presided over by one of the non-executive members of the Board of Directors.

The committee gives guidance on compliance with standards of ethical conduct through its position statements issued in general and specific cases, and its decisions serving to assist with interpretation. The committee also makes decisions in the event of reports, relating to the Bank, made via the ethical complaints hotline, or investigates the reports and makes a decision in a second-tier procedure.

Its procedural rules are approved by the committee itself.

Ethics Committee	
Chairman	Mihály Baumstark

1.4.3. **Permanent committee** established by the Bank's Management in support of management functions:

Management Committee

The Management Committee is a permanent committee established by the Board of Directors. It is a forum that directly supports the work of the Chairman & CEO and is the supreme management body of the Bank. It has decision making power in the issues that are relegated into its scope of authority by the Organisational and Operational Regulations, it takes a preliminary position and prepares decisions in the majority of issues that are discussed by the General Meeting, the Board of Directors and the Supervisory Board, and plays a coordinating role in the senior management of the Bank.

The Management Committee also ensures that the Bank can respond flexibly and effectively to market and regulatory factors and that the Bank as a whole can act in a coordinated fashion.

The Management Committee performs its work on the basis of a six-month work schedule approved by the committee itself, and meets once a month (and on an ad-hoc basis as and when necessary). Their order of business is determined by its procedural rules.

Members of the Management Committee	
Chairman	Dr. Sándor Csányi
Members	László Bencsik
	Tibor András Johancsik[6] (until 12 March 2021)
	György Kiss-Haypál
	Antal György Kovács
	László Wolf
	Dr. Bálint Csere
	Péter Csányi[7] (since 12 March 2021)

The following additional permanent committees operate within the Company for the performance of specific tasks:

- Asset-Liability Committee (ALCO)
- Product Development, Sales and Pricing Committee (TÉÁB)
- International Product Development, Sales and Pricing Committee (NTÉÁB)
- Work-Out Committee (WOB)
- Credit and Limits Committee (HLB)
- IT and Operations Board (ITOB)
- Group Operational Risk Management Committee (OpRisk)
- Group Impairment Committee (ÉVB)
- Committee on the Prevention of Money Laundering (PMB)
- Group Investment Committee (GIC)
- ESG Committee

[6] The membership of Tibor András Johancsik, Deputy CEO, of the Management Committee ended on 12 March 2021.
[7] Péter Csányi, Deputy CEO, has been a member of the Management Committee since 12 March 2021.

Asset-Liability Committee

The Asset-Liability Committee (ALCO) is a standing committee established by the Board of Directors, which acts as the Bank's governing body in asset-liability management matters of the highest level.

Members of the Asset-Liability Committee	
Chairman	László Bencsik
Deputy Chairman	László Wolf

Product Development, Sales and Pricing Committee

The Product Development, Sales and Pricing Committee (TÉÁB) is a standing committee established by the Board of Directors. As a committee it deals with the products and services of the Bank and its domestic subsidiaries sold through the Bank's sales channels, including their normative pricing and their distribution through the various sales channels available, as well as with major campaigns.

Members of the Product Development, Sales and Pricing Committee	
Chairman	Antal György Kovács
Deputy Chairman	László Wolf

International Product Development, Sales and Pricing Committee

The International Product Development, Sales and Pricing Committee (NTÉÁB) is a standing committee established by the Board of Directors to provide a management forum for the matters relating to the products and services of the Bank's foreign subsidiary banks, including their pricing and sales, and of any business disagreements that may arise between the Bank's foreign subsidiary banks and OTP Bank's business areas.

Members of the International Product Development, Sales and Pricing Committee	
Chairman	Antal György Kovács
Deputy Chairman	László Wolf

Work-Out Committee

The Work-Out Committee (WOB) is a standing committee established by the Board of Directors. Its responsibility is to approve the collection strategy and submit it to the Board of Directors. The Work-Out Committee exercises decision-making power in the enforcement of claims the recovery of which is at risk in the portfolio of the Bank, and right of consent concerning such in the portfolios of the Bank's foreign subsidiaries, Merkantil Bank Zrt. and its subsidiaries, as well as OTP Factoring Ltd. and its foreign subsidiaries. The Work-Out Committee also acts as an NPL committee in charge of the general management of non-performing exposures, in the framework of which it pre-approves, reviews and supports the Bank's NPL strategy and supports its implementation in practice.

Members of the Work-Out Committee	
Chairman	Tamás György Erdei
Deputy Chairman	János Szász

Credit and Limits Committee

The Credit and Limits Committee (HLB) is a standing committee established by the Board of Directors. The HLB's core competence covers the Bank's and the Bank Group's regulatory and methodological responsibilities related to lending and credit risk management, as well as decisions concerning the assumption of credit risk vis-à-vis of customers, and in case of Bank Group members that assume credit risk, it entails the exercise of the power of decision or consent concerning this area of responsibilities.

Members of the Credit and Limits Committee	
Chairman	György Kiss-Haypál
Deputy Chairman	László Wolf

IT and Operations Board

The IT and Operations Board (ITOB) is a standing committee set up by the Board of Directors that provides guidance concerning the investment strategy within the sphere of competence of the Bank Group's Digital Division in order to ensure the prudent and secure operation of the Bank Group.

Members of the IT and Operations Board	
Chairman	Tibor András Johancsik[8]
	Péter Csányi[9]
Deputy Chairman	László Bencsik

Group Operational Risk Management Committee

The Group Operational Risk Management Committee (OpRISK) is a standing committee set up by the Board of Directors that monitors changes in operational risks, operational risk management activities and business continuity planning activities and ensures that regulatory risk management solutions required by law and expected by the management are in place and that reporting pathways are working properly.

Members of the Group Operational Risk Management Committee	
Chairman	György Kiss-Haypál
Deputy Chairman	Gábor Horváth

Group Impairment Committee

The Group Impairment Committee (ÉVB) is a standing committee established by the Board of Directors. The sphere of competence of the Committee includes Bank Group-level decisions about the methodological issues involved in the group valuation used in impairment recognition under IFRS 9.

Members of the Group Impairment Committee	
Chairman	László Bencsik
Deputy Chairman	György Kiss-Haypál

[8] The membership of Tibor András Johancsik and his mandate as chairman of the IT and Operations Board ended on 12 March 2021.
[9] Péter Csányi has been member and chairman of the IT and Operations Board since 12 March 2021.

Committee on the Prevention of Money Laundering

The Committee on the Prevention of Money Laundering (PMB) is a standing committee established by the Board of Directors that makes decisions about the sustainability of a business relationship or the approval of the establishment of a business relationship that involve customers concerned with the arising of specific money laundering risks.

Members of the Committee on the Prevention of Money Laundering	
Chairman	Dr. Bálint Csere
Deputy Chairman	Gábor Bucsek

Group Investment Committee

The Group Investment Committee (GIC) is a standing committee established by the Board of Directors. It decides at Group level on strategic asset allocation issues underlying investment advice, forming a single and coherent structure.

Members of the Group Investment Committee	
Chairman	Attila Bánfi
Deputy Chairman	Tünde Molnár

ESG Committee

The ESG Committee is a standing committee established by the Board of Directors. Its role is to develop the ESG strategy, plans and policies, and to support the Bank's managing bodies in discharging their ESG duties.

Members of the ESG Committee	
Chairman	Gabriella Balogh
Deputy Chairman	Gergely Pókos

Permanent committees are the Bank's bodies in charge of preparing and making decisions as well as conducting consultations. The task of permanent committees is to prepare and make decisions needed for the performance of the Bank's business activities, for minimising the Bank's risks and for ensuring its operation. Decisions to establish permanent committees are made by the Bank's Board of Directors. The members of the committees are persons in charge of the professional areas concerned, who have exceptional expertise and all-round competence in the given matter. The chairpersons of the committees are nominated by the Chairman & CEO, and their rules of procedure – with the exception of the Management Committee – are approved by the head of the Legal Directorate. The Management Committee approves its own procedural rules. In respect of resolutions, the Asset-Liability Committee, the Credit and Limits Committee, the Group Operational Risk Management Committee, the International Product Development, Sales and Pricing Committee, the Work-Out Committee, Committee on the Prevention of Money Laundering, Group Investment Committee, ESG Committee and the Group Impairment Committee operate on the principle of simple majority, while in the case of the Management Committee, the Product Development, Sales and Pricing Committee and the IT and Operations Committee, decisions are made by a simple majority of votes but the chairperson has a right of veto.

***1.5. Members of OTP Bank Plc.'s senior management** (with CV):*

<u>Dr. Sándor Csányi</u>
Chairman & CEO
(For his CV, see the section entitled 'Management bodies')

<u>László Bencsik</u>
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 2021 he held 10,038 ordinary OTP shares.

<u>Péter Csányi</u>
Member of the Board of Directors, Deputy CEO
Digital Division
(For his CV, see the section entitled 'Management bodies')

<u>Tibor András Johancsik</u>
Deputy CEO until 12 March 2021
IT Division

He graduated from the Budapest Technical University with a degree in electrical engineering in 1988, and then in 1993 earned a further degree in foreign trade business administration from the College of Foreign Trade. He began his professional career at as a researcher in the field of industrial automation at the Hungarian Academy of Sciences Institute for Computer Science and Control (MTA SZTAKI). From 1994 onwards he held management positions at the Hungarian subsidiaries of international IT development companies (ICL, Unisys, Cap Gemini).
From 2001 he worked as an advisor in the fields of IT and organisational development, then from 2003, as managing director of JET-SOL Kft., he participated in the development of numerous systems in Hungary and abroad.
Since 24 February 2016 he has been Deputy CEO in charge of OTP Bank's IT Division.
He has been Chairman of the Supervisory Board of Monicomp Zrt. since 1 April 2016.

György Kiss-Haypál
Deputy CEO
Credit Approval and Risk Management Division

He is a qualified economist. He graduated from the Budapest University of Economic Sciences in 1996.

He started his career as a project finance analyst for Budapest Bank Plc., and by 2007 he had been appointed head of the bank's risk management department.
Between 2002 and 2006 he also worked in Ireland as corporate credit risk portfolio manager for GE Consumer Finance Europe, and in Austria as GE Money Bank's consumer loans portfolio manager. Between 2008 and 2015 he was member of the Board of Directors of Budapest Bank.

From 2015 he was deputy head of the Credit Approval and Risk Management Division of OTP Bank Plc., and was then appointed acting head of the Division.
Since 3 May 2017, he has been deputy CEO of the Credit Approval and Risk Management Division.

As of 31 December 2021 he held 3,137 ordinary OTP shares.

Antal György Kovács
Member of the Board of Directors, Deputy CEO
Retail Division
(For his CV, see the section entitled 'Management bodies')

László Wolf
Member of the Board of Directors, Deputy CEO
Commercial Banking Division
(For his CV, see the section entitled 'Management bodies')

1.6. Internal control system

The appropriate functioning of the internal control system is provided for, at bank-group level, in accordance with the relevant statutory regulations and in keeping with the relevant Recommendations.
The internal control system, alongside responsible corporate governance, is a cornerstone of the internal lines of defence that promote prudent, reliable and effective operation in accordance with the statutory regulations and internal regulations, protects the economic interests and social objectives of the customers and the owners and ensures continued trust in the Company.
The internal control functions are independent of each other and of the areas they supervise and audit. It is a basic expectation concerning the operation of internal control functions that they should operate in a way to provide support to the senior management in making sound decisions.

Internal audit

OTP Bank Plc. has established and operates internal lines of defence that promote the prudent, reliable and efficient operation of the organisation in compliance with the laws and internal regulations, the protection of the organisation's assets and the economic interests and social objectives of customers and owners, and, through these, the smooth and efficient operation of the organisation and the maintenance of confidence in the institution.

The internal audit system covers all processes, organisational units, business lines and activities, including outsourced activities.
The Company's internal audit system consists of several modular control levels. The elements of the internal audit system are comprised of in-process controls and management controls, and an independent internal audit organisation and management information system.

As one of the internal lines of defence, the **independent internal audit organisation** assists in the legally compliant and effective management of assets and liabilities and the protection of property; it supports secure business operation, the effective operation of internal control systems, the minimisation of risks, and it also detects and reports deviations from the provisions of the statutory regulations and internal policies, makes recommendations for the elimination of deficiencies, and monitors the implementation of the measures. It performs its activities objectively and professionally. Its independence is ensured by the fact that it is professionally overseen by the Supervisory Board, within the framework set out by the Credit Institutions Act. The independent internal audit organisation was established to ensure the performance of owner audits throughout the OTP Group, in all its institutions and branch network, as well as the professional management and supervision of foreign and domestic internal audit organisations.

OTP Bank Plc. has developed and operates a unified internal audit system consistently throughout the bank group, proportionate to the size of the OTP Group and the market share of the Company. In addition to the audits covering the entire parent bank and the branch network, the Unified Internal Audit System includes owner audits conducted at the foreign and domestic group members as well as the professional oversight of the internal audit organisations of the financial institutions that are subject to consolidated supervision as specified in the Credit Institutions Act. As a means to this end, uniform internal audit procedures and methodologies are developed, continuously improved and applied.
Internal audit also liaises regularly and cooperates with external auditing bodies.

The annual activities of the independent internal audit organisation are set out in the annual audit plan approved by the Supervisory Board. The annual plan is prepared using a risk-based and process-oriented approach, keeping in mind the coverage of the audit universe and the focus on the areas with major risk exposures, with a particular emphasis on reporting and data controls, taking into account the Company's latest strategic priorities.

The independent internal audit organisation has unrestricted access to the information, documents and data needed to carry out the audits, and receives continuous information on any and all changes in the structure, risks and priorities of the group.

The internal audit organisation makes group-level reports on its auditing activities for the management bodies at quarterly and annual intervals. In its quarterly reports it gives a summary account of the audits conducted by the Group's internal audit organisations, the risks identified in the course of its own audits and audits conducted by the authorities, and the success of any action taken to eliminate them. In exceptional cases that require immediate intervention, it provides the management with extraordinary briefings. It prepares the annual internal audit plan at group level on an annual basis and reports on its implementation, the performance of the tasks stipulated in this plan, the audits conducted and other activities and the circumstances of the organisation's operation, as well as on any changes to the internal audit system.

The internal audit organisation reports annually to the Supervisory Board and the Board of Directors, with the prior opinion of the Audit Committee, on the operation of risk management, internal control mechanisms and corporate governance functions. Moreover, 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.

Risk management

The basis for effective group-level risk management is the operating of a standardised, 'OTP-compliant' regulations and procedures at the subsidiaries concerned. The Company has detailed risk management regulations that include every type of risk (credit, country, counterparty, market, liquidity, operational, compliance) which are consistent with the statutory regulations pertaining to prudential banking operation. The annual report and the Information that is to be disclosed to the public under CRR describe the risk management practices, the limits, and compliance with these limits.

Within the Company, the Credit Approval and Risk Management Division, the Strategy and Finance Division and the Compliance Directorate exercise functional control over the guidelines, methodology and infrastructure of the bank-group risk management strategy, the purpose of which is to create a clearly defined, transparent, standardised credit, country, counterparty, market, liquidity, operational and compliance risk management system at group level which complies with the expectations of the Supervisory Authority and local conditions. The Bank Group pays special attention to the management of ESG risks[10] and the implementation of climate protection aspects in business practice. The Bank Group's Risk Strategy, as well and the rules on risk prescribed by the Credit Institutions Act, are approved by the Bank's Board of Directors.
The Risk Strategy determines, with respect to the entire Bank Group, the framework for risk management and the principles, guidelines and development programmes of risk assumption.
With respect to the cornerstones of the risk management methodologies, and the main risk topics for Bank Group members, the final decision-making competence is held by the Group members' directorates and risk committees (Credit and Limit Committee, Workout Committee, Risk Assumption and Risk Management Committee, Asset-Liability Committee, Group Operational Risk Committee).
The Bank's risk management system encompasses the identification of the risks, assessment of their impact, elaboration of the necessary action plans, and the monitoring of their effectiveness and results. The management make their business decisions in a knowledge of all the key risks. All significant risks related to internal and external operations, or to compliance with financial and legal requirements, as well as numerous other risks, are evaluated and managed using a clearly-defined and transparent internal mechanism.

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. The activity is overseen by the Group Operational Risk Management Committee.

[10] E: Environmental; S: Social; G: Governance

Compliance

In accordance with EU regulations, Hungarian statutory provisions and supervisory recommendations, an independent organisational unit (the Compliance Directorate) operates at the Company, with the task of exploring and managing compliance risks. This function is supported by the appropriate regulatory documents: a compliance strategy, policy, regulations pertaining to the management of each compliance risk, as well as a work plan. The purpose of the compliance policy is to set out a summary of the Bank's key principles related to compliance, and to mark out the main strategy relating to independent compliance activities, which together facilitate and support the Bank's compliant, lawful, secure and prudent operation. The compliance policy is approved by the Board of Directors and the Supervisory Board of the Bank. The Bank's senior management is responsible for the implementation in practice of the compliance policy.
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.

Auditor

The General Meeting has the authority to elect the company performing the audit, and to approve the nomination of the member responsible for the audit.

Our company was audited for the year 2021 by Ernst & Young Könyvvizsgáló Kft. (company registration number: 01-09-267553). Last year the auditor did not perform any activity that might have compromised its independence.
The Audit Committee makes a decision on any non-audit service provided to the auditor, and the related contract may only be concluded with the Committee's approval. The Audit Committee receives quarterly reports on the composition and the value of any non-auditor contracts, ensuring the independence of the auditor.
The Board of Directors must inform the Company's General Meeting and Supervisory Board if the auditor is given any other material mandates. In addition, if warranted, the Company's Board of Directors, Supervisory Board and other boards may use the services of an external consultant as well.
With regard to the provisions of Article 17 of Regulation (EU) No 537/2014 of the European Parliament and of the Council ("Regulation"), Deloitte Könyvvizsgáló és Tanácsadó Kft. performed the duties of auditor in the 2020 business year for the last time. With this in mind, under the control and subject to the decision of the Audit Committee, in 2019 our Company conducted a tender in accordance with the formal and substantive requirements of the Regulation. Based on the proposal of the Tender Committee conducting and coordinating the tender, the Audit Committee has accepted the evaluation regarding the bids received in connection with the tender for *the auditor to be appointed from the 2021 financial year* and its compliance with applicable law and proposed the conclusion of a contract with Ernst & Young Könyvvizsgáló Kft.

In the course of developing its accounting policy and accounting procedures, the Company establishes internal controls that reliability assure fulfilment of the Company's objectives in the interest of ensuring the reliability of financial reporting, the effectiveness and efficiency of the various corporate operations, consistency with the latest statutory provisions, and full compliance with the reporting requirements towards the individual regulatory bodies. The detailed tasks relating to the production or reports and to accounting audits are regulated in internal regulatory documents, the scope of which extends to all of the Bank's organisational units involved in the compilation of the financial statements.
An internal regulatory document provides instructions on the account-closing and reporting tasks related to the Company's interim (monthly, quarterly, half-yearly) and annual financial statements, and sets out in a consolidated format the account-closing operations, tasks and

reporting actions to be performed monthly, quarterly, half-yearly and at the end of the year, specifying the deadline for completion of the tasks and the persons responsible.
Another regulatory document instructions on the inventory-taking and reconciliation of general ledger accounts serving the temporary recording of items that, at the time they arise, cannot for various reasons be stated immediately in actual asset or liability accounts, or in accounts that serve to record off-balance sheet items.
Pursuant to the provisions of the Accounting Act (IFRS), the financial statements must be supported with an inventory report. An internal regulatory document sets out in detail the tasks related to inventory-taking, in the interest of assuring the authenticity of the balance sheet through the accurate valuation of assets and liabilities, and ensuring the auditing of records, and through this a strengthening of documentary discipline, the protection of property, and the identification of any depreciated inventory stock and assets that are no longer in use.
In addition to the foregoing, the Company has elaborated and applies detailed accounting procedures, and continuously adapts the related accounting rules in relation to individual new products and activities. The individual internal accounting documents relating to accounting are regularly (annually) reviewed and updated where necessary. The legal, internal auditing and compliance units also participate in the elaboration and amendment of the Bank's internal regulatory documents.

1.7. Disclosure of information

Providing regular, authentic information is essential if the shareholders and the other participants in the capital market are to make sound decisions, and the way in which the Company discloses information also has an impact on its reputation.

The Company performs its disclosures in strict compliance with the provisions of Act V of 2013 on the Civil Code (hereinafter: Civil Code), the Capital Market Act, the Credit Institutions Act, Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers, and the Regulations governing their Activities, Act C of 2000 on Accounting, Ministry of Finance Decree 24/2008 (VIII. 15), Act LXVII of 2019 on the encouragement of long-term shareholder engagement and modification of certain acts with the purpose of legal harmonization, as well as the relevant Regulations of the BSE. In addition, the Company has effective internal regulations that ensure compliance with the obligation to disclose information.

The aforementioned regulations ensure that all material information pertaining to the Company and having a bearing on the price of the Company's shares is published accurately, in full, and in good time.

The Board of Directors describes its business and strategic goals of the given year at every ordinary General Meeting. The proposal to the General Meeting is published by the Company on the website of the Budapest Stock Exchange in accordance with its rules of disclosure and the provisions of the relevant regulations of the BSE.

The Company, in accordance with the statutory regulations, publishes on the Company's website and in its Annual Report the professional careers of the members of the Board of Directors, the Supervisory Board and the management.

The proposal pertaining to the remuneration of the chairman and members of the Board of Directors and the chairman and members of the Supervisory Board constitute a part of the proposals of the General Meeting.

The Company has detailed risk management regulations that include every type of risk (liquidity, market, country, counterparty, credit, operational, compliance) which are consistent with the statutory regulations pertaining to prudential banking operation. The Annual Report provides information about the Company's risk management practices, the relevant limits and compliance with the limits.

The Company has detailed internal regulations pertaining to insiders and potential insiders that fully comply with the restrictions and prohibitions regulated in detail by the Capital Market Act. In addition, the guidelines pertaining to securities trading by insiders are also available on the website. All transactions involving the Company's shares performed by the members of the Board of Directors and the Supervisory Board are published by the Company in accordance with the rules on disclosure, and the shareholdings in the Company of the officers of the Company (number of shares) are published in the Company's Annual Report.

The Board of Directors has assessed the effectiveness of information disclosure processes in 2021, and found them to be satisfactory.

1.8. Overview of the exercising of shareholders' rights

Participation in the General Meeting and voting rights

Shareholders may exercise their right of participation and their voting rights at the General Meeting, in person or by proxy.

The letters of proxy must be set forth in a notarised deed or a private document of full probative force. In the event that a shareholder is represented at the General Meeting by its legal representative (e.g. director, managing director, mayor etc.), the authenticated deed issued by the court or court of registration concerning the right of representation, or a certificate testifying to the election of the mayor, must be presented at the venue of the General Meeting.

The letters of proxy must be handed over at the location specified in the invitation to the General Meeting, within the allotted time. The authorisation shall be valid only for a General Meeting or for a specified period not exceeding twelve months. Unless otherwise regulated, the authorisation shall be valid for the continuation of a suspended General Meeting and for re-convened General Meetings by reason of the lack of quorum. If the letter of proxy was issued outside Hungary, it must satisfy, in terms of its form, the statutory provisions pertaining to the authentication or counter-authentication of documents issued outside Hungary. Information on the subject can be obtained from the Hungarian representation offices abroad.

A condition of participation and voting in the General Meeting is that

- the shareholding as at the time of the shareholder identification procedure is corroborated by the result of the shareholder identification procedure;
- the owner of the shares be validly recorded in the Company's Share Register by the time of its closure as per point 8.4. of the Company's Articles of Association (hereinafter: Articles of Association); and
- the shareholder's shareholding or voting right does not violate the statutory provisions or the provisions of the Articles of Association, which the Company ascertains through a check following receipt of the result of the shareholder identification process from KELER Central Depository Ltd. (hereinafter: KELER Zrt).

Voting at the General Meeting is performed using a computer, with a voting device. The shareholder or the shareholder's proxy, provided that he or she is attending lawfully in accordance with the provisions of the Articles of Association, may collect the voting device after certifying his or her identity and signing the attendance register at the venue of the General Meeting. If due to technical reasons voting is not possible with the voting device, the voting will take place with the help of voting books. Any given shareholder (including a shareholder represented by a shareholder's proxy) is only entitled to use a single voting device (book of voting slips).

The rules on participation in the General Meeting and the exercising of voting rights on the part of GDR holders are contained in the Custody Agreement concluded between The Bank of New York and the Company.
Further details are contained in the Articles of Association published on our website.

1.9. Brief description of the rules related to the conducting of the General Meeting

The Company requests a shareholder identification procedure for the date of the General Meeting (including any repeated General Meeting), as a corporate event, from the KELER Zrt. The shareholder identification procedure may take place only in the period between the 7th and 5th trading day at the stock exchange prior to the General Meeting (including any repeated General Meeting). The rules pertaining to the shareholder identification process are set out in the latest effective regulations of KELER Zrt.

The Company, at 18:00 Budapest time on the second working day before the General Meeting (or repeated General Meeting), deletes all the data in the Share Register and at the same time registers the results of the shareholder identification process in the Share Register, and closes it with the results of the shareholder identification. After this any entry related to the shareholder's holding may only be made, at the earliest, on the working day following the closure of the General Meeting or following the day of the non-quorate General Meeting.

The General Meeting must be announced in the manner specified in respect of announcements made by the Company, at least 30 days before the projected date of the General Meeting, unless otherwise stipulated in the Civil Code and the Credit Institutions Act. The (extraordinary) General Meeting, that is to decide on a capital increase necessary in order to avoid the proceeding referenced in Section 135 (2) of the Credit Institutions Act, can be announced at least 10 days before the projected date of the meeting.

The invitation must include the following:

a) the Company's official name and registered office;
b) the date and place of the General Meeting;
c) the manner in which the General Meeting is to be held;
d) the agenda of the General Meeting;
e) the provisions contained in section 8.5 of the Articles of Association, with the reminder that shareholders may participate in and vote at the General Meeting only in compliance therewith;
f) information about the place and date of the handing over of the letters of proxy;
g) in the event that there is no quorum, the place and date of the reconvened General Meeting
h) the time of ownership verification process and closure of the Share Register,
i) the fact that in order to exercise shareholder's rights the shareholder must be listed in the Share Register at the time of its closure, but subsequent to this the shares may be freely traded without this affecting the ability to exercise shareholder's rights,
j) the conditions, stipulated in the Articles of Association, for exercising the shareholder's right to request information,

k) the conditions, stipulated in the Articles of Association, for exercising the shareholder's right to supplement the agenda of the General Meeting, and

l) information regarding the time, place and means (including the address of the Company's website) of accessing the motions and proposed resolutions on the agenda of the General Meeting.

Questions not listed on the agenda may be discussed by the General Meeting only if all shareholders are present and they give their unequivocal consent thereto.

The General Meeting is regarded as having a quorum if the votes of the attending shareholders represent more than one-third of the total votes embodied by shares entitling the holder to vote.

If a duly convened General Meeting does not have a quorum, then the repeated General Meeting – convened for the time and date and venue specified in the announcement that is published in accordance with section 8.13 of the Articles of Association – shall have a quorum in respect of the agenda items set forth in the invitation irrespectively of the extent of the voting rights represented by those in attendance. If the agenda of the General Meeting includes a proposal relating to the withdrawal of the shares from any regulated market (hereinafter: delisting), then the repeated General Meeting shall have a quorum in respect of such agenda item if shareholders representing more than half of the votes embodied by the shares conferring voting rights are in attendance.

If a General Meeting that has a quorum cannot pass a resolution in respect of all the items on the agenda, it may decide to suspend the meeting and to convene a follow-up General Meeting, while indicating the new time and place. The General Meeting may only be suspended once, and the follow-up General Meeting must be held within 30 days of the suspension.

In respect of the quorum of a suspended and then reconvened General Meeting (follow-up General Meeting), the general rules apply. The follow-up General Meeting may pass decisions only in respect of the announced agenda items of the original General Meeting in respect of which the original General Meeting did not make a decision.

The General Meeting is chaired by the Chairman of the Board of Directors or another person designated by the Board of Directors who

- opens the General Meeting;
- appoints the person responsible for taking minutes;
- determines whether the General Meeting has a quorum;
- gives and revokes the right to speak;
- formulates resolution proposals and puts them to the vote;
- announces the result of the vote on the basis of the results indicated by the vote counters;
- announces the intermission; and
- closes the General Meeting.

Prior to the opening of the General Meeting, shareholders who have voting devices may notify the Chairman of the General Meeting in writing if they would like to speak in relation to any of the agenda items. The comments made by the shareholders may not be on a topic that is different from the designated agenda item. The Chairman of the General Meeting must grant the right to speak to persons who have indicated their desire to speak in accordance with the above.

The Chairman of the General Meeting may determine the order in which the comments on the given agenda item will be heard, may grant any person the right to speak or may retract such right, with the proviso that the right to speak may be retracted from a shareholder who has indicated his/her wish to speak in writing only if the shareholder's comments depart from the given agenda item despite a warning in this regard. The Chairman of the General Meeting may prohibit the recording in the minutes of comments that are made after the right to speak is retracted, and may terminate the availability of the technical conditions (microphone) for making such comments.

The Chairman of the General Meeting may decide to hold the General Meeting in private, and, with the exception of the members of the Board of Directors, the managing directors specified in the Credit Institutions Act, the members of the Supervisory Board, the auditor, shareholders with voting terminals, and the representatives of such shareholders as well as the representatives of the MNB and the BSE, he may exclude anyone from attending the General Meeting.

The General Meeting passes its resolutions, unless the Articles of Association stipulate otherwise, through a simple majority of the votes of the attending shareholders.

Decisions at the General Meeting are made by open vote.

In its first resolution, the General Meeting selects, from the list proposed by the Chairman of the General Meeting, the attending shareholders who will act as the authenticator of the minutes and the vote counters. In the case of an unsuccessful vote the Chairman of the Meeting must submit a new proposal.

Minutes must be taken of the General Meeting, which must include the following:

- the Company's official name and registered seat;
- the date and place of the General Meeting and the manner in which it is held;
- data necessary for determining whether the General Meeting has a quorum and changes in the number of persons attending;
- the name of the Chairman of the General Meeting, the person taking the minutes, the authenticator of the minutes and the name of the vote counters;
- the most important events at the General Meeting and the proposals made;
- the draft resolutions, in the case of each resolution the number of shares with respect to which valid votes have been cast, the share represented by these votes in the share capital, the number of votes for and against the proposals and the number of those who abstained;
- objections to a resolution by any shareholder and any member of the Board of Directors or the Supervisory Board if the person objecting requests it himself.

The minutes are signed by the Chairman of the General Meeting and the person taking the minutes and are authenticated by an attending shareholder who has been selected for this purpose.

The Board of Directors must send the Company Court an authenticated copy of the minutes of the General Meeting within 30 days after the General Meeting is adjourned, together with the attendance register and the documents that certify that the General Meeting was properly convened.

Further details are contained in the Articles of Association published on our website.

In view of the situation caused by the virus epidemic, on 22 February 2021, the Parliament adopted Act I of 2021 on protection against the coronavirus pandemic, extended the effect of

Government Decree 502/2020. (XI. 16.) on the re-introduction of deviation provisions pertaining to the operation of partnerships and corporations during the state of emergency (hereinafter: Government Decree) until 22 May 2021. In view of this, pursuant to Section 9 of the Government Decree, the resolutions concerning the published agenda items were adopted by the Board of Directors of the Company on 16 April 2021, acting within the powers of the General Meeting.

The Extraordinary General Meeting was held on 15 October 2021, in accordance with the general rules and in the traditional manner, with the personal participation of shareholders, subject to the provisions of Section 3 (1) of the Government Decree, and also taking into account Act I of 2021 on protection against the coronavirus pandemic.

1.10. Declaration on Remuneration

The purpose of this section is to provide the General Meeting of the Bank with information on Act LXVII of 2019 on the promotion of long-term shareholder participation and the amendment of certain laws for the purpose of legal harmonisation (hereinafter: “SRD II Act”). This law is the adaptation in Hungary of Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement (SRD II).
Pursuant to Section 16 (1) of the SRD II Act, the Bank had established a remuneration policy for directors in accordance with the provisions of the Act, which was approved by the Bank’s Board of Directors, acting under the authority of the Bank’s General Meeting convened for 30 April 2020, through its Resolution No.92/2/2020 passed by a vote of opinions (hereinafter: “Remuneration Policy”).
Pursuant to Section 16 (1) of the SRD II Act, the Bank applies the Remuneration Policy to directors. The personal scope of the Remuneration Policy extends, in accordance with this provision, to the members of the Bank’s Board of Directors, Supervisory Board and Audit Committee, as well as to the Chief Executive Officer and Deputy Chief Executive Officers of the Bank (hereinafter: “Directors”)
According to the provisions of SRD II Act (Section 16 (2)), the remuneration policy shall contribute to the company’s business strategy and long-term interests and sustainability, and shall explain how it does so. To facilitate all of the above, the Bank's Remuneration Policy and Practice includes the following:

- The managers' remuneration is based on value creation. It encourages high performance and appropriate risk-taking in line with the Bank's strategy, as well as a responsible behaviour serving the long-term interests of the Bank (e.g. developing incentives, through the creation of a performance measurement scheme and the use of financial and non-financial indicators, that aligns the managers’ individual interests with the Bank’s long-term interests).

- The share-based honorarium and performance-based remuneration ensure consistency between the individual interests of the executives and the long-term interests of shareholders and the company, by guaranteeing the long-term commitment of the beneficiaries of share-based honorarium and performance-based remuneration and their commitment to the Bank's sustainable and long-lasting success.

- The objective is to ensure that the Bank's senior management consists of executives with the appropriate skills and competences and with a good business reputation, who contribute to the implementation of the Company’s long-term success and strategy (including, in particular, the application of selection criteria aligned with these values and of a competitive wage system adjusted to market conditions, qualifications and the complexity of the tasks, in an effort to attract and retain the appropriate executive staff).

- Provisions intended to ensure several years' deferral of performance-based remuneration and its subsequent risk adjustment also promote long-term value creation and sustainability, as well as ethical behaviour. These provisions examine eligibility for performance-based remuneration not only at the time that it is awarded, but also before each deferred instalment is paid (in every year of the deferral cycle), thereby ensuring that the performance measurement process is indeed based on long-term results and, where appropriate, any disbursed performance-based remuneration can be reclaimed.

Pursuant to Section 16 (3)-(4) of the SRD II Act, the remuneration policy must be clear and comprehensible, with the proviso that the company is not obliged to make public in the remuneration policy information the disclosure of which would seriously compromise its business interests or its rights to business secrecy. In our opinion, with an accurate, comprehensive and easy-to-understand description and clear wording of the rules, the Bank's Remuneration Policy complies with the aspects of clarity and comprehensibility.
Section 16 (5) of the SRD Act II stipulates that the company may pay the directors remuneration only on the basis of a remuneration policy submitted to the General Meeting for a vote of opinions, in accordance with the provisions of Section 3:268 (2) of the Civil Code.
The Bank ensures compliance with this provision by the Remuneration Policy having been approved by the Board of directors, acting under the authority of the Bank's General Meeting convened for 30 April 2020, through Resolution No. 92/2/2020. In view of the fact that, pursuant to Section 29 (3) of the SRD II Act, the Remuneration Policy was to be adopted in 2020 and was required to be applied for the first time to the year 2021, only payments made after 1 January 2021 were relevant in terms of compliance, after which date no payments were made in non-compliance with the provisions of the Remuneration Policy.

The Remuneration Policy contains all the content elements listed in Section 17 (1)-(3) of the SRD II Act, as follows:

- The specification of the various fixed and variable components of the remuneration, including all forms of remuneration and other benefits that may be provided to directors, indicating their relative proportions, is comprehensively set out in Sections II and III of the Remuneration Policy.

- The description of how the remuneration and employment conditions of the company's employees were taken into account during the elaboration of the remuneration policy is contained in Section VIII of the Remuneration Policy.

- The duration of the contracts concluded with the directors for employment or performance of office and the related remuneration, the applicable notice periods, the main characteristics of supplementary pension or early retirement schemes, as well as the terms of the termination and payments linked to termination are contained in Section IV of the Remuneration Policy.

- The presentation of the decision-making process followed for the determination, review and implementation of the remuneration policy, including, measures to avoid or manage conflicts of interests, as well as the role of the remuneration committee or other committees concerned is contained in Section IX of the Remuneration Policy.

- In connection with share-based remuneration, the vesting periods, possibly the retention of shares after vesting, and an explanation of how share-based remuneration contributes to the company's business strategy, long-term interests and sustainability are set out in Chapter V of the Remuneration Policy.

- In respect of variable remuneration, the clear, comprehensive and varied criteria for the award of the variable remuneration and the applicable financial and non-financial performance criteria – including in particular criteria relating to corporate social responsibility – and an explanation of how they contribute to the Company's business strategy, long-term interests and sustainability, as well as the methods to be applied to determine to which extent the performance criteria have been fulfilled are contained in Section VI to the Remuneration Policy.

  In connection with these criteria, it needs to be emphasised that the objectives defined in the Remuneration Policy must be sufficiently long-term and comprehensive to ensure that they remain standard and relevant in a continuously changing business environment even over several-year cycles, and that their public accessibility does not prejudice the Bank's legitimate business interests (in line with Section 16 (4) of SRD II Act).

  The Bank uses a KPI library containing some 120 quantitative and qualitative objectives, and each of the objectives defined in this KPI library in respect of the Directors corresponds to a comprehensive criterion set out in Section VI of the Remuneration Policy. In each case, the specific objectives of a given Director are selected from the objectives contained in the KPI library, which, in the given business year, clearly define the business objectives relevant to the area of responsibility of the Director concerned. Nevertheless, the objectives set for the Directors always follow the two-tier objective structure set out in the Remuneration Policy (both institutional and individual objectives are to be defined). In accordance with the provisions set out in the Remuneration Policy, these objectives also include objectives related to corporate social responsibility.

- In connection with variable remuneration, information on any deferral periods and on the possibility for the company to reclaim variable remuneration is set out in Section VII of the Remuneration Policy.

Section 17 (4) of the SRD II Act stipulates that, in the event that the remuneration policy is revised, the revised policy must describe and explain all significant changes occurred since the most recent votes by the general meeting of shareholders, as well as a presentation of how it takes into account the votes and views of shareholders regarding the remuneration policy and the reports. As the Remuneration Policy was first adopted in 2020 and, according to Section 3:268 (2) of the Civil Code, only needs to be put on the agenda of the General Meeting "in the event of a significant change thereof, but at least every four years", the possibility of revising the policy has not arisen to date, as there have been no significant changes to the Remuneration Policy since its adoption. Accordingly, this section of the SRD II Act has not been applied to date.

Pursuant to Section 17 (5) of the SRD II Act, departures from the remuneration policy are only accepted in exceptional cases, and temporarily. Since the application of the adopted Remuneration Policy started on 1 January 2021, there has been no departure from the prescribed rules, so compliance with the law can be established in this respect as well.

Section 18 of the SRD II Act stipulates that, after the vote on the remuneration policy at the general meeting, the remuneration policy together with the date and the results of the vote must be made public without delay on the website of the company, and that the remuneration policy must remain publicly available, free of charge, at least as long as it is applicable. The Bank complies with the above requirements, as the Remuneration Policy was published immediately after its approval – together with the decision adopting it – and it is still available free of charge (starting from page 60) at the following link:

https://www.otpbank.hu/static/portal/sw/file/200430_hatarozatok_082.pdf
Pursuant to Section 22 (2) of the SRD II Act, the provisions of the SRD II Act applicable to remuneration reporting shall apply to credit institutions and investment firms only if this is requested by Magyar Nemzeti Bank in its resolution. In the absence of such a decision, the Bank shall continue to fulfil its obligation to disclose information in compliance with Article 450 of Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 ("CRR"). The Bank fulfilled the above obligation to disclose information in 2021 as well. The published remuneration information is available at the following link (pages 64-72 of the document):
https://www.otpbank.hu/static/portal/sw/file/210416_Nyilvanossagra_hozando_informaciok_033.pdf

1.11. Evaluation of the work of the Board of Directors, the Supervisory Board and the management

In accordance with the expectations of the supervisory authority, the execution capabilities of the Board of Directors, the Supervisory Board and the management were evaluated with respect to the affected managers, in the framework of the 2021 annual performance evaluation. The evaluation was performed along the following dimensions: business thinking, business and operational development, governance, relationship and resource management, integrity and personal drive. Based on the results of the evaluation, no issue has arisen that would necessitate action.
Within the group of managers concerned, during the evaluated period – based on the conflicts of interest policy, code of ethics, or human risk criteria – no conflict of interest or issue relating to the independence of the managers has arisen.

1.12. Description of the diversity policy applied with respect to the undertaking’s administrative, management and supervisory bodies

The Bank defines and regulates the requirements relating to executive officers in compliance with the requirements and guidelines under European Union and domestic law that fundamentally determine the operation of credit institutions.
When nominating the members of its management bodies (Board of Directors, Supervisory Board) the Bank, and when appointing the members of the Management, the Board of Directors, gives priority to the possession of professional expertise, advanced interpersonal and management skills, varied academic qualifications, wide-ranging business experience and good standing, but they are also strongly committed to taking effective steps to ensure diversity in connection with the Company’s operation, including efforts to steadily improve the rate of participation by women. Without prejudice to the above principles, the Bank also strives to ensure that both genders are represented among the candidates during the selection process for members of management bodies. In 2021, the Bank’s Nomination Committee adopted the Bank’s Gender Equality Strategy, which is available at the link below:
https://www.otpbank.hu/static/portal/sw/file/Strategia_nemi_egyenloseg_megteremtese_20210707.pdf
The Bank’s Nomination Committee constantly monitors the applicable European Union and domestic regulations, with the purpose of taking the necessary steps without delay should clearly expressed expectations be announced. The Bank’s current strategy is to have at least one female member on both the Management Board and the Supervisory Board.
It should be borne in mind, however, that as a public limited company the election of members of the management bodies is the exclusive prerogative of the General Meeting, over which the Bank has no substantive influence beyond fully complying with the above criteria.

Pursuant to the Bank's Articles of Association, a Board of Directors with 5-11 members and a Supervisory Board with 5-9 members operate at the Bank. The present Board of Directors has 11 members, including one female member, while the Supervisory Board has 6 members, including one female member. The Bank's senior management currently consists of 6 persons, none of whom are women.

1.13. Legal background

The Bank Group complies with the prevailing corporate law and prudential legal provisions during its operation. OTP Bank Plc., which acts as the controlling credit institution, controls the members of the Bank Group with consideration to Hungarian law and the local law pertaining to each foreign subsidiary.
Pursuant to Section 3:112 (3) of the Civil Code, the Bank may give instructions to the executive officers of single-person companies owned 100% by the OTP, which the executive officer is obliged to comply with.

1.14. Group structure

The Bank Group includes OTP Bank, its Subsidiaries and all Companies operating in Hungary or abroad in which OTP Bank or its Subsidiaries have, directly or indirectly, Controlling Interest or Minority Interest.

1.15. Governance structure

Features of the governance model

The operation of the OTP Bank Group is implemented in a matrix model that best suits the specifics of the group, through ownership and professional/functional governance.
The applied model is used to ensure that the multinational organization consisting of banking group members of different sizes, operating in different market environments and being at different levels of development are managed according to uniform principles but taking into account local characteristics, optimizing business efficiency at the group level.

Types of governance

Ownership governance means the direct enforcement of interests, the exercise of the rights of ownership of the parent company as enshrined in law. The parent bank enforces its interests as owner at the general meeting and through the governing bodies and chairpersons of the subsidiary's governing body.

Professional and functional governance is the set of activities through which the parent bank's professional support/operation/service functions transfer knowledge and experience or provide services to the respective functions of the subsidiaries or directly control their operation. A key element and content of the system is the sharing of best practices at the group level, the promotion of operation at the expected professional level, and the provision of professional support to group members.

1.16. Operating structure

Managers of the Bank's operation based on organizational hierarchy

The Chairman & CEO controls and supervises the Bank's daily operation in order to ensure that it takes place within the framework of the law and the Bank's Articles of Association and in accordance with the decisions of the General Meeting and the Board of Directors.

Under the direction of the Chairman & CEO, each of the central professional areas and functions, with due regard to their logical and professional connections, are led by Deputy CEOs (Heads of Divisions). The current manager in charge of the Bank's Group Governance and Operations Division is responsible for providing the framework for group governance, with the proviso that each head of division, head of business area and functional area manager is also responsible for group-level business and functional governance.

1.17. Reporting lines

The reporting pathways of the Bank are well regulated and documented both within the Bank Group and concerning outsourced activities.
The Group Operational Risk Management Committee is responsible for the appropriate operation of the reporting pathways required by law and expected by the management.

1.18 ESG organisation

In November 2020, the Bank's Management Committee launched the Bank's ESG Programme, in which all ESG-related areas of the Bank, including units concerned by matters of climate change and exposed to environmental risk, actively participated. The Programme also had steering and operational committees. The ESG Steering Committee reported regularly to the Bank's governing bodies on the Programme's activities and achievements. In 2021, a conceptual proposal was prepared for the establishment of the functional units that constitute the Bank's standing ESG organisation, i.e. the ESG Committee, the ESG Sub-Committee and the control function as defined in Point 14 of the MNB Green Recommendation, which was discussed and unanimously approved by both the Management Committee and the Board of Directors. With the decision of the Board of Directors on 17 November 2021, the ESG Committee as standing committee and the ESG Sub-Committee were included in the Organisational and Operational Regulations, and the tasks, responsibilities and reporting obligations of the relevant organisational units were defined. The ESG Committee is responsible for defining the ESG strategy, plans and policies of the Bank and the Bank Group. The ESG Committee gives its prior opinion on all ESG-related proposals to be submitted to the governing bodies. The ESG Sub-Committee is the standing decision-preparation forum of the ESG Committee, and performs coordinating, consulting and implementing duties in the context of its technical support work.

2.) CG Report on compliance with the Corporate Governance Recommendations

As part of the Corporate Governance (CG) Report, the Company states, by completing the following tables, the extent to which it has implemented the recommendations and guidances specified in the specific sections of the Corporate Governance Recommendations (hereinafter: CGR) of the Budapest Stock Exchange in its own corporate governance practice.
By looking at the tables, market participants are able to gain a quick insight into the extent to which the corporate governance practices of particular companies comply with certain requirements specified in the CGR, and to quickly compare the practices of various companies.

Level of compliance with the Recommendations

The company specifies whether it has applied the relevant recommendation or not, and if not, it describes briefly the reasons why a particular recommendation has not been implemented.

1.1.1. The Company has an organisational unit that deals with investor relations or a designated person that performs these tasks.
Yes

1.1.2. The Company's Articles of Association are accessible on the Company's website.
Yes

1.1.4. If the Company's Articles of Association allow shareholders to exercise their rights in their absence, the Company has published the methods and conditions for doing so, including all necessary documents.
Yes

1.2.1. The Company has published on its website a summary document with the rules applicable to the conduct of its General Meetings and to the exercise of voting rights by shareholders.
Yes

1.2.2. The Company has published the precise date when the circle of those eligible to participate in a given company event is determined (effective date), and has also published the last date when the shares granting eligibility for participating in the given company event are traded.
Yes

1.2.3. The Company held its General Meetings by ensuring that as many shareholders can attend as possible.
Yes

1.2.6. The Company has not restricted the rights of shareholders to designate a different representative for each of their securities accounts at any General Meeting.
Yes

1.2.7. For proposals for the agenda items, in addition to the Board of Directors' draft resolution, the Supervisory Board's opinion was also disclosed to shareholders.
Yes

1.3.3. The Company has not restricted the rights of shareholders attending a General Meeting to request information, add comments and submit proposals, and has not set any preconditions for these, unless measures were taken in the interest of conducting the General Meeting in accordance with the rules and with its intended purpose.
Yes

1.3.4. By answering the questions raised at the General Meeting, the Company has ensured compliance with the information provision and disclosure principles set out in the legal and stock-exchange requirements.
Yes

1.3.5. The Company published on its website, within three working days after the General Meeting, its answers to questions that the representatives of the Company's boards or any auditor present were unable to satisfactorily answer at the time, or information as to why it refrained from offering answers.
Yes

1.3.7. The Chairman of the General Meeting ordered a recess or suggested that the General Meeting be postponed when a motion or proposal relating to a particular issue on the agenda was submitted which the shareholders did not have a chance to become familiar with before the General Meeting.
Yes

1.3.8.1. The chairperson of the General Meeting did not use a combined voting procedure for a decision related to electing and recalling senior officers and Supervisory Board members.
Yes

1.3.8.2. For senior officers or Supervisory Board members, whose nominations were supported by shareholders, the Company disclosed the identity of the supporting shareholder(s).
Yes

1.3.9. Prior to discussing agenda items concerning the amendment of the Articles of Association, the General Meeting passed a separate resolution to determine whether to decide on each amendment of the Articles of Association by individual votes, joint votes, or votes combined in a specific manner.
Yes

1.3.10. The Company published the minutes of the General Meeting containing the resolutions, the description of the draft resolutions and any important questions and answers related to the draft resolutions within 30 days following the General Meeting.
Yes

1.6.1.1. The Company's disclosure guidelines include electronic and internet disclosure procedures.
Yes

1.6.1.2. The Company's website has been created with due regard to the disclosure guidelines, and with a view to providing appropriate information to investors.
Yes

1.6.2.1. The Company has internal regulations in place with respect to disclosure (publication), which covers the treatment of the information listed in Section 1.6.2 of the Recommendations.
Yes

1.6.2.2. The internal regulations of the Company cover the classification of events that are material in terms of disclosure.
Yes

1.6.2.3. The Board of Directors has assessed the effectiveness of disclosure processes.
Yes

1.6.2.4. The Company has published the findings of its assessment of the disclosure processes.
Yes

1.6.3. The Company has published its annual corporate event calendar.
Yes

1.6.4. The Company has published its strategy, its business ethics policy and its guidelines related to other stakeholders.
Yes

1.6.5. The Company has published information on the careers of Board of Directors /Governing Board, Supervisory Board and management members in its annual report or on the company website.
Yes

1.6.6. The Company has published all relevant information about the work of the Board of Directors/Governing Board, the Supervisory Board and the management, the assessment of such work and any changes thereto in the current year.
Yes

1.6.8. The Company has published its risk management guidelines and information about its system of internal controls, the main risks and the principles applied in their management.
Yes

1.6.9.1. The Company has published its guidelines relating to the trading of its shares by insiders (insider dealing).
Yes

1.6.9.2. The Company has disclosed the share of the Board of Directors/Governing Board, Supervisory Board and management members in the securities issued by the Company in the annual report or in some other manner.
Yes

1.6.10. The Company has disclosed the relationship of Board of Directors/Governing Board, Supervisory Board and management members with third parties which could affect the operation of the Company.
Yes

2.1.1. The Company's Articles of Association contain clear provisions regarding the responsibilities and competences of the General Meeting and the Board of Directors/Governing Board.
Yes

2.2.1. The Board of Directors/Governing Board has rules of procedure in place defining the tasks related to the preparation and conduct of meetings, and to the adopted resolutions, as well as other issues related to the operation of the Board of Directors/Governing Board.
Yes

2.2.2. The Company has published the procedure for nominating Board of Directors/Governing Board members.
Yes

2.3.1. In its rules of procedure and its work plan, the Supervisory Board provides a detailed description of its operation and duties, as well as the administrative procedures and processes followed by it.
Yes

2.4.1.1. The Board of Directors/Governing Board and the Supervisory Board held meetings periodically at predefined intervals.
Yes

2.4.1.2. The rules of procedure of the Board of Directors/Governing Board and the Supervisory Board provides rules for the conduct of meetings that cannot be planned in advance, and for decision-making using electronic means of communication.
Yes

2.4.2.1. The board members had access to the proposals of the given meeting at least five working days before the given meeting.
Yes

2.4.2.2. The Company ensured the appropriate conduct of the meetings, the drawing up of minutes on the meetings, and the management of the documentation and the resolutions of the Board of Directors/Governing Board and the Supervisory Board.
Yes

2.4.3. The rules of procedure stipulate the regular and occasional participation in the board meetings of non-board members.
Yes

2.5.1. The members of the Board of Directors/Governing Board and the Supervisory Board were nominated and elected through a transparent process, and the information on the candidates was made public in due time before the General Meeting.
Yes

2.5.2. The composition and size of the boards comply with the principles set out in Section 2.5.2 of the Recommendations.
Yes

2.5.3. The Company ensured that the newly elected board members became familiar with the structure and operation of the Company and their tasks to be performed as members of the respective boards.
Yes

2.6.1. The Governing Board/Supervisory Board requested (in the context of preparing the annual corporate governance report) those of its members that are considered independent to confirm their independence at regular intervals.
Yes

2.6.2. The Company provided information about the tools which ensure that the Board of Directors/Governing Board assesses the management's activities objectively.
Yes

2.6.3. The Company has published on its website its guidelines concerning the independence of the Board of Directors / Supervisory Board and the applied criteria of independence.
Yes

2.6.4. The Supervisory Board of the Company has no members who have held any position in the Board of Directors or in the management of the Company in the preceding five years, not including cases when they were involved to ensure employee participation.
Yes

2.7.1. The members of the Board of Directors/Governing Board informed the Board of Directors/Governing Board (the Supervisory Board/Audit Committee) if they (or individuals they have business relations with, or their relatives) have an interest in any business transactions of the Company (or any subsidiaries thereof) that prejudices their independence.
Yes

2.7.2. Transactions and assignments between members of boards/members of the management (or individuals closely associated with them) and the Company (or its subsidiaries) were carried out and approved in accordance with the Company's general business practices, but applying more stringent transparency rules as compared with such general business practices.
Yes

2.7.3. Board members informed the Supervisory Board/Audit Committee (Nomination Committee) if they received a request to sit on a board or take up a management position at a company not belonging to the Company Group.
Yes

2.7.4. The Board of Directors created guidelines pertaining to the flow of information within the Company as well as the management of insider information and supervises compliance therewith.
Yes

2.8.1. The Company has established an independent internal audit function that reports directly to the Audit Committee/Supervisory Board.
Yes

2.8.2. Internal Audit has unrestricted access to all information necessary for carrying out audits.
Yes

2.8.3. Shareholders have received information about the operation of the system of internal controls.
Yes

2.8.4. The Company has a function ensuring compliance (compliance department).
Yes

2.8.5.1. The Board of Directors or the committee operated by it is responsible for the supervision and direction of the Company's entire risk management operations.
Yes

2.8.5.2. The relevant organisation of the Company and the General Meeting received information about the effectiveness of the risk management procedures.
Yes

2.8.6. With the involvement of the relevant areas, the Board of Directors/Governing Board developed the basic principles of risk management, taking into account the unique features of the industry and the Company.
Yes

2.8.7. The Board of Directors/Governing Board defined the principles for the system of internal controls to ensure the management and control of the risks affecting the Company's activities as well as the achievement of its performance and profit objectives.
Yes

2.8.8. The functions of the internal control system reported on the operation of the internal control mechanisms and the corporate governance functions to the competent board at least once a year.
Yes

2.9.2. The Board of Directors/Governing Board invited the Company's auditor in an advisory capacity to meetings involving discussion of the financial reports.
Yes

Level of compliance with the guidances

The Company must specify whether it applies the relevant proposal of the CGR or not (Yes/No). The Company also has the opportunity to justify any deviation from such proposals.

1.1.3. The Company's Articles of Association provide an opportunity for shareholders to exercise their voting rights in their absence.
Yes

1.2.4. The Company determined the place and time of General Meetings initiated by shareholders by taking the initiating shareholders' proposal into account.
Yes

1.2.5. The voting procedure used by the Company ensures a clear, unambiguous and rapid determination of voting results, and in the case of electronic voting, the validity and reliability of such results.
Yes

1.3.1.1. The Board of Directors and the Supervisory Board were represented at the General Meeting.
Yes

1.3.1.2. In the event of the absence of the Board of Directors/Governing Board and the Supervisory Board, information thereon was disclosed by the Chairman of the General Meeting before discussion of the agenda items.
Yes

1.3.2.1. The Articles of Association of the Company do not preclude any individuals from receiving an invitation to the General Meetings of the Company at the initiative of the Chairman of the Board of Directors/Governing Board and being granted the right to express their opinion and to add comments, if that person's presence and expert opinion is thought to be necessary, and they also help in the provision of information to shareholders and for the General Meeting to make decisions.
Yes

1.3.2.2. The Articles of Association of the Company does not preclude any individual from receiving an invitation to the General Meetings of the Company at the initiative of shareholders requesting to supplement the agenda items of the General Meeting and from being granted the right to express their opinion and to add comments.
Yes

1.3.6. The annual report of the Company, prepared pursuant to the Accounting Act, contains a brief, easy-to-understand and illustrative summary for shareholders, including all material information related to the Company's operations for the year.
Yes

1.4.1. In line with Section 1.4.1, the Company paid dividends within 10 working days to its shareholders who had submitted all the necessary information and documents.
Yes

1.6.11. The Company has published its information notices in English as well, in line with the provisions of Section 1.6.11.
Yes

1.6.12. The Company informed its investors about its operations, financial situation and assets on a regular basis, but at least on a quarterly basis.
Yes

2.9.1. The Company has internal procedures in place regarding the use of external advisors and of their outsourced services.
Yes

RESOLUTION PROPOSAL No. 2/2022

The Annual General Meeting approves OTP Bank Plc.'s 2021 Report on Corporate Governance.

EVALUATION OF THE ACTIVITY OF THE EXECUTIVE OFFICERS PERFORMED IN THE PAST BUSINESS YEAR; DECISION ON THE GRANTING OF DISCHARGE OF LIABILITY

Based on Act V of 2013 on the Civil Code, OTP Bank Plc.'s supreme governance body each year puts on the agenda the evaluation of the members of the Board of Directors in terms of their activity performed in the previous financial year and passes a resolution on whether to grant them discharge from liability.

The **Board of Directors** of OTP Bank Plc. is the body, consisting of senior officers, that conducts the management of the Bank.

The Supervisory Board of OTP Bank Plc., as part of this proposal, has prepared for adoption by the General Meeting the evaluation of the activity performed by the members of the Board of Directors in the previous financial year, and then makes a recommendation on granting them discharge from liability.

In the course of 2021, the Supervisory Board, in fulfilment of its duties stipulated by law and by OTP Bank Plc's Articles of Association, monitored the activity of the executive management, and continuously received a briefing on the Bank Group's latest financial position and business activity.

The Supervisory Board, on the basis of the documents placed at its disposal, the proposals presented to it, as well as the information published on OTP Bank's website, hereby finds as follows:

- In the past business year, the Board of Directors of OTP Bank Plc. met regularly, passed resolutions, brought decisions and followed up on their implementation on the basis of its work schedule based on its mandatory duties prescribed by law, the provisions of the Articles of Association, the Bank's business policy plan and its own rules of procedure.

- The Board of Directors of OTP Bank Plc. has prepared and drawn up for adoption by the General Meeting the parent-bank and consolidated financial statements for 2020, prepared in accordance with International Financial Reporting Standards.

- In compliance with its statutory obligation set out in Section 3:289 of the Civil Code, the Board of Directors prepared for the General Meeting its Corporate Governance Report for 2020 that presents the corporate governance practice of OTP Bank Plc., which had been reviewed and approved by the Supervisory Board.

- The Board of Directors prepared – following a preliminary review by the Supervisory Board – its proposal regarding the amendment of the Bank's Articles of Association, for acceptance by the General Meeting.

- In accordance with the expectations set out in Section 3:272 of the Civil Code, the Board of Directors has arranged for publication of the Bank's financial statements for the year 2020, and of the material data from the reports of the Board of Directors and Supervisory Board.

- In order to ensure compliance with Section 1.6.2 of the BSE's Recommendations on Responsible Corporate Governance, the Board of Directors of OTP Bank Plc. evaluates the effectiveness of its public disclosure processes on an annual basis, and thus it also did so in 2021.
  During the review of the efficiency of the public disclosure processes due in 2021, the Board of Directors of OTP Bank Plc. found the processes to be efficient.

In the past business year, in compliance with its tasks stipulated by the relevant legislation and in OTP Bank Plc's Articles of Association, the Board of Directors of OTP Bank Plc., among other things.

Monitored

- the statements contained in the reports of the management,
- the development of the Bank's results,
- compliance with the provisions of the Credit Institutions Act,
- the quarter-to-quarter development of the quality of the Bank Group's portfolio,
- commitments exceeding the individual transaction value of three billion forints,
- the status of Stage 3 rated transactions above 1 billion,
- the latest issues related to the Bank's and the Bank Group's operation and activity.

Made a decision

- the capital positions of the individual subsidiaries and companies within its scope of interest, and
- in regard to the reviewing of limits, and
- on the setting and modification of customer limits and counterparty limits,
- on the use of internal loans,
- on the findings of the review and the approval of regulations that define the Bank's operation, and those referred to its authority under the Credit Institutions Act and its own rules of procedure.
- on the granting of authorisations to sign on behalf of the Company and
- on the items on the agenda of the General Meeting convened for 16 April 2021 in view of the epidemiological situation, acting under the authority of OTP Bank Plc.'s 2021 annual ordinary General Meeting, and
- on convening an extraordinary General Meeting.

The Supervisory Board of OTP Bank Plc. judges that in 2021 the Bank's Board of Directors fulfilled its duties prescribed in the relevant statutory provisions and in the Bylaws of OTP Bank Plc., as per the details presented in the foregoing. In the course of its operation, it conducted its activities with a view to preserving shareholder value and in accordance with the Company's best interests.

The Supervisory Board recommends that, following an assessment of their activity conducted in the past business year, the General Meeting grant the members of the Board of Directors discharge from liability.

RESOLUTION PROPOSAL No. 3/2022

The Annual General Meeting, based on the request of the Board of Directors of the Company, has evaluated the activities of the executive officers in the 2021 business year and certifies that the executive officers gave priority to the interests of the Company when performing their activities during the business year, therefore, grants the discharge of liability determining the appropriateness of the management activities of the executive officers in the business year 2021.

ELECTION OF THE COMPANY'S AUDIT FIRM, THE DETERMINATION OF THE AUDIT REMUNERATION, AND DETERMINATION OF THE SUBSTANTIVE CONTENT OF THE CONTRACT TO BE CONCLUDED WITH THE AUDITOR

In accordance with the decision of the Board of Directors acting in the competency of the Annual General Meeting, Ernst & Young Ltd. audited OTP Bank Plc. for the year 2021. They audited not only the separate financial statements and the consolidated financial statements in accordance with International Financial Reporting Standards for the year ended 2021, but also successfully helped the preparations of separate and consolidated quarterly non-audited financial statements and performed the audit of the interim financial statement and the annual financial statements.

According to section 152. paragraph (3) (b) of 2013. CCXXXVII Act on Credit Institutions and Financial Enterprises, in the name of the Supervisory Board I suggest the following concerning the audit of OTP Bank Plc.'s separate and consolidated financial statements in accordance with International Financial Reporting Standards for the year 2022:

1. Audit Firm:	Ernst & Young Ltd. (001165)
	(H-1132 Budapest, Váci út 20.)
Independent Auditor:	Zsuzsanna Nagyváradiné Szépfalvi
	(Registration number: 005313)
In case of insuperable hindrance:	Zsolt Kónya
	(Registration number: 007383)

2. The total fee of auditing for the audit of the separate and consolidated annual financial statements for the year 2021, prepared in accordance with International Financial Reporting Standards.

HUF 279,990,000 + VAT

From this:

Audit fee of the separate annual accounts:	HUF 164,700,000 + VAT
Audit fee of the consolidated annual accounts:	HUF 115,290,000 + VAT

RESOLUTION PROPOSAL No. 4/2022

Concerning the audit of OTP Bank Plc.'s separate and consolidated annual financial statements in accordance with International Financial Reporting Standards for the year 2022, the Annual General Meeting is electing Ernst & Young Ltd. (001165, H-1132 Budapest, Váci út 20.) as the Company's auditor from 1 May 2022 until 30 April 2023.

The Annual General Meeting approves the nomination of Zsuzsanna Nagyváradiné Szépfalvi (No. 005313 chartered auditor) as the person responsible for auditing. In case any circumstance should arise which ultimately precludes the activities of Zsuzsanna Nagyváradiné Szépfalvi as appointed auditor in this capacity, the Annual General Meeting proposes the appointment of Zsolt Kónya (No. 007383 chartered auditor) to be the individual in charge of auditing.

The Annual General Meeting establishes the total amount of HUF 279,990,000 + VAT as the Auditor's remuneration for the audit of the separate and consolidated annual financial statements for the year 2022, prepared in accordance with International Financial Reporting Standards. Out of total remuneration, HUF 164,700,000 + VAT shall be paid in consideration of the audit of the separate annual accounts and HUF 115,290,000 + VAT shall be the fee payable for the audit of the consolidated annual accounts.

PROPOSAL ON THE AMENDMENT OF ARTICLE 8 SECTION 18, ARTICLE 8 SECTION 33 SUBSECTION 23 AND ARTICLE 15 SECTION 1 OF THE OTP BANK PLC.'S ARTICLES OF ASSOCIATION

Proposal on the amendment of Article 8 Section 18, Article 8 Section 33 Subsection 23 and Article 15 Section 1 of the OTP Bank Plc.'s Articles of Association

Presentation of the amendment proposal

The text of the AoA is written in Times New Roman font; the new parts of the text are indicated by double underlining, and the ~~deleted parts~~ by cross-through.

1. Determination of the date of the reconvened General Meeting
Proposed text:

[The Company's General Meeting]

8.18. If a properly convened General Meeting is inquorate, the reconvened General Meeting – convened at the time and place specified in the notice described in section 8.13. – shall be quorate with respect to the items on the original agenda, regardless of the extent of voting rights represented by those in attendance. A reconvened General Meeting may be convened on the same starting date as the inquorate General Meeting. A reconvened General Meeting shall be convened no later than twenty-one days after the date of the inquorate General Meeting. Should the agenda of the General Meeting contain a proposal regarding the termination of trading in the shares in all regulated markets (hereinafter: delisting), the reconvened General Meeting shall have a quorum with regard to this agenda item if the shareholders representing more than half of the votes embodied by the voting shares are in attendance.

Reasoning:
According to the amendment of Section 3: 275 (1) of the Civil Code as of 1 January 2022, the legislator returns the decision on determination of the date of the reconvened general meeting in case of inquoration, to the company itself. The amendment retains the rule, which also includes deadlines, but no longer nullifies the different provision of the Articles of Association.

2. Amendment of the regulation of the financial assistance
Proposed text:

[The Company's General Meeting]

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

23. the provision of financial assistance to a third party for the acquisition of shares issued by the company; (qualified majority). The General Meeting does not have exclusive competence over transactions that directly or indirectly facilitate the acquisition of shares by employees of the Company, including employees of companies controlled by the Company, or by organizations set up by their employees for such purpose, or transactions entered into by the Company in the ordinary course of business.

Reasoning:
According to the amendment of Section 3: 227 of the Civil Code as of 1 January 2022, the legislator clarifies the rules for financial assistance, subject to the provision of the relevantdirective [Article 64 (6) of Directive 2017/1132 / EU].

3. Change in the address of the MNB's publication website

Proposed text:

[Notices]

15.1. The Company publishes its notices specified in the statutory regulations and in these Articles of Association and announcements on its own website (www.otpbank.hu), on the website of the Budapest Stock Exchange (BSE) (www.bet.hu), and on the website operated by the Supervisory Authority (https://~~www.~~kozzetetelek.mnb.hu).

Reasoning:

The address of the website of the MNB's publications has changed, therefore it is necessary to specify Article 15 Section 1 of the Articles of Association at https://kozzetetelek.mnb.hu.

RESOLUTION PROPOSAL No. 5/1/2022

The Annual General Meeting decides to amend the Articles of Association by way of a single resolution in accordance with the proposal of the Board of Directors.

RESOLUTION PROPOSAL No. 5/2/2022

The Annual General Meeting approves the amendment of Article 8 Sections 18, Article 8 Section 33 Subsection 23 and Article 15 Section 1 of the Articles of Association in accordance with the proposal of the Board of Directors, as per the annex to the minutes of the Annual General Meeting.

PROPOSAL
ON THE GROUP REMUNERATION GUIDELINES OF OTP BANK PLC.

GROUP REMUNERATION GUIDELINES OF OTP BANK PLC.

The Bank Group's Remuneration Policy is an integral part of the corporate governance system and must be enforced throughout the entire Bank Group. The Bank Group's Remuneration Policy, in keeping with the relevant European Union directive, is consistent with effective and successful risk management, and in accordance with its purpose, it does not encourage the assumption of risks that exceed the risk-assumption limits of the Bank and Bank Group-member subsidiaries, and furthermore it is consistent with the business strategy, objectives, values (including environmental and social responsibility as well as the requirements of good governance) and long-term interests of the Bank and Bank Group-member subsidiaries, and it promotes the achievement of this.

1. The objective of the Remuneration Policy

The objective of the Bank Group's Remuneration Policy is, within the Bank Group's risk-tolerance capacity, to acknowledge the contribution of those managers and employees of OTP Bank Plc. and the Bank Group Subsidiaries who, through their professional activity, have a material impact on the risk profile of the individual institutions operating within the Bank Group, towards the achievement of bank and group-level results, and to provide an incentive for their performance. The Bank Group's Remuneration Policy is gender-neutral; it is based on the principle of equal pay for men and women for equal work or work of equal value.

2. Institutional and personal scope of the Remuneration Policy

The institutional scope of the Bank Group's Remuneration Policy covers OTP Bank Plc., as well as all its subsidiaries that are rendered subject to consolidated supervision by the National Bank of Hungary, with the proviso that the fund management companies (UCITS, AIFMD), are not, as a general rule, subject to institutional scope, unless the Bank's Supervisory Board extends the institutional scope to them.

Within this institutional circle, the personal scope of the Bank Group's Remuneration Policy is determined, in accordance with the applicable EU regulations, on the basis of qualitative criteria drawn from the risk profile of the institutions operating within the Bank Group, as well as quantitative criteria determined by income level. To ensure fulfilment of the qualitative criteria, the Bank applies a comprehensive risk-analysis procedure, in keeping with the group's business and risk strategy, based on which it performs an assessment at least three times a year for the purpose of identifying employees that exercise a material impact on the risk profile. The Bank takes the qualitative and quantitative criteria into account in accordance with the prevailing statutory requirements.

Belonging under the scope of the Bank Group Remuneration Policy are those senior officers and regular employees who, based on qualitative and quantitative criteria defined in Commission Delegated Regulation (EU) No 2021/923 and in accordance with the provisions of the Bank Group Remuneration Policy, exercise a material impact on the Bank Group's operation and risk profile at consolidated level, or on the operation and risk profile of the individual institutions of the Bank Group at sub-consolidated or local level.

The Bank's Supervisory Board decides on the persons that fall under the scope of the Bank Group's Remuneration Policy based on the following criteria:

- In the case of those employees who are identified purely by quantitative criteria, the Bank's Supervisory Board is entitled to consider whether they exercise a material impact on the risk profile through their professional activity, and in the absence of such impact, it may decide to exclude the persons concerned from the scope of application of the remuneration policy, with the prior permission of the National Bank of Hungary.
- Those subsidiaries that are not classed as credit institutions or investment firms and that represent less than 2% of the internal capital composition of the Bank Group or of a sub-consolidated group of an institution shall not qualify as material business units. Senior officers and regular employees of subsidiaries not classed as material business units are not, as a general rule – and in the absence of fulfilment of other identification criteria – regarded by the Bank as exercising a material impact on the risk profile of an institution.
- Persons who have not been identified by the criteria defined in Commission Delegated Regulation (EU) No 2021/923, but who through their activity may exercise a material impact on the Bank's operation and/or risk profile, may be brought by the Bank's Supervisory Board under the personal scope of the remuneration policy.

3. The framework for applying the Bank Group's Remuneration Policy to the subsidiaries

All basic decisions relating to the remuneration policy shall be made by OTP Bank Plc., while the subsidiaries shall be responsible for complying with the local statutory provisions and obligations.

- As a general rule, **the Bank Group Remuneration Policy** covers staff identified at the parent bank, as well as identified staff at subsidiaries that do not belong under the effect of the local remuneration policy.
- **The local remuneration policies prepared by the foreign institutions operating within the Bank Group** – that transpose the provisions of the Bank Group Remuneration Policy to the local statutory environment of the individual countries – cover, as a general rule, the staff employed in the sub-consolidated group of the foreign institution who exercise a material impact on the risk profile of a bank-group institution.
- **Subsidiaries classifying as fund management companies operating in the European Union are entitled to adopt remuneration policies in accordance with the provisions of the Bank Group's Remuneration Policy,** in addition to the remuneration policy established on the basis of the supervisory regulations governing them, if the institutional scope of the Bank Group's Remuneration Policy is extended to them by the Bank's Supervisory Board.

4. The ratio of basic remuneration and performance-based remuneration

The **members of the Board of Directors** and the **Supervisory Board** receive an honorarium of a fixed amount for their work in this capacity, and do not receive performance-based remuneration.

For other persons falling under the effect of the remuneration policy, the remuneration consists of basic remuneration and performance-based remuneration. As a general rule, the elements of the basic remuneration are the basic salary and the benefits payable to all employees in the same position, on equal terms. The basic remuneration may not be subject to the performance of those entitled to it, or to the discretionary decision of the employer.

The ratio of basic remuneration to performance-based remuneration is determined by the OTP Bank Plc.'s Supervisory Board, on the basis of the function, size and complexity of the organisation managed. In respect of the staff identified at sub-consolidated and local level, the Supervisory Board may assign this power – within the framework defined in these Guidelines – to the head of the Bank's Human and Organisational Development Directorate. The ratio of performance-based remuneration cannot exceed 100% of the basic remuneration for each person concerned. The maximum ratio of performance-based remuneration achievable in the case of a general bonus limit or in the case of joint application of a general and an exceptional bonus limit is determined for each individual separately, taking into account the above limit.

In determining the general bonus limit, the ratio of performance-based remuneration to total remuneration, depending on the function performed and the organisational position occupied by the senior officer or employee concerned, in the case of subsidiaries classed as institutions operating within the Bank Group may vary within the bands set according to the following, with the proviso that the Supervisory Board of OTP Bank Plc. may – with consideration to the risk associated with retaining key staff as well as to local labour market practices – authorise departures from the specified bands:

		Levels							
		Level 1		Level 2		Level 3		from Level 4	
		min.	max.	min.	max.	min.	max.	min.	max.
Type of position	Business	30%	40%	20%	40%	11%	40%	0%	25%
	Support	-	-	20%	40%	0%	34%	0%	25%
	Control	-	-	20%	40%	0%	34%	0%	25%

The ratios of performance-based remuneration determined in respect of the general bonus limit in the case of subsidiaries not classed as institutions operating within the Bank Group, depending on the function performed and the organisational position occupied by the senior officer or employee concerned, may vary within the bands set according to the following, with the proviso that the Supervisory Board of OTP Bank Plc may – with consideration to the risk associated with retaining key staff as well as to local labour market practices – authorise departures from the specified bands:

Levels					
Level 1		Level 2		from Level 3	
min.	max.	min.	max.	min.	max.
14%	40%	7%	40%	0%	30%

Where an exceptional bonus limit is determined, the performance-based remuneration that may be granted to the senior officer or employee concerned from the exceptional bonus limit may, as a general rule, not exceed 50% of the individual's performance-based remuneration determined based on the general bonus limit.

In the event of exceptional individual performance, a senior officer or employee may be granted payment from the general bonus limit as well, in an extent exceeding the performance-based remuneration ratio determined with respect to the general bonus limit but not exceeding the performance-based remuneration ratio determined for the joint application of the general and the exceptional bonus limit, provided that such payment is covered by the general bonus limit.

5. The method of performance assessment linked to performance-based remuneration

In the case of **managers employed by OTP Bank Plc.**, performance is assessed on the basis of criteria that measure performance at the bank-group and at the individual level (financial indices and indices measuring the quality of work).

In the case of the **managers of the Bank Group's subsidiaries**, performance is assessed on a differential basis, in view of the nature of the companies' respective activities.

Bank Group-level performance is, based on the decision of the Supervisory Board, assessed by applying the group-level RORAC+ indicator (risk-adjusted ROE/ER) or the group-level RORAC indicator or the group-level Economic Value Added (EVA) indicator.[1]

The group-level RORAC+ indicator measures the return on equity relative to the expected return, the group-level RORAC indicator measures the return on capital adjusted by the risk of the activity, whereas the EVA indicator measures the nominal value generation capacity of the bank group, as the difference between the profit produced by the group and the expected yield on the regulatory capital required for this purpose.

The target value of the bank group-level indicator chosen for evaluating performance is determined by the Bank's Supervisory Board based on the approved financial plan for the given year. The Supervisory Board may modify the target value in response to statutory changes implemented after the determination thereof and/or changes in market circumstances that have a significant objective effect on the Bank Group's profit and/or the achievement of the target values set.

With regard to the financial indicators used for performance assessment, the Supervisory Board may set a performance threshold below which the employee is not entitled to performance-based remuneration, furthermore, it may also specify a tolerance threshold above which not only the measured performance, but subjective considerations may also be taken into account in assessing the actual performance. If the value of the bank group or institution-level financial indicators reach the tolerance threshold, only the Supervisory Board is entitled to recognise any performance deviating from the measured performance, provided that the performance is adversely affected by objective circumstances.

In order to integrate sustainability risks into performance measurement, the Bank sets objectives related to compliance-conscious behaviour and social responsibility as an indicator of the quality of work, at least for bank managers and top managers of subsidiaries who have a significant impact on the Bank's risk profile at the consolidated level.

[1]This index is calculated on the basis of the figures of Hungarian and foreign group members that were subject to consolidation throughout the entire economic year assessed.

6. Determining entitlement to performance-based remuneration

The decision regarding the maximum amount (general bonus limit) that may be spent on performance-based remuneration for the assessed year, taking the Bank Group's performance into account, is made by the Supervisory Board within 45 days following the annual General Meeting closing the year in question. If the previous business year's business performance was exceptional, the Supervisory Board may also decide to set an exceptional bonus limit. Exceptional bonus limits may be set individually for each company operating within the Bank Group, provided that the exceptional business performance of the company concerned is demonstrated. Payments from the exceptional bonus limit – even if all other conditions are met – is only possible if ratio between the payment that can be executed at group level jointly from the general and the exceptional bonus limit and the Bank's consolidated common equity does not exceed 2%.

In respect of the general bonus limit, eligibility for performance-based remuneration, and the extent of the annual award are determined, proportionately with fulfilment of the corporate and individual targets,

- by the Board of Directors on the basis of a proposal by the Remuneration Committee in the case of the Chairman & CEO of OTP Bank Plc.,
- by the manager exercising employer's rights in the case of managers employed by the Bank, with the proviso that in respect of the heads of Risk Management, Internal Audit and Compliance the Remuneration Committee shall have the right of joint decision-making,
- in the case of the chief executives and the employees of the Bank Group subsidiaries identified at consolidated level, the body exercising owner's rights
- in the case of the managers of Bank Group subsidiaries identified at sub-consolidated and local level – not including the chief executive – and in knowledge of the position on the matter of the manager exercising employer's rights, the chief executive

with due consideration to any restrictive decision by the Supervisory Board.

If the Supervisory Board has made a decision on the determination of an exceptional bonus limit, then the Board of Directors shall decide on the eligibility and the amount of the effective disbursement of this bonus, based on a proposal by the Remuneration Committee in the case of the Chairman & CEO of OTP Bank Plc.

In the case of the senior officers employed by the Bank and the chief executives of the Bank Group's subsidiaries, proposals for eligibility and the amount of the effective disbursement from the exceptional bonus limit, while in the case of other employees of the Bank Group's subsidiaries, proposals for the allocable budget shall be made by the Chairman & CEO of OTP Bank Plc with the involvement of the Deputy CEOs and, if necessary, the chairman of the Bank Group Subsidiary's governing body.

The decision regarding disbursement from the exceptional bonus limit, based on the proposal, shall be made by the party exercising employer's rights in the case of managers employed by the Bank, with the proviso that in respect of the heads of Risk Management, Internal Audit and Compliance the Remuneration Committee shall have the right of joint decision-making. In the case of the chief executives of the Bank Group's subsidiaries, the decision is made by the body controlling owner's rights, while in the case of other executives employed by the Bank Group's subsidiaries, the decision is made jointly by the chief executive of the subsidiary concerned and the chairman of the shareholders' governing body.

7. Principles and rules concerning the payment of performance-based remuneration

7.1. Basic Principles

- When assessing the performance of the year evaluated (“T year”), the amount of performance-based remuneration is determined and broken down to the level of individuals. The amount of performance-based remuneration payable from the general bonus limit is determined in consideration of individual performance, as well as the ratio of basic and performance-based remuneration achievable from the general bonus limit. The amount of the performance-based remuneration payable from the exceptional bonus limit may not be higher than 50% of the performance-based remuneration payable from the general bonus limit.
- For persons exercising a material impact on the risk profile at consolidated level, the performance-based remuneration is, as a general rule, provided in the form of a cash bonus and, depending on whether the beneficiary chooses it, a share award, granted at a discounted price, with the proviso that the proportion of shares within the performance-based remuneration is at least 50%. In the case of subsidiaries that have their registered office outside the area of Hungary, the performance-based remuneration is, as a general rule, provided in the form of a cash bonus and, depending on whether the beneficiary chooses it, a cash payment of an amount equivalent to that which the beneficiary would have received had he or she received remuneration in the form of shares or a preferentially priced share award. This latter form of award must account for at least 50% of the performance-based remuneration.
- For persons at Hungarian subsidiaries exercising a material impact on the risk profile at sub-consolidated level, the performance-based remuneration is, as a general rule, provided in the form of a cash bonus and a share award, with the proviso that the proportion of shares within the performance-based remuneration is at least 50%.
- For persons employed at the foreign subsidiaries who exercise a material impact on the risk profile at sub-consolidated level or local level, the performance-based remuneration is, as a general rule, provided in the form of a cash bonus plus a cash payment of an amount equivalent to that which the beneficiary would have received had he or she been paid in shares. This latter form of award must account for at least 50% of the performance-based remuneration.
- For persons participating in the share award – not including any persons who join the OTP Bank ESOP Organisation as participants – the share-based portion of the variable remuneration shall be provided by OTP Bank Plc.
- As a general rule, for persons exercising a material impact on the risk profile at consolidated level, 60% of the performance-based remuneration is deferred, while for persons exercising a material impact on the risk profile at sub-consolidated and local level, 40% of such remuneration is deferred.
- The period of the deferment is at least 4 years – and in the case of the Chairman & CEO and the Deputy CEOs of OTP Bank Plc., 5 years – during which period the amount of the deferred payment is set annually, in equal proportions.
- Eligibility to receive such deferred instalments is determined through a retrospective assessment of risks. The assessment of risks takes place partly on the basis of criteria for assessing prudent operation, i.e. it is necessary to ensure that the capital remains above the minimum level of regulatory capital defined in the law, and that operations are conducted without a need to resort to the deposit insurance fund, and, secondly, it is

linked to the activity of the persons concerned. On the basis of the assessment of risks related to the activity of the persons concerned, deferred amounts may be reduced or clawed back in the case of a significant breach of the internal regulations, with special respect to those concerning risk management.

- Entitlement to the deferred instalments is linked to the subsequent assessment of risks and is subject to the person's still being employed at the company at the time that the deferred instalment is due for payment. Exceptions to the above may only be validly authorised in respect of the executive directors (Chairman & CEO, Deputy CEOs) by OTP Bank's Supervisory Board, in the case of exceptional performance, whereas in respect of managers employed at the Bank and chief executives of subsidiaries identified at consolidated level, exceptions are permitted based on a decision of the Chairman & CEO of OTP Bank Plc. In the case of other staff identified at consolidated level and for chief executives identified at sub-consolidated and local level, the head of OTP Bank Plc.'s Human and Organisational Development Directorate is entitled to authorise exceptions. For other staff identified at sub-consolidated and local level, exceptions are permitted based on the decision of the subsidiary's chief executive, subject to the consent of the chairperson of the owner's governing body. The Chairman-CEO of OTP Bank Plc. may withdraw the right to authorise exceptions in respect of any subsidiary at any time.
- OTP Bank Plc.'s Supervisory Board – not including executives falling under the personal scope of the remuneration policy as per the act on the encouragement of long-term shareholder engagement – is entitled to make decisions on the proportionate application of the rules set out in the remuneration guidelines in respect of the settlement of the performance-based remuneration of identified staff whose annual performance-based remuneration does not exceed HUF 17,500,000 and whose performance-based remuneration within their total remuneration for the year represents a share of maximum 33.3%. The Supervisory Board of OTP Bank Plc. is also entitled to take a decision with respect to proportionate application in regard to the identified employees of those subsidiaries that do not qualify as large credit institutions under Article 4(1)(146) of the CRR and whose average balance sheet total of the past four years is less than HUF 1,500 billion. As part of proportionate application, the application of certain regulations (deferred payment, share-based payment) may be avoided either in part or in full, provided that such departure is not in conflict with local statutory or supervisory provisions.

7.2 Settlement rules

- Settlement of the due instalments of performance-based remuneration takes place by 30 June in the year following the assessed period, at the latest.
- The number of shares that may be used for the settlement of performance-based remuneration taking the form of shares, broken down to individuals, must be determined as the quotient of the amount of performance-based remuneration taking the form of shares, and the share price determined by the Supervisory Board.
- The share price to be taken into account when determining the number of shares is set by the Supervisory Board on the basis of the arithmetic average of the daily quoted price of the ordinary shares issued by OTP Bank, as registered by the Budapest Stock Exchange, on the three trading days preceding the date of the Supervisory Board's decision made within the 10 days preceding settlement of the performance-based remuneration.

- Concurrently with this, the specific terms and conditions of the discounted share award are also determined, with the proviso that the share allowance granted at a discounted price may contain a maximum discount of HUF 6,000 at the time of performance assessment, and the profit content per share may amount to a maximum of HUF 12,000 at the time of vesting the share award.
- The Bank's Board of Directors, in the interest of managing shares acquirable in the framework of the remuneration policy, has decided to establish an ESOP Organisation. In the course of implementing the remuneration policy, shares or bonds issued by OTP Bank Plc. as founder and that constitute coverage for payment of an award to which the beneficiary is entitled as part of his or her performance-based remuneration, may be handed over to the ESOP Organisation, or may be purchased, or subscribed to, by the ESOP Organisation using funds provided to it by the Bank or one of its subsidiaries. Through the handing over of these securities to the ESOP Organisation, or through the purchase thereof or subscription thereto by the ESOP Organisation – in the manner set out in the ESOP remuneration policy – the beneficiary concerned shall acquire a member's holding in the ESOP Organisation. The member's holding in the ESOP Organisation is not a negotiable instrument; it may not be encumbered or pledged as collateral, and it only assures payment of the award to the individual if the conditions prescribed in the remuneration policy (result of performance assessment, retrospective assessment of risks) are fulfilled. Any member's holding that does not fulfil the conditions shall revert to the Bank or to the Bank's subsidiary that employs the individual concerned.
- Among the staff identified by the Bank Group's Remuneration Policy, the detailed terms of share-based performance remuneration awards granted through an ESOP Organisation may – within the constraints of the Group-Level Remuneration Guidelines – be set by the Supervisory Board.

The Supervisory Board of OTP Bank Plc., with the exception of matters placed under the authority of the General Meeting by law – is authorised to amend the Bank Group's Remuneration Policy.

RESOLUTION PROPOSAL No. 6/2022

The Annual General Meeting in line with the annex of the resolution, on a consultative basis, approves the group-level remuneration guidelines of OTP Bank Plc. and requests the Supervisory Board of the Company to define the rules of the Banking Group's remuneration policy in detail, in line with the group-level remuneration guidelines.

DETERMINATION OF THE REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS, THE SUPERVISORY BOARD AND THE AUDIT COMMITTEE

*The remuneration of the members of OTP Bank's the **Board of Directors,** the **Supervisory Board** and the **Audit Committee** is **determined by the General Meeting**.*

The current remuneration of members of theses governing bodies was determined by resolution No. 9/2016 of the General Meeting and the by resolution No 97/2021. of the BoD acting in the capacity of the General Meeting. The remuneration of the members of the Board of Directors consists of a fixed amount monthly honorarium and a monthly fixed number of ordinary shares, while in the case of the Supervisory Board it consists of a fixed-amount honorarium. The members of Audit Committee do not receive any remuneration.

*The purpose of the share-based part of the BoD's remuneration is to have a remuneration which appropriately reflects the performance of the Bank all the time. Accordingly, **it is not advised to change the honorarium of the members of the Board of Directors** set by resolution No. 9/2016 of the General Meeting.*

*In the case of the members of the Supervisory Board, although the honorarium does not include a share-based component, its amount was reviewed last year, therefore **the review of the Supervisory Board's honorarium currently is also not advised.***

In the case of the Audit Committee – considering that its members are also members of the Supervisory Board – no remuneration is proposed.

RESOLUTION PROPOSAL No.7/2022

The Annual General Meeting does not modify the honorarium of the members of the Board of Directors and the members of the Supervisory Board as determined in resolution No. 9/2016 of the Annual General Meeting and resolution No. 97/2021 of the Board of Directors acting on behalf of the General Meeting. The members of the Audit Committee are not to receive any remuneration.

AUTHORIZATION OF THE BOARD OF DIRECTORS TO ACQUIRE THE COMPANY'S OWN SHARES

AUTHORIZATION OF THE BOARD OF DIRECTORS TO ACQUIRE THE COMPANY'S OWN SHARES

*Pursuant to both Act V of 2013 on the Civil Code (hereinafter referred to as "**Civil Code**") and Article 8 Section 33 Subsection 13 of OTP Bank Plc's (hereinafter referred to as "**Company**") Articles of Association, the General Meeting has the power to authorize the Board of Directors to acquire treasury shares.*

The Board of Directors acting in the competency of the Annual General Meeting of 2021, in its resolution no. 94/2021, authorized the Board of Directors to acquire treasury shares ("Authorization"). This Authorization expires on 16 October 2022; however, the authorization may be reissued.

This aforementioned renewed authorization is provided by the resolution constituting the subject matter of this proposal. The authorization, in accordance with the statutory requirements, is subject to limitations of time and extent, which are specified in the resolution to be submitted to the Annual General Meeting of 2022. Pursuant to the provisions of the Civil Code, the authorization of the Board of Directors is valid for 18 months, and the number of treasury shares acquirable by the Company may not exceed an extent equivalent to 25 per cent of the share capital. In the previous years, the purpose of the authorization to acquire treasury shares has been always given by the Company. It was defined as the purpose of the authorization for the Board of Directors to acquire treasury shares in the interests of, for instance,

(i) supplying the shares necessary for the management incentives system that is in place at the Company,

(ii) developing and maintaining the Company's services provided to its customers and

(iii) implementing transactions related to the optimisation of the Company's capital.

*The authorization of the general meeting is necessary, but not in itself sufficient, prerequisite for the execution of treasury-share purchases. This is because under EU rules[111] relating to the purchase of treasury shares every treasury-share purchase transaction needs to be authorized by the National Bank of Hungary (hereinafter referred to as "**MNB**"), either for each purchase individually or – if this is legally possible – based on a limit-type authorization (hereinafter referred to as "**Permission of MNB**"). The Company has the necessary General Prior Permission of MNB for purchasing treasury shares to enable the purposes of the Authorization to be fulfilled. The General Prior Permission expires on 26 June 2022, the regular extension is being scheduled. The Company in order to ensure the payments as part of the remuneration policy is primarily obtaining individual fixed-term Permissions of MNB.*

Based on the authorization granted by the general meeting and on the permission of the MNB, the share transactions may be concluded on the regulated market (the stock exchange), or outside of such market (OTC-transaction).

OTC transactions shall take into account the obligations set out in Article 23 of Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 (MiFIR) on trading obligations that, as a general rule, transactions in OTP shares admitted to trading on a regulated market, may take place on a regulated market, an MTF or a regular internaliser, as the case may be, or an equivalent third country trading venue.

To prevent the simultaneous existence of two authorizations, the authorization set forth in the resolution no. 94/2021 of the Board of Directors acting in the competency of the Annual General Meeting shall lose its effect upon the passing of the proposed resolution. The Company publishes data relating to treasury shares and to the transactions that involve such shares in accordance with the effective statutory provisions and in all cases provides information to the shareholders at the forthcoming general meeting.

[111] Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (CRR), and Commission Delegated Regulation (EU) No 241/2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for Own Funds requirements for institutions

RESOLUTION PROPOSAL No. 8/2022

The Annual General Meeting, based on Subsection 1 of Section 3:223 of Act V of 2013 on the Civil Code, hereby authorizes the Board of Directors of OTP Bank Plc. (hereinafter referred to as “Company”) to acquire own shares of the Company especially for the purpose of supplying the shares necessary for the management incentives system that is in operation at the Company, developing and maintaining the services provided to customers, and executing transactions related to optimization of the Company’s capital.

The Board of Directors is authorized to acquire a maximum of as many ordinary shares issued by the Company with a nominal value of HUF 100 that is one hundred forints, as ensures that the portfolio of own shares, in respect of the measure stipulated in the relevant permissions of the Magyar Nemzeti Bank, does not exceed 70,000,000 shares at any moment in time.

Should the acquisition of own shares take place in a reciprocal transaction, then the consideration applied in such transaction may be a minimum of the share’s nominal value, and a maximum of 150% of the highest price recorded on the Budapest Stock Exchange on the day preceding conclusion of the transaction, or, in the case of a stock-exchange transaction, 120% of the closing price recorded on the Budapest Stock Exchange on the day preceding conclusion of the transaction. The Board of Directors may exercise its rights set forth in this mandate until 13 October 2023. The mandate set forth in the decision of the Board of Directors acting in the competency of the Annual General Meeting resolution no. 94/2021 shall lose its effect upon the passing of this resolution.