OTP BANK PLC.

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

FOR THE SIX-MONTH PERIOD ENDED
30 JUNE 2023

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OTP BANK PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) AS AT 30 JUNE 2023
(in HUF mn)

	Note	30/06/2023	31/12/2022	30/06/2022
Cash, amounts due from banks and balances with the National Banks	5.	5,582,622	4,221,392	2,312,423
Placements with other banks	6.	1,305,309	1,351,082	1,765,735
Repo receivables	7.	164,830	41,009	32,650
Financial assets at fair value through profit or loss	8.	474,947	436,387	462,602
Securities at fair value through other comprehensive income	9.	1,853,511	1,739,603	2,103,518
Securities at amortized cost	10.	5,370,001	4,891,938	4,802,056
Loans at amortized cost	11.	17,973,435	16,094,458	15,405,467
Loans mandatorily at fair value through profit or loss	11.	1,302,501	1,247,414	1,177,408
Finance lease receivables	36.	1,300,149	1,298,752	1,303,199
Associates and other investments	12.	88,140	73,849	78,838
Property and equipment	13.	493,644	464,469	434,972
Intangible assets and goodwill	13.	247,005	237,031	221,776
Right-of-use assets	36.	58,174	58,937	55,375
Investment properties	14.	46,337	47,452	30,248
Derivative financial assets designated as hedge accounting	15.	49,758	48,247	35,218
Deferred tax assets	35.	64,267	75,421	59,107
Current income tax receivables	35.	11,459	5,650	32,875
Other assets	16.	480,571	471,119	508,757
TOTAL ASSETS		**36,866,660**	**32,804,210**	**30,822,224**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	17.	2,102,778	1,463,158	1,658,429
Repo liabilities	18.	565,949	217,369	303,435
Financial liabilities designated at fair value through profit or loss	19.	59,923	54,191	42,562
Deposits from customers	20.	26,903,982	25,188,805	23,552,122
Liabilities from issued securities	21.	1,727,388	870,682	405,399
Derivative financial liabilities held for trading	22.	269,573	385,747	383,245
Derivative financial liabilities designated as hedge accounting	23.	21,156	27,949	39,328
Leasing liabilities	36.	60,373	63,778	61,200
Deferred tax liabilities	35.	34,810	40,094	26,399
Current income tax payable	35.	34,747	28,866	118,742
Provisions	24.	129,741	131,621	140,521
Other liabilities	24.	807,857	707,654	620,158
Subordinated bonds and loans	25.	552,883	301,984	302,379
TOTAL LIABILITIES		**33,271,160**	**29,481,898**	**27,653,919**
Share capital	26.	28,000	28,000	28,000
Retained earnings and reserves	27.	3,684,014	3,395,215	3,242,096
Treasury shares	28.	(125,907)	(106,862)	(108,606)
Total equity attributable to the parent		**3,586,107**	**3,316,353**	**3,161,490**
Total equity attributable to non-controlling interest	**29.**	**9,393**	**5,959**	**6,815**
TOTAL SHAREHOLDERS' EQUITY		**3,595,500**	**3,322,312**	**3,168,305**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**36,866,660**	**32,804,210**	**30,822,224**

OTP BANK PLC
CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
(in HUF mn)

	Note	Six-month period ended 30 June 2023	Six-month period ended 30 June 2022	Year ended 31 December 2022
CONTINUING OPERATIONS				
Interest income calculated using the effective interest method	30.	1,111,486	612,346	1,508,050
Income similar to interest income	30.	332,987	209,021	495,973
Interest income and income similar to interest income		**1,444,473**	**821,367**	**2,004,023**
Interest expense		**(795,295)**	**(316,094)**	**(912,709)**
NET INTEREST INCOME		**649,178**	**505,273**	**1,091,314**
Loss allowance on loans, placements, amounts due from banks and on repo receivables	31.	(60,244)	(88,587)	(155,681)
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	31.	(1,501)	14,987	13,346
Release of loss allowance / (Loss allowance) on securities at fair value through other comprehensive income and on securities at amortized cost	31.	5,133	(49,211)	(60,774)
Provision for commitments and guarantees given	31.	(483)	(5,934)	(6,145)
Release of impairment / (Impairment) of assets subject to operating lease and of investment properties	31.	6	67	(1,204)
Risk cost total		**(57,089)**	**(128,678)**	**(210,458)**
NET INTEREST INCOME AFTER RISK COST		**592,089**	**376,595**	**880,856**
Gain / (Loss) from derecognition of financial assets at amortized cost	33.	568	1,978	(1,655)
Modification loss	4.	(19,286)	(13,074)	(39,997)
Income from fees and commissions	32.	403,638	325,955	739,576
Expense from fees and commissions	32.	(78,894)	(60,504)	(139,216)
Net profit from fees and commissions		**324,744**	**265,451**	**600,360**
Foreign exchange result, net	33.	40,850	951	(14,989)
Gain / (Loss) on securities, net	33.	18,856	(7,861)	(4,488)
Fair value adjustment on financial instruments measured at fair value through profit or loss	33.	43,843	4,956	(4,164)
Net results on derivative instruments and hedge relationships	33.	(41,020)	(1,070)	10,558
Profit from associates	8., 9.	1,745	1,257	14,640
Goodwill impairment	13.	-	(67,715)	(67,715)
Other operating income	34.	294,103	45,670	125,415
Other operating expenses	34.	(54,414)	(62,928)	(128,785)
Net operating income / (expense)		**303,963**	**(86,740)**	**(69,528)**
Personnel expenses	34.	(228,969)	(174,752)	(402,563)
Depreciation and amortization	13.	(57,185)	(50,472)	(107,588)
Other general expenses	34.	(268,187)	(262,825)	(464,997)
Other administrative expenses		**(554,341)**	**(488,049)**	**(975,148)**
PROFIT BEFORE INCOME TAX		**647,737**	**56,161**	**394,888**
Income tax expense	35.	(70,926)	(14,495)	(59,251)
PROFIT AFTER INCOME TAX FOR THE PERIOD FROM CONTINUING OPERATIONS		**576,811**	**41,666**	**335,637**

OTP BANK PLC
CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 [continued]
(in HUF mn)

	Note	Six-month period ended 30 June 2023	Six-month period ended 30 June 2022	Year ended 31 December 2022
PROFIT AFTER INCOME TAX FOR THE PERIOD FROM CONTINUING OPERATIONS		**576,811**	**41,666**	**335,637**
From this, attributable to:				
Non-controlling interest	**29.**	**625**	**(277)**	**727**
Owners of the company		**576,186**	**41,943**	**334,910**
DISCONTINUED OPERATIONS				
Gain from disposal of subsidiary classified as held for sale	50.	-	986	11,444
Gain from discontinued operations	50.	-	-	-
PROFIT AFTER INCOME TAX FROM CONTINUING AND DISCOUNTINUED OPERATION		**576,811**	**42,652**	**347,081**
From this, attributable to:				
Non-controlling interest	**29.**	**625**	**(277)**	**727**
Owners of the company		**576,186**	**42,929**	**346,354**
Earnings per share (in HUF)				
From continuing operations				
Basic	46.	2,150	156	1,246
Diluted	46.	2,149	156	1,246
From continuing and discontinued operations				
Basic	46.	2,150	160	1,289
Diluted	46.	2,149	160	1,288

OTP BANK PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
(in HUF mn)

	Note	Six-month period ended 30 June 2023	Six-month period ended 30 June 2022	Year ended 31 December 2022
PROFIT AFTER INCOME TAX FOR THE YEAR		**576,811**	**42,652**	**347,081**
Items that may be reclassified subsequently to profit or loss:				
Fair value adjustment of securities at fair value through other comprehensive income	27.	58,547	(122,236)	(134,692)
Deferred tax related to fair value adjustment of securities at fair value through other comprehensive income	27.	(6,099)	17,465	10,816
Derivative financial instruments designated as cash flow hedge	27.	-	-	-
Net investment hedge in foreign operations	27.	8,943	-	-
Deferred tax related to net investment hedge in foreign operations	27.	-	-	-
Foreign currency translation difference	27.	(268,829)	316,500	179,623
Items that will not be reclassified subsequently to profit or loss:				
Fair value changes of equity instruments at fair value through other comprehensive income	27.	51	3,173	5,780
Deferred tax related to equity instruments at fair value through other comprehensive income	27.	(401)	(855)	(1,282)
Change of actuarial gain related to employee benefits	27.	(105)	(34)	1,059
Deferred tax related to change of actuarial gain related to employee benefits	27.	-	(3)	(43)
Subtotal		**(207,893)**	**214,010**	**61,261**
TOTAL COMPREHENSIVE INCOME		**368,918**	**256,662**	**408,342**
From this, attributable to:				
Non-controlling interest		(587)	1,132	647
Owners of the company		369,505	255,530	407,695

OTP BANK PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
(in HUF mn)

	Note	Share capital	Capital reserve	Retained earnings and other reserves[1]	Treasury shares	Total attributable to shareholders	Non-controlling interest	Total
Balance as at 1 January 2022		**28,000**	**52**	**3,109,457**	**(106,941)**	**3,030,568**	**6,198**	**3,036,766**
Profit after income tax for the period		-	-	42,929	-	42,929	(277)	42,652
Other Comprehensive Income		-	-	212,601	-	212,601	1,409	214,010
Total comprehensive income		**-**	**-**	**255,530**	**-**	**255,530**	**1,132**	**256,662**
Purchasing of non-controlling interest		-	-	-	-	-	(515)	(515)
Decrease due to business combination		-	-	(1,321)	-	(1,321)	-	(1,321)
Share-based payment	39.	-	-	1,474	-	1,474	-	1,474
Paid dividends for years 2019, 2020, 2021	27.	-	-	(120,248)	-	(120,248)	-	(120,248)
Adjustment related to share-based payment		-	-	4,066	-	4,066	-	4,066
Sale of Treasury shares	28.	-	-	-	13,259	13,259	-	13,259
Treasury shares - loss on sale	28.	-	-	(6,914)	-	(6,914)	-	(6,914)
Treasury shares - acquisition	28.	-	-	-	(14,924)	(14,924)	-	(14,924)
Balance as at 30 June 2022		**28,000**	**52**	**3,242,044**	**(108,606)**	**3,161,490**	**6,815**	**3,168,305**

	Note	Share capital	Capital reserve	Retained earnings and other reserves[1]	Treasury shares	Total attributable to shareholders	Non-controlling interest	Total
Balance as at 1 January 2023		**28,000**	**52**	**3,395,163**	**(106,862)**	**3,316,353**	**5,959**	**3,322,312**
Profit after income tax for the period		-	-	576,186	-	576,186	625	576,811
Other Comprehensive Income		-	-	(206,681)	-	(206,681)	(1,212)	(207,893)
Total comprehensive income		**-**	**-**	**369,505**	**-**	**369,505**	**(587)**	**368,918**
Increase due to business combination		-	-	-	-	-	4,021	4,021
Share-based payment	40.	-	-	1,394	-	1,394	-	1,394
Paid dividends for year 2022	27.	-	-	(84,000)	-	(84,000)	-	(84,000)
Adjustment related to share-based payment		-	-	3,836	-	3,836	-	3,836
Sale of Treasury shares	28.	-	-	-	17,835	17,835	-	17,835
Treasury shares - loss on sale	28.	-	-	(1,936)	-	(1,936)	-	(1,936)
Treasury shares - acquisition	28.	-	-	-	(36,880)	(36,880)	-	(36,880)
Balance as at 30 June 2023		**28,000**	**52**	**3,683,962**	**(125,907)**	**3,586,107**	**9,393**	**3,595,500**

[1] See details in Note 27.

OTP BANK PLC
CONSOLIDATED STATEMENT OF CASH-FLOWS (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
(in HUF mn)

OPERATING ACTIVITIES	Note	Six-month period ended 30 June 2023	Six-month period ended 30 June 2022	Year ended 31 December 2022
Profit after income tax for the period				
(attributable to the owners of the company)		**576,186**	**42,929**	**346,354**
Net accrued interest		47,224	29,687	45,499
Dividend income	27.	(1,745)	(1,257)	(13,800)
Depreciation and amortization	13.	59,724	53,112	112,749
Goodwill impairment	13.	-	67,715	67,715
(Release of loss allowance) / Loss allowance on securities	9.,10.	(5,133)	49,211	60,774
Loss allowance on loans and placements,				
amounts due from banks and on repo receivables	5-7., 11.	60,244	88,587	155,681
(Release of loss allowance) / Loss allowance on investments	12.	(28)	7	901
(Release of loss allowance) / Loss allowance on investment properties	14.	(6)	(1)	1,326
Impairment / (Release of impairment) on tangible and intangible assets	13.	3,689	(66)	468
Loss allowance on other assets	16.	4,442	17,063	15,973
(Release of provision) / Provision on off-balance sheet				
commitments and contingent liabilities	24.	(170)	7,774	8,589
Share-based payment	40.	1,394	1,474	2,948
Unrealized gains on fair value change of financial				
instrument at fair value through profit or loss	33.	(137,204)	(110,076)	(84,641)
Non-realized foreign exchange (gain) / loss	33.	(3,891)	18,625	(296,986)
Gain from sale of tangible and intangible assets	13.	(566)	(914)	(1,281)
Unrealized (gains) / losses on fair value change of				
derivative financial instruments	33.	(70,324)	61,430	81,440
Negative goodwill	42.	(229,428)	-	(3,784)
Net changes in assets and liabilities in operating activities				
Net decrease / (increase) in securities				
at fair value through profit or loss	8.	61,087	(80,960)	(133,548)
Net increase in compulsory reserves				
at the National Banks	5.	(566,843)	(93,321)	(769,233)
(Increase) / Decrease in placement with other banks,				
before loss allowance for placements	6.	(10,331)	(112,840)	412,510
Net decrease / (increase) in loans at amortized cost before				
loss allowance for loans and in loans at fair value	11.	816,961	(2,041,367)	(2,733,463)
Net decrease / (increase) in other assets				
before loss allowance	16.	50,403	(310,825)	(205,916)
Net increase / (decrease) in amounts due to banks,				
the National Governments, deposits from the National				
Banks and other banks and repo liabilities	17., 18.	398,134	221,123	(43,747)
Net increase / (decrease) in financial liabilities designated				
at fair value through profit or loss	19.	9,825	(78)	11,073
Net (decrease) / increase in deposits from customers	20.	(1,613,385)	2,274,132	3,787,573
Cash payments for the interest portion of the lease liability	36.	(1,322)	(2,270)	(2,386)
Net (decrease) / increase in other liabilities	24.	(95,909)	415,617	400,077
Income tax paid	35.	(23,751)	(26,703)	(74,411)
Net Cash (Used in) / Provided by Operating Activities		**(670,723)**	**567,808**	**1,148,454**

OTP BANK PLC
CONSOLIDATED STATEMENT OF CASH-FLOWS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
(in HUF mn)
[continued]

	Note	Six-month period ended 30 June 2023	Six-month period ended 30 June 2022	Year ended 31 December 2022
INVESTING ACTIVITIES				
Purchase of securities at fair value through other comprehensive income	9.	(340,943)	(1,119,062)	(1,129,729)
Proceeds from sale of securities at fair value through other comprehensive income	9.	416,350	1,103,355	1,529,538
Purchase of investments	12.	(4,524)	(15,988)	(38,053)
Proceeds from sale of investments	12.	-	4,781	30,525
Dividends received	27.	991	841	13,800
Purchase of securities at amortized cost	10.	(374,134)	(11,524,557)	(32,573,247)
Redemption of securities at amortized cost	10.	736,309	10,663,622	31,625,182
Purchase of property, equipment and intangible assets	13.	(120,009)	(126,876)	(275,017)
Proceeds from disposals of property, equipment and intangible assets	13.	95,530	19,832	76,136
Purchase of investment properties	14.	(2,214)	(1,239)	(20,935)
Proceeds from sale of investment properties	14.	12,722	1,096	1,127
Net cash paid for acquisition	42.	596,289	-	38,889
Net Cash Provided by / (Used in) Investing Activities		**1,016,367**	**(994,195)**	**(721,784)**
FINANCING ACTIVITIES				
Cash received from issuance of securities	21.	593,118	-	569,839
Cash used for redemption of issued securities	21.	(10,182)	(33,766)	(133,712)
Cash payments for the principal portion of the lease liability	36.	(6,184)	(74,047)	(24,632)
Cash received from issuance of subordinated bonds and loans	25.	286,541	-	6,418
Cash used for redemption of subordinated bonds and loans	25.	(45,827)	-	(4,646)
Sale of Treasury shares	28.	15,899	13,259	8,913
Purchase of Treasury shares	28.	(36,880)	(14,924)	(16,268)
Dividends paid	27.	(80,132)	(116,126)	(116,147)
Net Cash Provided by / (Used in) Financing Activities		**716,353**	**(225,604)**	**289,765**
TOTAL NET CASH PROVIDED BY / (USED IN)		**1,061,997**	**(651,991)**	**716,435**
Cash and cash equivalents at the beginning of the period	5.	**2,597,688**	**1,701,564**	**1,701,564**
Foreign currency translation		(267,610)	315,058	179,689
Net change in cash and cash equivalent		1,061,997	(651,991)	716,435
Cash and cash equivalents at the end of the period	5.	**3,392,075**	**1,364,631**	**2,597,688**

NOTE 1: ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

1.1. General information

OTP Bank Plc (the "Bank" or "OTP Bank") was established on 31 December 1990, when the previously State-owned company was transformed into a limited liability company. The Bank's registered office address is 16, Nador Street, Budapest 1051, Hungary.

Due to Hungarian legislation audit services are a statutory requirement for OTP Bank. Disclosure information about the auditor: Ernst & Young Audit Ltd. (001165), 1132 Budapest Váci Street 20. Registered under 01-09-267553 by Budapest-Capital Regional Court, as registry court. Statutory registered auditor: Zsolt Kónya, registration number: 007383.

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 (%):

	30/06/2023	31/12/2022
Domestic and foreign private and institutional investors	99%	99%
Employees	1%	1%
Treasury shares	-	-
Total	**100%**	**100%**

The Bank's Registered Capital consists of 280.000.010 pieces of ordinary shares with the nominal value of HUF 100 each, representing the same rights to the shareholders.

The Bank and its subsidiaries ("Entities of the Group", together the "Group" or "OTP Group") provide a full range of commercial banking services through a wide network of 1,476 branches in the following countries Hungary, Bulgaria, Serbia, Croatia, Russia, Romania, Ukraine, Albania, Montenegro, Moldova, Slovenia and Uzbekistan, as well as provides other services in the Netherlands and Malta.

The number of the active employees without long-term breaks, and with part-time employees taken into account proportionately, and the average number of active employees on monthly basis at the Group (with employed agents):

	30/06/2023	31/12/2022
The number of employees at the Group	41,227	35,976
The average number of employees at the Group	39,096	36,168

1.2. Basis of Accounting

These Consolidated Financial Statements were prepared based on the assumptions of the Management that the Bank will remain in business for the foreseeable future and that the Bank will not be forced to halt operations and liquidate its assets in the near term at what may be very low fire-sale prices.

The Entities of the Group maintain their accounting records and prepare their statutory accounts in accordance with the commercial, banking and fiscal regulations prevailing in Hungary and in case of foreign subsidiaries in accordance with the commercial, banking and fiscal regulations of the country in which they are domiciled.

The Bank's functional currency is the Hungarian Forint ("HUF"). It is also presentation currency for the Group.
The financial statements of the subsidiaries used during the preparation of Consolidated Financial Statements of the Group have the same reporting period – starting from 1 January ending as at 31 December – like the reporting period of the Group.

Due to the fact that the Bank is listed on international and national stock exchanges, the Bank is obliged to present its financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (the "EU").
Certain adjustments have been made to the Entities' statutory accounts in order to present the Consolidated Financial Statements of the Group in accordance with all standards and interpretations approved by the International Accounting Standards Board ("IASB").

These Consolidated Financial Statements have been prepared in accordance with IFRS as adopted by the EU.
The accompanying Notes to these Consolidated Financial Statements form an integral part of these Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by EU.

1.2.1. The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 2023

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

- **Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 – Disclosure of Accounting policies** – adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023; earlier application permitted):
  - The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures.
- **Amendments to IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors" – Definition of Accounting Estimates** – adopted in the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period):
  - The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty, if they do not result from a correction of prior period error. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors.
- **Amendments to IFRS 17 "Insurance Contracts" –** adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023).

NOTE 1: ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS [continued]

1.2. Basis of Accounting [continued]

1.2.1. The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 2023 [continued]

- **Amendments to IFRS 17 "Insurance Contracts" – Initial application of IFRS 17 and IFRS 9 – Comparative Information** – adopted by the EU on 8 September 2022 (effective date for annual periods beginning on or after 1 January 2023 with earlier application permitted, provided the entity also applies IFRS 9 Financial Instruments on or before the date it first applies IFRS 17).
- **Amendments to IAS 12 "Income Taxes" – Deferred Tax related to Assets and Liabilities arising from a Single Transaction** – adopted by the EU on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023; earlier application permitted):
  - The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

The adoption of these amendments to the existing standards has not led to any material changes in these Consolidated Financial Statements.

1.2.2. New and revised Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

There were no new and revised standards and interpretations issued by IASB and adopted by the EU but not yet effective.

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

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at the date of publication of these Consolidated Financial Statements:

- **Amendments to IAS 1 "Presentation of Financial Statements" - Classification of Liabilities as Current or Non-Current** (effective for annual periods beginning on or after 1 January 2024; earlier application permitted):
  - The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period.

NOTE 1: ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS [continued]

1.2. Basis of Accounting [continued]

1.2.3. Standards and Interpretations issued by IASB, but not yet adopted by the EU [continued]

- **Amendments to IFRS 16 “Leases” – Lease Liability in a Sale and Leaseback** – issued by IASB on 22 September 2022 (effective for annual periods beginning on or after 1 January 2024; earlier application permitted):
  - The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines ‘lease payments’ or ‘revised lease payments’ in such a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognizing, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16.
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments** (effective date deferred indefinitely until the research project on the equity method has been concluded):
  - The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.

The Group anticipates that the adoption of these new standards, amendments to the existing Standards and new interpretations will have no significant impact on the Consolidated Financial Statements of the Group in the period of initial application.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of the accompanying Consolidated Financial Statements are summarized below:

2.1. Basis of Presentation

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

During the preparation of Consolidated Financial Statements assets and liabilities, income and expenses are presented separately, except in certain cases, when one of the IFRS standards prescribes net presenting related to certain items (see note 2.8. below).

The presentation of Consolidated Financial Statements in conformity with IFRS as adopted by the EU requires the Management of the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
Future changes in economic conditions, business strategies, regulatory requirements, accounting rules and other factors could result in a change in estimates that could have a material impact on future financial statements.

2.2. Foreign currency translation

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currencies are translated into functional currencies at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rates quoted by the National Bank of Hungary (“NBH”), or if there is no official rate, at exchange rates quoted by OTP Bank as at the date of the Consolidated Financial Statements.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.
Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see note 2.7. below for hedging accounting policies); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in Other Comprehensive Income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting Consolidated Financial Statements, the assets and liabilities of the Group's foreign operations are translated into HUF using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in Other Comprehensive Income and accumulated in equity (attributed to non-controlling interests as appropriate).

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.2. Foreign currency translation [continued]

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in Other Comprehensive Income and accumulated in equity.

2.3. Principles of consolidation

As the ultimate parent, OTP Bank is preparing Consolidated Financial Statements of the Group.

These Consolidated Financial Statements combine the assets, liabilities, equity, income, expenses and cash flows of the Bank and of those subsidiaries of the Bank in which the Bank exercises control.
All intra-group transactions are consolidated fully on a line-by-line basis while under equity method other consolidation rules are applied. Determination of the entities which are involved into the consolidation procedures based on the determination of the Group’s Control over another entity. Control exists when the Bank has power over the investee, is able to use this power and is exposed or has right to variable returns. Consolidation of a subsidiary should begin from the date when the Group obtains control and cease when the Group loses control. Therefore, income and expenses of a subsidiary should be included in the Consolidated Financial Statements from the date the Group gains control of the subsidiary until the date when the Group ceases to have control of the subsidiary.
The list of the major fully consolidated subsidiaries, the percentage of issued capital owned by the Bank and the description of their activities is provided in Note 43.

2.4. Accounting for acquisitions

Business combinations are accounted for using the acquisition method. Any goodwill arising on acquisition is recognized in the Consolidated Statement of Financial Position and accounted for as indicated below.
The acquisition date is the date on which the acquirer effectively obtains control over the acquiree. Before this date, it should be presented as Advance for investments within Other assets.
Goodwill, which represents the residual cost of the acquisition after obtaining the control over the acquiree in the fair value of the identifiable assets acquired and liabilities assumed is held as an intangible asset and recorded at cost less any accumulated impairment losses in the Consolidated Financial Statements. The Group tests goodwill for impairment by comparing its recoverable amount with its carrying amount, and recognising any excess of the carrying amount over the recoverable amount an impairment loss. The recoverable amount of goodwill is the higher of its fair value less costs of disposal and its value in use.

If the Group loses control of a subsidiary, derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost and recognizes any difference as a gain or loss on the sale attributable to the parent in the Consolidated Statement of Profit or Loss on Net income from discontinued operations.

Goodwill acquired in a business combination is tested for impairment annually or more frequently if events or changes in circumstances indicate. The goodwill is allocated to the cash-generating units that are expected to benefit from the synergies of the combinations.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.4. Accounting for acquisition [continued]

The Group calculates the fair value of identified assets and liabilities assumed on discounted cash-flow model. The 3 year period explicit cash-flow model serves as a basis for the impairment test by which the Group defines the impairment need on goodwill based on the strategic factors and financial data of its cash-generating units.

The Group, in its strategic plan, has taken into consideration the effects of the present global economic situation, the present economic growth and outlook, the associated risks and their possible effect on the financial sector as well as the current and expected availability of wholesale funding.

Negative goodwill (gain from bargain purchase), when the interest of the acquirer in the net fair value of the acquired identifiable net assets exceeds the cost of the business combination, is recognized immediately in the Consolidated Statement of Profit or Loss as “Other income”.

2.5. Securities at amortized cost

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

2.6. Financial assets at fair value through profit or loss

2.6.1. Securities held for trading

Investments in securities are accounted for on a trade date basis and are initially measured at fair value. Securities held for trading are measured at subsequent reporting dates at fair value, so unrealized gains and losses on held for trading securities are recognized in profit or loss and included in the Consolidated Statement of Profit or Loss for the period. The Group holds held for trading securities within the business model to obtain short-term gains, consequently realized and unrealized gains and losses are recognized in the net operating income, while interest income is recognized in income similar to interest income.
Such securities consist of equity instruments, shares in investment funds, Hungarian and foreign government bonds, corporate bonds, discounted treasury bills, mortgage bonds and other securities.

2.6.2. Financial assets designated as fair value through profit or loss

The Group may - at initial recognition - irrevocable designate a financial asset as measured at fair value through profit or loss that would otherwise be measured at fair value through other comprehensive income or at amortized cost.
The Group uses fair value designation if the classification eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases (‘accounting mismatch’).

The use of the fair value designation is based only on direct decision of management of the Group. The Group currently doesn’t apply this method.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.6. Financial assets at fair value through profit or loss [continued]

2.6.3. Derivative financial instruments

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

Derivative financial instruments are accounted for on a trade date basis and are initially measured at fair value and at subsequent reporting dates also at fair value. Fair values are obtained from quoted market prices, discounted cash-flow models and option pricing models as appropriate. The Group adopts a multi curve valuation approach for calculating the net present value of future cash-flows – based on different curves used for determining forward rates and used for discounting purposes. It shows the best estimation of such derivative deals that are collateralised as the Group has almost all of its open derivative transactions collateralised.
Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in profit or loss and are included in the Consolidated Statement of Profit or Loss for the period. Each derivative deal is determined as asset when fair value is positive and as liability when fair value is negative.

Certain derivative transactions, while providing effective economic hedges under the risk management policy of the Group, do not qualify for hedge accounting under the specific rules of IFRS 9 and are therefore treated as derivatives held for trading with fair value gains and losses charged directly to the Consolidated Statement of Profit or Loss.

Foreign currency contracts

Foreign currency contracts are agreements to exchange specific amounts of currencies at a specified rate of exchange, at a spot date (settlement occurs two days after the trade date) or at a forward date (settlement occurs more than two days after the trade date). The notional amount of these forward contracts does not represent the actual market or credit risk associated with these contracts.
Foreign currency contracts are used by the Group for risk management and trading purposes. The risk management foreign currency contracts of the Group were used to hedge the exchange rate fluctuations of loans and deposits to credit institutions denominated in foreign currency.

Foreign exchange swaps and interest rate swaps

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

Cross-currency interest rate swaps

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.6. Financial assets at fair value through profit or loss [continued]

2.6.3 Derivative financial instruments [continued]

Equity and commodity swaps

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

Forward rate agreements (FRA)

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

The Group limits its exposure to market risk by entering into generally matching or offsetting positions and by establishing and monitoring limits on unmatched positions. Credit risk is managed through approval procedures that establish specific limits for individual counterparties. The Group's forward rate agreements were transacted for management of interest rate exposures and have been accounted for at mark-to-market fair value.

Foreign exchange options

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

2.7. Hedge accounting

Derivative financial instruments designated as a fair-value hedge

Changes in the fair value of derivatives that are designated and qualify as hedging instruments in fair value hedges and that prove to be highly effective in relation to the hedged risk, are recorded in the Consolidated Statement of Profit or Loss along with the corresponding change in fair value of the hedged asset or liability that is attributable to the specific hedged risk. Changes in the fair value of hedging instrument in fair value hedges is charged directly to the Consolidated Statement of Profit or Loss.
The conditions of hedge accounting applied by the Bank are the following: formally designated as hedge relationship, proper hedge documentation is prepared, effectiveness test is performed and based on it the hedge is qualified as effective. In the case of a financial instrument measured at amortised cost the Group recognises the hedging gain or loss on the hedged item as the modification of its carrying amount and it is recognised in profit or loss. These adjustments of the carrying amount are amortised to the profit or loss using the effective interest rate method. The Group starts the amortisation when the hedged item is no longer adjusted by the hedging gains or losses. If the hedged item is derecognised, the Group recognises the unamortised fair value in profit or loss immediately. For fair value hedges inefficiencies and the net revaluation of hedged and hedging item are recognized in the Net results on derivative instruments and hedge relationships.
The Group implemented hedge accounting rules prescribed by IFRS 9 in 2018. For further details please see Note 48.3.

Derivative financial instruments designated as cash-flow hedge

Changes in the fair value of derivatives that are designated and qualify as hedging instrument in cash-flow hedges and that prove to be highly effective in relation to the hedged risk are recognized in their effective portion as reserve in Other Comprehensive Income. The ineffective element of the changes in fair value of hedging instrument is charged directly to the Consolidated Statement of Profit or Loss.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.7. Hedge accounting [continued]

Derivative financial instruments designated as cash-flow hedge [continued]

The Group terminates the hedge relationship if the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting. In the case of cash-flow hedges – in line with the standard - hedge accounting is still applied by the Group as long as the underlying asset is derecognized or terminated. When the Group discontinues hedge accounting to a cash-flow hedge the amount in the cash flow hedge reserve is reclassified to the profit or loss if the hedged future cash flows are no longer expected to occur. If the hedged future cash flows are still expected to occur, the amount remains in the cashflow hedge reserve and reclassified to the profit and loss only when the future cash flows occur.

Net investment hedge in foreign operations

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, shall be accounted for similarly to cash flow hedges.
On the disposal of a foreign operation, the cumulative value of any gains and losses recognized in Other Comprehensive Income is transferred to the Consolidated Statement of Profit or Loss. The Group has terminated these transactions since 2020.

2.8. Offsetting

Financial assets and liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position when the Group has a legally enforceable right to set off the recognized amounts and the transactions are intended to be reported in the Consolidated Statement of Financial Position on a net basis. In case of the derivative financial instruments the Group applies offsetting and net presentation in the Consolidated Statement of Financial Position when the Group has the right and the ability to settle these assets and liabilities on a net basis.

2.9. Embedded derivatives

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

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

As long as a hybrid contract contains a host that is a financial asset the general accounting rules for classification, recognition and measurement of financial assets are applicable for the whole contract and no embedded derivative is separated.

Derivatives that are required to be separated are measured at fair value at initial recognition and subsequently. If the Group is unable to measure the embedded derivative separately either at acquisition or at the end of a subsequent financial reporting period, the Group shall designate the entire hybrid contract as at fair value through profit or loss. The Group shall assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the Bank first becomes a party to the contract.
The separation rules for embedded derivatives are only relevant for financial liabilities.

2.10. Securities at fair value through other comprehensive income

Securities at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting of contractual cash flows and selling securities. Furthermore, the contractual terms of these securities give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

2.10. Securities at fair value through other comprehensive income [continued]

Debt instruments

Investments in debt securities are accounted for on a trade date basis and are initially measured at fair value. Securities at fair value through other comprehensive income are measured at subsequent reporting dates at fair value. Unrealized gains and losses on securities at fair value through other comprehensive income are recognized directly in Other Comprehensive Income, except for interest and foreign exchange gains/losses on monetary items, unless such financial asset at fair value through other comprehensive income is part of an effective hedge. Such gains and losses are reported when realized in Consolidated Statement of Profit or Loss for the applicable period.

For debt securities at fair value through other comprehensive income the loss allowance is calculated based on expected credit loss model. The expected credit loss is accounted for against Other Comprehensive Income.
Securities at fair value through other comprehensive income are remeasured at fair value based on quoted prices or amounts derived from cash-flow models. In circumstances where the quoted market prices are not readily available, the fair value of debt securities is estimated using the present value of future cash-flows and the fair value of any unquoted equity instruments are calculated using the EPS ratio.

Such securities consist of Hungarian and foreign government bonds, corporate bonds, mortgage bonds, interest-bearing Treasury bills, securities issued by the NBH and other securities.

Fair value through other comprehensive income option for equity instruments

The Group has elected to present in the Statement of Other Comprehensive Income changes of fair value of those equity instruments which are neither held for trading nor recognized as contingent consideration under IFRS 3.
In some cases, the Group made an irrevocable election at initial recognition for certain equity instruments to present subsequent changes in fair value of these securities in the consolidated other comprehensive income instead of in profit or loss.
The use of the fair value option is based only on direct decision of management of the Group.

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

The Group measures at amortized cost those Loans and placements with other banks and repo receivables, which are held to collect contractual cash flows, and contractual terms of these assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These loans are recognized as Loans at amortized cost in the Consolidated Statement of Financial Position. The Group recognizes those financial assets which are not held for trading and do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding as loans measured at fair value through profit or loss. These loans are recognized as Loans mandatorily at fair value through profit or loss in the Consolidated Statement of Financial Position.
Those Loans and placements with other banks and repo receivables that are accounted at amortized cost, stated at the principal amounts outstanding (including accrued interest), net of allowance for loan or placement losses, respectively.

In case of the above mentioned financial assets measured at amortised cost transaction fees and charges adjust the carrying amount at initial recognition and are included in effective interest calculation. In case of loans at fair value through profit or loss fees and charges are recognised when incurred in the Consolidated Statement of Profit or Loss.
Loans and placements with other banks and repo receivables are derecognized when the contractual rights to the cash-flows expire or they are transferred. When a financial asset is derecognized the difference of the carrying amount and the consideration received is recognized in the profit or loss in case of financial assets at amortised cost the gains or losses from derecognition are presented in “Gains/losses from derecognition of financial assets at amortised cost” line while in case of loans at fair value through profit or loss the gains or losses from derecognition are presented in “Net operating income”.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

Change in the fair value of loans at fair value through profit or loss is broken down into two components and presented in the Consolidated Statement of Profit or Loss as follows:

- Portion of the change in fair value arising from changes in credit risk are presented within “Risk cost” as “Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss”.
- The remaining component of the change is presented in fair value within “Net operating income” as “Fair value adjustment on financial instruments measured at fair value through profit or loss”.

Initially financial assets shall be recognized at fair value which is usually equal to transaction value in case of loans and placements. However, when the amounts are not equal, the initial fair value difference should be recognized.
If the fair value of financial assets is based on a valuation technique using only inputs observable in market transactions, the Group recognizes the initial fair value difference in the Consolidated Statement of Profit or Loss. When the fair value of financial assets is based on models for which inputs are not observable, the difference between the transaction price and the fair value is deferred and only recognized in profit or loss when the instrument is derecognized or the inputs became observable.

Initial fair value of loans lent at interest below market conditions is lower than their transaction price, the subsequent measurement of these loans is under IFRS 9.

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

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

When the contractual cash flows of a financial asset are modified and the modification does not result in the derecognition of the financial asset the Group recalculates the gross carrying amount of the financial asset by discounting the expected future cash flows with the original effective interest rate of the asset. The difference between the carrying amount and the present value of the expected cash flows is recognized as a modification gain or loss in the profit or loss. Interest and amortized cost are accounted using effective interest rate method.

Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and the possibility of further recovery is considered to be remote. The loan is written off against the related account “Gain / (Loss) from derecognition of financial assets at amortized cost” in the Consolidated Statement of Profit or Loss.

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

The gross amount and loss allowance of the loans shall be written off in the same amount to the estimated maximum recovery amount while the net carrying value remains unchanged. Subsequent recoveries for loans previously written-off partially or fully, which may have been derecognized from the books with no reasonable expectations for the recovery will be booked in the Consolidated Statement of Profit or Loss on “Income from recoveries of written-off, but legally existing loan” line in Risk cost.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.12. Modified assets

If the net present value of the contracted cash flows changes due to the modification of the contractual terms and it is not qualified as derecognition, modification gain or loss should be calculated and accounted for in the Consolidated Statement of Profit or Loss. Modification gain or loss is accounted in cases like restructuring – as defined in guidelines of the Group – prolongation, renewal with unchanged terms, renewal with shorter terms and prescribing capital repayment rate, if it doesn’t exist or has not been earlier.
The changes of net present value should be calculated on portfolio level in case of retail exposures. Each retail contract is restructured based on restructuring frameworks. The Group has to evaluate these frameworks (and not individual contracts). The changes of net present value should be calculated individually on contract level in case of corporate portfolio.

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

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

2.13. Purchased or originated credit impaired financial assets

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

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

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

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

The POCI qualification remains from initial recognition to derecognition in the Group’s books.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.14. Loss allowance

A loss allowance for loans and placements with other banks and repo receivables is recognized by the Group based on the expected credit loss model in accordance with IFRS 9. Based on the three-stage model the recognized loss allowance equals to 12-month expected credit loss from the initial recognition. On financial assets with significantly increased credit risk or credit impaired financial assets (based on objective evidence) the recognized loss allowance is the lifetime expected credit loss.

In the case of purchased or originated credit impaired financial assets, a loss allowance is recognized in the amount of the lifetime expected credit loss since initial recognition. The impairment gain in the Consolidated Statement of Profit or Loss is recognized if lifetime expected credit loss for purchased or originated credit impaired financial assets at measurement date is less than the estimated credit loss at initial recognition.

A loss allowance for loans and placements with other banks and repo receivables represents Management's assessment for potential losses in relation to these activities.

Loss allowance for loan and placements are determined at a level that provides coverage for individually identified credit losses. For loans for which it is not possible to determine the amount of the individually identified credit loss in the absence of objective evidence, a collective impairment loss is recognized. With this, the Group reduces the carrying amount of financial asset portfolios with similar credit risk characteristics to the amount expected to be recovered based on historical loss experience.

At subsequent measurement the Group recognizes an impairment gain or loss through "Impairment gain on POCI loans" in the Consolidated Statement of Profit or Loss as part of "Risk cost" line as an amount of expected credit losses or reversal which is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized in accordance with IFRS 9. If the reason for the impairment no longer exist the impairment is released in the Consolidated Statement of Profit or Loss for the current period.

If a financial asset, for which previously there were no indicators of significant increase in credit risk (i.e. classified in Stage 1) is subsequently classified in Stage 2 or Stage 3 then loss allowance is adjusted to lifetime expected credit loss. If a financial asset, which was previously classified in Stage 2 or Stage 3 is subsequently classified in Stage 1 then the loss allowance is adjusted to the level of 12 month expected credit loss.

Classification into risk classes

According to the requirements of the IFRS9 the Group classifies the financial assets measured at amortized cost, at fair value through other comprehensive income and loan commitments and financial guarantees into the following stages:

- Stage 1 – performing financial instruments without significant increase in credit risk since initial recognition
- Stage 2 – performing financial instruments with significant increase in credit risk since initial recognition but not credit-impaired
- Stage 3 – non-performing, credit-impaired financial instruments
- POCI – purchased or originated credit impaired

In the case of trade receivables the Group applies the simplified approach and calculates only lifetime expected credit loss. The simplified approach is the following:

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.14. Loss allowance [continued]

Classification into risk classes [continued]

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

Stage 1: financial instruments for which the events and conditions specified in respect of Stage 2 and Stage 3 do not exist on the reporting date.

A client or loan must be qualified as default if one or both the following two conditions occur:

- The client delays more than 90 days. This is considered a hard trigger.
- There is reasonable probability that the client will not pay all of its obligation. This condition is examined on the basis of probability criteria of default.

The subject of default qualification is that exposure (on-balance and off-balance) which originates credit risk (so originated from loan commitments, risk-taking contracts).

A financial instrument shows significant increase in credit risk, and is allocated to Stage 2, if in respect of which any of the following triggers exist on the reporting date, without fulfilling any of the conditions for the allocation to the non-performing stage (stage 3):

- the payment delay exceeds 30 days,
- it is classified as performing forborne,
- based on individual decision, its currency suffered a significant "shock" since the disbursement of the loan,
- the transaction/client rating exceeds a predefined value or falls into a determined range, or compared to the historic value it deteriorates to a predefined degree,
- in the case retail mortgage loans, the loan-to-value ratio exceeds a predefined rate,
- default on another loan of the retail client, if no cross-default exists,
- monitoring classification of corporate and municipal clients above different thresholds defined on group
  - financial difficulties at the debtor (capital adequacy, liquidity, deterioration of the instrument quality),
  - significant decrease of the liquidity or the activity on the active market of the financial instrument can be observed,
  - the rating of the client reflects high risk, but it is better than the default one,
  - significantly decrease in the value of the recovery from which the debtor would disburse the loan,
  - clients under liquidation.

A financial instrument is non-performing and it is allocated to Stage 3 when any of the following events or conditions exists on the reporting date:

- default (based on the group level default definition),
- classified as non-performing forborne (based on the group level forborne definition),
- the monitoring classification of corporate and municipal clients above different thresholds defined on group level (including but not limited to):
  - breaching of contracts,
  - significant financial difficulties of the debtor (like capital adequacy, liquidity, deterioration of the instrument quality),
  - bankruptcy, liquidation, debt settlement processes against debtor,
  - forced strike-off started against debtor,
  - termination of loan contract by the Bank,
  - occurrence of fraud event,
  - termination of the active market of the financial instrument.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.14. Loss allowance [continued]

Classification into risk classes [continued]

If the exposure is no longer considered as credit impaired, the Group allocates this exposure to Stage 2.

When loss allowance is calculated at exposures categorized into stages the following process is needed by stages:

- Stage 1 (performing): loss allowance at an amount equal to 12-month expected credit loss should be recognized,
- Stage 2 (significant increase in credit risk): loss allowance at an amount equal to lifetime expected credit loss should be recognized,
- Stage 3 (non-performing): loss allowance at an amount equal to lifetime expected credit loss should be recognized.

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

An entity shall measure expected credit losses of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- the time value of money and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2.15. Sale and repurchase agreements, security lending

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

2.16. Associates and other investments

Companies where the Bank has the ability to exercise significant influence are accounted for using the equity method. Subsidiaries and associated companies that were not accounted for using the equity method and other investments where the Bank does not hold a significant interest are recorded according to IFRS 9. When an investment in an associate is held indirectly through an entity that is a venture capital fund, the Group elects to measure these investments in the associate at fair value through profit or loss in accordance with IFRS 9.

Under the equity method, the investment is initially recognized at cost, and the carrying amount is adjusted subsequently for:

- the Group's share of the post-acquisition profits or losses of the investee, which are recognized in the Group's Consolidated Statement of Profit or Loss; and
- the distributions received from the investee, which reduce the carrying amount of the investment.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.16. Associates and other investments [continued]

The Group's share of the profits or losses of the investee, or other changes in the investee's equity, is determined on the basis of its proportionate ownership interest. The Group recognizes its share of the investee's income and losses based on the percentage of the equity interest owned by the Group.

Gains and losses on the sale of investments are determined based on the specific identification of the cost of each investment.

2.17. Property and equipment, Intangible assets

Property and equipment and Intangible assets are measured at cost, less accumulated depreciation and amortization and impairment, if any.
Internally generated intangibles, excluding capitalized development costs, are not capitalized – the related expenditures are accounted as cost in the period in which they are incurred. Development costs are capitalized only when the technical and commercial feasibility of the asset has been clearly demonstrated, the Group has the intent and ability to complete the intangible asset and either use it or sell it and be able to demonstrate how the asset will generate future economic benefits. Amortization of these type of assets begins when development is completed, and the asset is available for use. During the period of development, the asset is tested for impairment annually.
The Group lists mainly self-developed software among internally generated intangible assets.
The depreciable amount (book value less residual value) of the non-current assets must be allocated over the useful lives.

Depreciation and amortization are computed usually by using the straight-line method over the estimated useful lives of the assets based on the following annual percentages:

	Annual percentages	Useful life period (years)
Intangible assets		
Software	8.3% - 100.0%	1 – 12
Property right	16.7% - 33.3%	3 – 6
Property	1.0% - 50.0%	2 – 100
Machinery and office equipment	2.0% - 50.0%	2 – 50
Vehicle	3.0% - 33.3%	3 – 30

Depreciation and amortization on Property and equipment and Intangible assets commence on the day such assets are ready to use.

At each balance sheet date, the Group reviews the carrying value of its Property and equipment and Intangible assets to determine if there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent (if any) of the impairment loss.
Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.
Where the carrying value of Property and equipment and Intangible assets is greater than the estimated recoverable amount, it is impaired immediately to the estimated recoverable amount.

The Group may conclude contracts for purchasing property, equipment and intangible assets, where the purchase price is settled in foreign currency. By entering into such agreements, firm commitment in foreign currency due on a specified future date arises at the Group.
Reducing the foreign currency risk caused by firm commitment, forward foreign currency contracts may be concluded to ensure the amount payable in foreign currency on a specified future date on one hand and to eliminate the foreign currency risk arising until settlement date of the contract on the other hand.
In the case of an effective hedge the realized profit or loss of the hedging instrument is stated as the part of the cost of the hedged asset as it has arisen until recognizing the asset.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.18. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.
The Group uses generally FIFO formulas to the measurement of inventories.
Inventories are removed from books when they are sold, unusable or destroyed. When inventories are sold, the carrying amount of those inventories are recognized as an expense in the period in which the related revenue is recognized.
Repossessed assets are classified as inventories. The Group's policy is to sell repossessed assets and not to use them for its internal operations.

2.19. Government grants and government assistance

The Group recognise government grants only when there is a reasonable assurance that the grant will be received, and all attached conditions will be complied with.
The Group presents grants relating to assets as deferred income in the Consolidated Statement of Financial Position, which is recognized in profit or loss on a systematic basis over the useful life of the asset.
Grants related to an expense item are recorded as another operating income in those periods when the related costs were recognized.

2.20. Financial liabilities

The financial liabilities are presented within these lines in the Consolidated Financial Statements:

- Amount due to banks, the National Governments, deposits from the National Banks and other banks
- Repo liabilities
- Financial liabilities designated at fair value through profit or loss
- Deposits from customers
- Liabilities from issued securities
- Derivative financial liabilities held for trading
- Derivative financial liabilities designated as hedge accounting
- Other financial liabilities

At initial recognition, the Group measures financial liabilities at fair value plus or minus – in the case of a financial liability not at fair value through profit or loss – transaction costs that are directly attributable to the acquisition or issue of the financial liability.

Usually, the initial fair value of financial liabilities equals to transaction value. However, when the amounts are not equal, the initial fair value difference should be recognized.
If the fair value of financial liabilities is based on a valuation technique using only inputs observable in market transactions, the Group recognizes the initial fair value difference in the Consolidated Statement of Profit or Loss. When the fair value of financial liabilities is based on models for which inputs are not observable, the difference between the transaction price and the fair value is deferred and only recognized in profit or loss when the instrument is derecognized or the inputs became observable.

Financial liabilities at fair value through profit or loss are either financial liabilities held for trading or they are designated upon initial recognition as at fair value through profit or loss.
In connection to the derivative financial liabilities measured at fair value through profit or loss, the Group presents the amount of change in their fair value originated from the changes of market conditions and business environment.

The Group designated some financial liabilities upon initial recognition to measure at fair value through profit or loss. This classification eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases ("accounting mismatch"). The changes in fair value of these liabilities are recognized in profit or loss, except the fair value changes attributable to credit risk which are recognized among other comprehensive income.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.20. Financial liabilities [continued]

In the case of financial liabilities measured at amortized cost fees and commissions related to the origination of the financial liability are recognized through profit or loss during the maturity of the instrument using effective interest method. In certain cases, the Group repurchases a part of financial liabilities (mainly issued securities or subordinated bonds) and the difference between the carrying amount of the financial liability and the amount paid for it is recognized in the net profit or loss for the period and included in other operating income.

2.21. Leases

The Group as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Lease classification is made at the inception date and is reassessed only if there is a lease modification.

Finance leases

At the commencement date, a lessor derecognizes the assets held under a finance lease in the Consolidated Statement of Financial Position and present them as a receivable at an amount equal to the net investment in the lease. The lessor shall use the interest rate implicit in the lease to measure the net investment in the lease. Direct costs such as commissions are included in the initial measurement of the finance lease receivables.
The Group as a lessor recognizes finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease. The Group applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease (for more details, see Note 2.14.).

Operating leases

The Group as a lessor recognizes lease payments from operating leases as income on either a straight-line basis or another systematic basis. Costs, including depreciation, incurred in earning the lease income are recognized as an expense.
Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as an expense over the lease term on the same basis as the lease income.
The depreciation policy for depreciable underlying assets subject to operating leases is consistent with the Group's normal depreciation policy for similar assets. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

The Group as a lessee

The Group recognizes a right-of-use asset and a lease liability at the commencement of the lease term except for short-term leases and leases, where the underlying asset is of low value (less than USD 5,000). For these leases, the Group recognizes the lease payments as an expense on either a straight-line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the lessee's benefit.

Deferred tax implication if the Group is lessee: At the inception of the lease, there is no net lease asset or liability, no tax base and, therefore, no temporary difference. Subsequently, as depreciation on the right-of-use asset initially exceeds the rate at which the debt reduces, a net liability arises resulting in a deductible temporary difference on which a deferred tax asset should be recognized if recoverable. Assuming that the lease liability is not repaid in advance, the total discounted cash outflows should equal the total rental payments deductible for income tax purposes.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.21. Leases [continued]

Right-of-use asset

The right-of-use assets are presented separately in the Consolidated Statement of Financial Position and initially measured at cost, subsequently the Group applies the cost model and these assets are depreciated on a straight line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the right-of-use asset are depreciated from the commencement date to the end of the useful life of the underlying asset.

Lease liability

At the commencement date, the lease liability is measured at the present value of the lease payments that are not paid at that date discounted by using the rate implicit in the lease, or if this cannot be determined, by using the incremental borrowing rate of the Group.Variable lease payments that do not depend on an index or a rate but e.g. on revenues or usage are recognized as an expense. The Group always separates the non-lease components of the lease contracts and accounts them as an expense. Lease payments must be included in the measurement of the lease liability without value added taxes. Non-deductible VAT is recognized as other expense.

The lease liability is remeasured in the event of a reassessment of the lease liability or lease modification

2.22. Investment properties

Investment properties of the Group are land, buildings, part of buildings which held (as the owner or as the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use in the production or supply of services or for administrative purposes or sale in the ordinary course of business. The Group measures the investment properties at cost less accumulated depreciation and impairment, if any.
The depreciable amount (book value less residual value) of the investment properties must be allocated over their useful lives. The depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets.
The Group discloses the fair value of the investment properties in Note 14 established mainly by external experts.

2.23. Share capital

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

2.24. Treasury shares

Treasury shares are shares which are purchased on the stock exchange and the over-the-counter market by the Bank and its subsidiaries and are presented in the Consolidated Statement of Financial Position at cost as a deduction from Consolidated Shareholders' Equity.
Gains and losses on the sale of treasury shares are credited or charged directly to shareholder's equity.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.25. Non-current assets held-for-sale and discontinued operations

A discontinued operation is a component of an entity that either has been disposed of or is classified as held-for-sale. Hereinafter non-current assets classified as held-for-sale, disposal group and discontinued operations are referred to as assets in accordance with IFRS 5.
The Group classifies assets under IFRS 5 if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The Group does not account for an asset under IFRS 5 that has been temporarily taken out of use as if it had been abandoned.
The Group measures an asset under IFRS 5 at the lower of its carrying amount and fair value less costs to sell. When the sale is expected to occur beyond one year, the Group measures the costs to sell at their present value.

Any increase in the present value of the costs to sell that arises from the passage of time shall be presented in profit or loss. Immediately before the initial classification of the asset under IFRS 5, the carrying amounts of the asset (or all the assets and liabilities in the group) are measured in accordance with applicable IFRS.

The Group does not depreciate (or amortize) an asset under IFRS 5 while it is classified as asset in accordance with IFRS 5. Interest and other expenses attributable to the liabilities of the asset under IFRS 5 shall continue to be recognized.

If the Group has classified an asset under IFRS 5, but the criteria for that are no longer met, the Group ceases to classify the asset under IFRS 5. The Group measures these assets which cease to be classified as asset under IFRS 5 at the lower of:

- its carrying amount before the asset was classified as asset under IFRS 5, adjusted for any depreciation, amortisation or revaluations that would have been recognized had the asset not been classified as asset under IFRS 5, and
- its recoverable amount at the date of the subsequent decision not to sell.

The Group presents an asset classified as asset under IFRS 5 separately from other assets in the Consolidated Statement of Financial Position. The liabilities of the asset under IFRS 5 are presented separately from other liabilities in the Consolidated Statement of Financial Position. Those assets and liabilities shall not be offset and presented as a single amount. The major classes of assets and liabilities classified as held for sale or discontinued operations are separately disclosed in the Notes.
The Group presents separately any cumulative income or expense recognized in other comprehensive income relating to a non-current asset (or disposal group) classified as held for sale. Results from discontinued operations are reported separately in the Consolidated Statement of Profit or Loss as result from discontinued operations.

2.26. Interest income and income similar to interest income and interest expense

Interest income and expense are recognized in profit or loss in the period to which they relate, using the effective interest rate method.
For exposures categorized into Stage 1 and Stage 2 the interest income is recognized on a gross basis. For exposures categorized into Stage 3 (using effective interest rate) and for POCI (using credit-adjusted effective interest rate) the interest income is recognized on a net basis.
The time-proportional income similar to interest income of derivative financial instruments is calculated without using the effective interest method and the positive fair value adjustment of interest rate swaps are included in income similar to interest income.

Interest income of loans at fair value through profit or loss is calculated based on interest fixed in the contract and presented in “Income similar to interest income” line.
Interest from loans and deposits are accrued on a daily basis. Interest income and expense include certain transaction costs and the amortisation of any discount or premium between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

All interest income and expense recognized are arising from loans, placements with other banks, repo receivables, securities at fair value through other comprehensive income, securities at amortized cost and amounts due to banks, repo liabilities, deposits from customers, liabilities from issued securities, subordinated bonds and loans are presented under these lines of Consolidated Financial Statements.

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 earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. When the Group provides a service to its customers, consideration is invoiced and generally due immediately because it typically controls the services before transferring them to the customer.

The Group provides foreign exchange trading services to its customers, the profit margin achieved on these transactions is presented as Net profit from fees and commissions in the Consolidated Statement of Profit or Loss. The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 32.

2.28. Profit from associates

Profit from associates refers to any distribution of an entity earnings to shareholders from stocks or mutual funds that is owned by the Group. The Group recognizes profit from associates in the Consolidated Financial Statements when its right to receive payment is established.

2.29. Income tax

The Group considers corporate income tax as current tax according to IAS 12. The Group also considers local business tax and the innovation contribution as income tax in Hungary.
The annual taxation charge is based on the tax payable under fiscal regulations prevailing in the country where the company is incorporated, adjusted for deferred taxation. Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences between the tax bases of assets and liabilities and their carrying value for financial reporting purposes, measured at the tax rates that apply to the future period when the asset is expected to be realized or the liability is settled.

Current tax asset or current tax liability is presented related to income tax and innovation contribution separately in the Consolidated Statement of Financial Position.

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

The Group recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint arrangements, to the extent that, and only to the extent that, it is probable that:
- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

The Group considers the availability of qualifying taxable temporary differences and the probability of other future taxable profits to determine whether future taxable profits will be available according to IAS 12.
The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, except to the extent that both of the following conditions are satisfied:
- the Bank is able to control the timing of the reversal of the temporary difference, and
- it is probable that the temporary difference will not reverse in the foreseeable future.

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

2.30. Banking tax

The Bank and some of its subsidiaries are obliged to pay banking tax based on Act LIX of 2006. As the calculation is not based on the taxable profit but on the adjusted total assets as reported in the Separate Financial Statements of the Bank and its entities for the second period preceding the current tax year, therefore, the banking tax is considered as another administrative expense, not as income tax. Pursuant to Government Decree No. 197/2022 published on 4 June 2022, the Hungarian Government decided to impose a windfall tax on credit institutions and financial enterprises temporarily, that is for 2022 and 2023. As for 2022, the base of the windfall tax is the net revenues based on the 2021 financial statements, calculated according to local tax law, whereas the tax rate is 10%.

2.31. Off-balance sheet commitments and contingent liabilities

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

In the case of commitments and contingent liabilities, the Management determines the adequacy of the loss allowance based upon reviews of individual items, recent loss experience, current economic conditions, the risk characteristics of the various categories of transactions and other pertinent factors. The Group recognizes provision for off-balance sheet commitment and contingent liabilities in accordance with IAS 37 when it has a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the obligation. For financial guarantees and loan commitments given which are under IFRS 9 the expected credit loss model is applied when the provision is calculated (see more details in Note 2.14.). After initial recognition the Group subsequently measures those contracts at a higher of the amount of the loss allowance or of the amount initially recognised less the cumulative amount of income recognized in accordance with IFRS 15.

2.32. Share-based payment

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

The Group issues equity-settled share-based payment to certain employees. Equity-settled share-based payment is measured at fair value at the grant date. The fair value determined at the grant date of the equity-settled share-based payment is expensed on a straight-line basis over the year, based on the Group’s estimate of shares that will eventually vest. Share-based payment is recorded in Consolidated Statement of Profit or Loss as Personnel expenses.

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

2.33. Employee benefits

The Group has applied the requirement of IAS 19 Employee Benefits. These benefits are recognised as an expense and liability undiscounted in the Consolidated Financial Statements. Liabilities are regularly remeasured. Gains or losses due to the remeasurement are recognised in the Consolidated Statement of Profit or Loss.

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. These can be wages, salaries and bonuses, premium, paid annual leave and paid sick leave and other free services (health care, reward holiday). Long-term employee benefits are mostly the jubilee reward.

Post-employment benefits are employee benefits (other than termination and short-term employee benefits) that are payable after the completion of employment. Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees. Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans, depending on the economic substance of the plan as derived from its principal terms and conditions.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]**

2.33. Employee benefits [continued]

Defined benefit plan is post-employment benefit plans other than defined contribution plan. The Group's net obligation is calculated by estimating the amount of employee's future benefit based on their services for the current and prior periods. The future value of benefit is being discounted to present value.

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either: an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. Other long-term employee benefits are all employee benefits other than short-term employee benefits, postemployment benefits and termination benefits.

2.34. Biological assets and agricultural produce

The Group recognises a biological asset or agricultural produce according to IAS 41 only when it controls the asset as a result of past events, it is probable that future economic benefits will flow and the fair value or the cost can be measured reliably.
Biological assets are measured on initial recognition and at subsequent periods at fair value less estimated costs to sell unless fair value cannot be reliably measured.
Agricultural produce is measured at fair value less estimated costs to sell at the point of harvest.
The gain on initial recognition of biological assets at fair value less costs to sell, and changes in fair value less costs to sell of biological assets during a period are included in profit or loss for the period in which it arises as other operating income.

2.35. Consolidated Statement of Cash-flows

Cash flows arising from the operating, investing or financing activities are reported in the Statement of Cash-Flows of the Group primarily on a gross basis. Net basis reporting are applied by the Group in the following cases:
- when the cash flows reflect the activities of the customer rather than those of the Group, and
- for items in which the turnover is quick, the amounts are large, and the maturities are short.

For the purposes of reporting Consolidated Statement of Cash-flows, cash and cash equivalents include cash, due from banks and balances with the National Banks, excluding the compulsory reserve established by the National Banks. This line item shows balances of HUF and foreign currency cash amounts, and sight deposit from NBH and from other banks, furthermore, balances of current accounts.
Consolidated cash-flows from hedging activities are classified in the same category as the item being hedged. The unrealized gains and losses from the translation of monetary items to the closing foreign exchange rates and unrealized gains and losses from derivative financial instruments are presented net as operating activity separately in the Consolidated Statement of Cash-flows for the monetary items which have been revaluated.

2.36. Segment reporting

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.
Based on the above, the segments identified by the Group are the business and geographical segments.
The Group's operating segments under IFRS 8 are therefore as follows: OTP Core Hungary, Russia, Ukraine, Bulgaria, Romania, Serbia, Croatia, Montenegro, Albania, Moldova, Slovenia, Merkantil Group, Asset Management subsidiaries, Other subsidiaries, Corporate Center.

2.37. Comparative balances

These Consolidated Financial Statements are prepared in accordance with the same accounting policies in all respects as the Consolidated Financial Statements prepared in accordance with IFRS as adopted by the European Union for the year ended 31 December 2022.

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

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

3.1. Loss allowances on financial instruments exposed to credit risk

The Group regularly assesses its financial instruments portfolio for loss allowance. Management determines the adequacy of the loss allowances based upon reviews of individual loans and placements, recent loss experience, current economic conditions, the risk characteristics of the various categories of loans and other pertinent factors. The use of the three-stage model was implemented for IFRS 9 purposes. The impairment methodology is used to classify financial instruments in order to determine whether credit risk has significantly increased since initial recognition and to identify the credit-impaired assets. For instruments with credit-impairment or significant increase of credit risk lifetime expected losses are recognized (see more details in Note 37.1.)

3.2. Valuation of instruments without direct quotations

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

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

3.3. Provisions

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

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

Other provision includes provision for litigation, provision for retirement and expected liabilities and provision for confirmed letter of credit.

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

3.4. Impairment on goodwill

Goodwill acquired in a business combination is tested for impairment annually or more frequently when there is an indication that the unit might be impaired, in accordance with IAS 36 “Impairment of assets”.
The Group calculates the fair value based on discounted cash-flow model. The 3-year period explicit cash-flow model serves as a basis for the impairment test by which the Group defines the impairment need on goodwill based on the strategic factors and financial data of its cash-generating units. In the calculation of the goodwill impairment, also the expectations about possible variations in the amount or timing of those future cash-flows, the time value of money, represented by the current market risk-free rate of interest and other factors are reflected.

3.5. Business model

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

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

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

If cash flows are realised in a way that is different from the expectations at the date that the Bank/Group assessed the business model, that does not give rise to a prior error in the Group’s financial statements nor does it change the classification of the remaining financial assets held in that business model.
When, and only when the Group changes its business model for managing financial assets it reclassifies all affected assets. Such changes are determined by the Group’s senior management as a result of external or internal changes and must be significant to the Group’s operations and demonstrable to external parties. The Group shall not reclassify any financial liability.

3.6. Contractual cash-flow characteristics of financial assets

Classification of a financial asset is based on the characteristics of its contractual cash flows if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. The Group should determine whether the asset’s contractual cash flows are solely payments of principal and interest on the principal amount outstanding (SPPI test). Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement.

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

3.6. Contractual cash-flow characteristics of financial assets [continued]

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

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

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

NOTE 4: MACRO ENVIRONMENT, IMPACT OF ECONOMIC SITUATION ON THE GROUP

Macro economy and financial situation in Hungary

In the second half of 2022, inflation turned around – first in the USA and then in the Eurozone, and the indicator began to decline. Nevertheless, central banks continued their interest rate hike cycles in the first half of 2023, so that the nascent disinflation could become broad-based, and thereby ensure that inflation returns to the target in the future. By the middle of the year, the Fed and the ECB raised their key interest rates to 5.25-5.5% and 3.75%, respectively, and the expected interest rate peak will most likely be 25, but maximum 50 basis points above these levels. However, an increasing number of top central bank decision-makers opine that it would make sense to wait for the effect of the previous interest rate hikes, that is, central banks may soon adopt a "wait and see" approach after the previous tightening cycle.
In terms of growth, both major economies surpassed expectations; the USA and the eurozone avoided recession in the first half of the year. Nonetheless, growth seems unlikely to shift into higher gear in the second half-year, due to the decline in credit demand, the ailing real estate market, and China's slowing growth.
The Hungarian economy sank into recession in the second half of 2022 as the effect of rising inflation reduced real income and the previous economic policy stimuli have run their course. The Hungarian economy could not get out of recession in the first half of 2023 either: its output shrank in both the first and second quarters on a quarter/quarter basis. This makes it increasingly likely that GDP may contract in 2023 as a whole: depending on the strength of the turnover that is expected in the second half, the economy's performance may contract by 0.5-1% in 2023 as a whole. Since real wage growth had already turned positive in month-on-month comparison by the mid-2023, the ailing household consumption is expected to recover in the second half of this year. However, the expected further decline in investment and the weakening European economy may cast a shadow on that.
After inflation peaked above 25% at the beginning of 2023, disinflation started early in the second quarter. The stabilizing exchange rate, the sharp fall in energy and agricultural product prices, and declining household consumption all played significant role in this. On account of the starting disinflation, inflation may reach single digits by the last quarter of 2023, and it may be around 17.5% for the full year.
In the first quarter, Hungary's current account deficit fell to 3.5% of GDP from last year's above-8% reading, and already showed a 1.5% surplus in the second one, thanks to normalizing energy prices, increasing exports, and easing import need as domestic demand subsided. Based on the first half-year's data, the current account deficit may fall to around 1% of GDP in 2023.
Hungary's significantly improved external balance position reduced the pressure on the forint's exchange rate, which, together with the nascent disinflation, made it possible for the central bank to start the interest rate cut cycle. We expect that the interest rate reduction that began in May will continue throughout the year with 100 bps steps, thus the benchmark interest rate level could drop to 10% by the end of 2023.
The falling real income and high interest rates significantly slowed credit market's growth. The strongest slowdown was seen in the housing loan market, where in the first half of 2023 – after the Green Home Programme ended – the contractual amount fell to about a third of the level seen in the first half of 2022. However, the plunge already occurred in the second half of 2022, and the new contractual amount showed stabilization in the first half of 2023, albeit at the said low level.
The flow of net new savings began to improve in 2023 from a very low level in the second half of 2022, as consumption began to adjust to falling real wages. Due to the high interest rate environment and the social contribution tax imposed on savings from 1 July, the portfolio reallocation continued: the sight deposit stock fell, while the inflow to mutual funds and government securities increased.

Summary of economic policy measures made and other relevant regulatory changes in the period under review

In the section below, the measures and developments which have been made since the beginning of 2023, 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.

Windfall tax

- On 24 April 2023 Government Decree No. 144/2023 was published amending the previously laid down methodology of windfall tax calculation for the second half of 2023.
  According to the new rules, the gross amount of the windfall tax for the year 2023 changed to HUF 41 billion in the case of OTP Group.

NOTE 4: MACRO ENVIRONMENT, IMPACT OF ECONOMIC SITUATION ON THE GROUP [continued]

Summary of economic policy measures made and other relevant regulatory changes in the period under review [continued]

Windfall tax [continued]

- Government decree No. 206/2023 (V.31.) published on 31 May 2023 outlined the details of the extra profit tax payable by credit institutions in 2024. The basis of the tax is the 2022 profit before tax (adjusted for several items). The tax rate is 13% for the part of the tax base that does not exceed HUF 20 billion, and 30% for the amount above HUF 20 billion. According to the decree, if the average amount of Hungarian government bonds owned by the financial institution increases over a certain period, the windfall tax payable by the credit institution will be reduced. The reduction cannot be more than 10% of the increase in government bond holdings and cannot exceed 50% of the windfall tax payment obligation calculated without the reduction.
  The gross amount of the windfall tax for the year 2024 will be HUF 13 billion in the case of the Hungarian Group members, which can be reduced to HUF 6.5 billion subject to the increase in government bond holdings. As for timing, the HUF 13 billion gross annual tax obligation is expected to be recognized in one sum in 1Q 2024, whereas the reduction might be booked in 4Q 2024 subject to the fulfilment of the criteria.

Interest rate cap:

Government decree No. 175/2023. (V. 12.) published on 12 May 2023 further extended the interest rate cap scheme by 6 months, until the end of 2023, in the case of the affected floating and fixed rate residential mortgages, as well as floating rate micro and small enterprises loan and leasing contracts.

Savings, government bond market:

- Pursuant to Government decree No. 205/2023. (V. 31.), effective from 1 July 2023, on top of the existing 15% interest tax, an additional 13% social contribution tax was introduced temporarily for certain savings forms. The tax base is the interest income as defined by the PIT law, earned by natural persons after 1 July 2023 on bank deposits placed or certain securities (except for real estate investment fund investment certificates) purchased after 1 July.
- Pursuant to Government decree No. 208/2023. (V. 31.), effective from 1 July 2023 the weight of securities in the portfolio of bond funds, equity funds and mixed funds must be at least 60%. Furthermore, from 1 August no more than 5% of the assets of these securities funds can be invested in debt securities other than HUF denominated government securities.
- According to Government decree No. 209/2023. (V. 31.), between 1 October 2023 and 31 December 2023 credit institutions shall send a warning notice to their natural person clients with bank account contracts about how much more interest they could have earned in a specific period with an investment of HUF 100,000, HUF 500,000 and HUF 1,000,000 if they had invested in retail government securities instead of bank deposits.

Family support schemes

- Baby loan: in line with Government decree No. 303/2023. (VII. 11.), from 1 January 2024 the maximum amount of baby loan will increase from HUF 10 to 11 million, and those families will be eligible where the wife is below the age of 30 years. Also, the clause that baby loan contracts can be entered into by the end of this year lost effect, so the scheme will remain in place indefinitely. As for the interest rate fixation periods, in contrast to the current situation that the baby loans reprice in every 5 years, from 2024 the interest rate of newly contracted baby loans will be fixed for 1 year during the first 2 years, then the baby loans will have a 3-year rate fixation period.
- Housing Subsidy for Families (CSOK), village CSOK: from 1 January 2024 the village CSOK non-refundable amounts will increase, but in towns and settlements with more than 5,000 inhabitants the CSOK subsidy will no longer be available.

NOTE 4: MACRO ENVIRONMENT, IMPACT OF ECONOMIC SITUATION ON THE GROUP [continued]

Summary of economic policy measures made and other relevant regulatory changes in the period under review [continued]

Capital regulation

On 22 June 2023 the national bank announced that it postpones the activation of the Countercyclical Capital Buffer rate of 0.5% planned from 1 July 2023 by one year to 1 July 2024. In addition, it preventively reactivates the Systemic Risk Buffer aimed at risks related to commercial real estate loans (especially non-performing loans).

Mandatory minimum reserve requirements

Pursuant to NBH decree No. 6/2023. (III. 8.) and NBH decree No. 11/2023. (III. 31.), from April the minimum reserve requirement was increased to 10%, and the effective rate paid on the reserves was reduced to 9.75% from the previous 13%, since the national bank doesn't pay any interest for the first 2.5% reserve requirement, and for the remaining amount the national bank pays the base rate.
NBH decree No. 25/2023. (VI. 14.) amended the reserve requirement rules: among others, from 1 July 2023 up to 15% of the minimum reserve requirement can be met by central bank deposits with at least 14 days original maturity. Also, from July until further notice (by the end of the year according to plans) the reserve requirement will be based on the volumes in the statistical balance sheet as at 31 March 2023.

The principles used in the preparation of the Consolidated Statement of Financial Position as at 30 June 2023 in connection with the evaluation of Russian and Ukrainian exposures

Going concern principle

On 24 February 2022 Russia launched a military operation against Ukraine, which is still ongoing even as of the date of these Consolidated Financial Statements. Until now many countries, as well as the European Union imposed sanctions due to the armed conflict on Russia and Russian businesses and citizens. Russia responded to these sanctions with similar measures.
The armed conflict and the international sanctions influence the business and economic activities significantly all around the world.
Under an unexpected and extremely negative scenario of deconsolidating the Ukrainian entity and writing down the outstanding gross intragroup exposures as well, the effect for the consolidated CET1 ratio would be -14 bps, whereas in the case of Russia the impact would be -46 bps, based on the end of June 2023 numbers.

OTP Group's Ukrainian operation incorporates the Ukrainian bank, as well as the leasing and factoring companies. The country-consolidated Ukrainian total assets represented HUF 974 billion at the end of June 2023 (2.6% of total consolidated assets), while net loans comprised HUF 317 billion (1.5% of consolidated net loans) and shareholders' equity amounted to HUF 143 billion (4.0% of the consolidated total equity).
At the end of June 2023, the gross intragroup funding towards the Ukrainian operation represented HUF 79 billion, while taking into account the Ukrainian deposits placed with the Headquarters, i.e. the net group funding stood at HUF 64 billion equivalent deposit placed by the Ukrainian operation (i.e. Ukraine funded the Group).
In January-June 2023 the Ukrainian operation posted an adjusted profit after tax of HUF 30.4 billion, against the HUF 15.9 billion loss suffered in the whole last year.

The total assets of the Group's Russian operation represented HUF 1.128 billion at the end of June 2023 (3.1% of consolidated total assets), while net loans comprised HUF 493 billion (2.4% of consolidated net loans) and shareholders' equity HUF 278 billion (7.7% of consolidated total equity).
As the Russian subsidiary repaid its maturing intragroup loans in 4Q 2022, the gross intragroup funding towards the Russian operation declined to zero. At the end of June 2023, the intragroup subordinated loan exposure toward the Russian operation amounted to HUF 9 billion equivalent.
The Russian operation posted HUF 51.3 billion adjusted profit in 1H 2023, after the HUF 42.5 billion profit reached in full-year 2022.
In the case of Ukraine and Russia OTP management applies a „going concern" approach, however in Russia the management is still considering all strategic options, though a Russian Presidential decree in October 2022 prohibited the sale of foreign owned banks.

NOTE 4: MACRO ENVIRONMENT, IMPACT OF ECONOMIC SITUATION ON THE GROUP [continued]

The principles used in the preparation of the Consolidated Statement of Financial Position as at 30 June 2023 in connection with the evaluation of Russian and Ukrainian exposures [continued]

Going concern principle [continued]

Based on the current evaluation of the Bank's management, the Ukrainian-Russian conflict does not have a significant negative impact on the OTP Group's business activities, financial situation, effectiveness of its activities, liquidity, and capital situation. Even after the recognition of the potential losses and write-offs outlined above, the Group's capital adequacy remains above the expected regulatory level. There is no sign of significant uncertainties having been arisen regarding carrying out its business as a going concern.

Significant estimates affected by the Russian-Ukrainian conflict during the preparation of these Consolidated Financial Statements

During the preparation of these Consolidated Financial Statements, the Group identified the following estimates, which were significantly affected by the Russian-Ukrainian conflict:

1) Evaluation of Russian sovereign exposures (government securities) and related reserves for expected credit losses
   a) exposures of the Russian subsidiary bank
   b) exposures of other members of the group (parent company and subsidiaries)
2) Evaluation of Ukrainian sovereign exposures (government securities) and related reserves for expected credit losses
   a) exposures of the Ukrainian subsidiary bank
   b) exposures of other members of the group (parent company and subsidiaries)
3) evaluation of derivative transactions denominated in Russian rubles
4) evaluation of derivative transactions denominated in the Ukrainian hryvnia
5) claims against Russian and Ukrainian central banks, provisions for expected credit losses related to Russian and Ukrainian interbank claims and customer loans
   a) the impact of the deterioration of the Russian and Ukrainian macro-environment
   b) following direct exposure to the Russian and Ukrainian markets, non-Russian and Ukrainian bank exposures
   c) exposures of Russian and Ukrainian subsidiary banks
6) evaluation of goodwill
7) deferred tax assets

NOTE 4: MACRO ENVIRONMENT, IMPACT OF ECONOMIC SITUATION ON THE GROUP [continued]

The principles used in the preparation of the Consolidated Statement of Financial Position as at 30 June 2023 in connection with the evaluation of Russian and Ukrainian exposures [continued]

Significant estimates affected by the Russian-Ukrainian conflict during the preparation of these Consolidated Financial Statements [continued]

	Russia			Ukraine			Other countries		
	Reference	Gross value	Impairment / Depreciation	Reference	Gross value	Impairment / Depreciation	Reference	Gross value	Impairment / Depreciation
Cash, amounts due from banks and balances with the National Banks		56,835	-		89,705	-		-	-
Placements with other banks	5	485,513	-	5	46,247	(314)		-	-
Repo receivables		-	-		2,274	(106)		-	-
Financial assets at fair value through profit or loss - derivatives	3	2,312	-	4	26	-		-	-
Securities at fair value through other comprehensive income	1a	20,566	-	2a	59,798	-	1b; 2b	40,974	(27,543)
Securities at amortized cost		-	-	2a	286,641	(29)	1b; 2b	33,684	(11,508)
Loans at amortized cost	5	622,817	(129,642)	5	280,920	(71,258)	5	-	-
Finance lease receivables		-	-		132,361	(25,288)		-	-
Associates and other investments		2	(2)		-	-		-	-
Property and equipment		30,668	(19,534)		13,125	(6,846)		-	-
Intangible assets and goodwill		27,724	(14,106)		9,719	(6,011)	6	40,866	(40,866)
Right-of-use assets		16,746	(8,403)		5,753	(3,533)		-	-
Investment properties		-	-		228	-		-	-
Derivative financial assets designated as hedge accounting	3	1,408	-	4	-	-		-	-
Deferred tax assets	7	12,862	-	7	-	-		-	-
Current income tax receivables		38	-		-	-		-	-
Other assets		31,035	(6,703)		9,108	(958)		4,497	(1,536)
TOTAL ASSETS		**1,308,526**	**(178,390)**		**935,905**	**(114,343)**		**120,021**	**(81,453)**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks		17,092	-		16,439	-		-	-

NOTE 4: MACRO ENVIRONMENT, IMPACT OF ECONOMIC SITUATION ON THE GROUP [continued]

The principles used in the preparation of the Consolidated Statement of Financial Position as at 30 June 2023 in connection with the evaluation of Russian and Ukrainian exposures [continued]

Significant estimates affected by the Russian-Ukrainian conflict during the preparation of these Consolidated Financial Statements [continued]

During the evaluation of these assets, the Group applied the evaluation principles detailed below, which evaluation contains significant estimates on the part of the Management. The results of the estimates may vary significantly depending on the development of the situation in the Russian-Ukrainian conflict.

References
1a. Evaluation of Russian sovereign exposures and related reserves for expected credit losses - exposures of the Russian subsidiary bank

Within Russia, Russian government securities are marketable, and their repayment is expected to take place in accordance with the original conditions. The fair value calculation of securities is based on market prices available and observable on local trading platforms Due to the increased credit risk, the Bank classified these securities in the Stage 2 category.

1b. Evaluation of Russian sovereign exposures and related reserves for expected credit losses - other exposures of the group

Outside of Russia, the marketability of Russian government securities is significantly limited due to sanctions and capital market participants turning away from Russian securities. The credit rating of the Russian state was withdrawn in 2022, the Group classifies the Russian state as non-performing, and in accordance with this, it assigned the affected exposures to the Stage 3 category. The Russian state not only recognizes its obligation and has the necessary financial reserves, but would also be willing to pay, so the increased loss potential is caused by non-traditional credit risks. In the case of a portfolio valued at fair value against other comprehensive income, the book value is determined based on the level 3 prices of IFRS13. Cash-flow estimation, current market benchmarks (provided by Bloomberg), liquidity and non-credit risk considerations were taken into account in fair value calculation.

2a. Valuation of Ukrainian sovereign exposures and related reserves for expected credit losses - exposures of the Ukrainian subsidiary bank

The marketability of local government securities and the liquidity of the market are limited in Ukraine
Ukrainian government securities can only be found in the books of the Ukrainian subsidiary, due to the increased credit risk, these exposures are classified as Stage2. In the case of a portfolio valued at fair value against other comprehensive results, the book value is determined based on the level 3 prices of IFRS13. During the actual evaluation, the expected cash flow is discounted using yield curves observed based on current market benchmarks (published by the National Bank of Ukraine).

2b. Valuation of Ukrainian sovereign exposures and related reserves for expected credit losses - other exposures of the group

Ukrainian government securities are exclusively in the books of the Ukrainian subsidiary.

3. Valuation of Russian derivative transactions

In the case of futures contracts concluded with local partners on the Russian market, the evaluation is carried out using yield curves available and observable on the local market. In cases where one of the partners is not Russian, the evaluation is done using yield curves available and observable on the international market.

The principles used in the preparation of the Consolidated Statement of Financial Position as at 30 June 2023 in connection with the evaluation of Russian and Ukrainian exposures [continued]

Significant estimates affected by the Russian-Ukrainian conflict during the preparation of these Consolidated Financial Statements [continued]

References [continued]

4. Valuation of Ukrainian derivatives

The Treasury turnover of the Ukrainian bank is low, and a significant part of the derivative transactions are related to the bank's risk management and concluded with the parent company. During the actual evaluation, the expected cash-flow is discounted using yield curves observed based on current market benchmarks (published by the National Bank of Ukraine).

5. Claims against Russian and Ukrainian central banks, provisions for expected credit losses related to Russian and Ukrainian interbank claims and customer loans

As part of the continuous monitoring activity, OTP Group has explored and analyzed the secondary and tertiary negative effects of the war in the corporate segment for Group members outside of Russia and Ukraine, including the effects of the current sanctions policy. In the case of the affected customers, if the increased risk was substantiated, they were classified in the Stage 2 category, while in the case of non-performance, the Group classified the given exposures in the Stage 3 rating category.
In the case of Group members in Russia, the impact of the current and forward-looking economic environment was taken into account when determining the expected loss, however, the Bank does not expect any further substantial deterioration of the economic environment.
In the case of Ukrainian Group members, the proportion of customers with increased risk (Stage2) and non-performing (Stage3) increased significantly in 2022, but further significant increase is not expected in 2023. The impact of the current and forward-looking economic environment was taken into account when determining the expected loss, however, the Bank does not expect any further substantial deterioration of the economic environment. The identification of the increased risk – given the special situation – extends to regionally different war activity. In addition, the territorial distribution of exposures was also taken into account when evaluating the expected loss, in the areas directly and indirectly affected by the war, the Bank does not expect a significant return for non-performing customers, regardless of economic trends.

6. Evaluation of goodwill

In connection with the involvement in the Russian-Ukrainian conflict, as a result of the company value review, the Group considered it necessary to fully write off the existing goodwill in the case of the Russian subsidiary bank in the first quarter of 2022, the value of which as at 31 December 2021 was HUF 40.9 billion. The effect of goodwill write-off on the result was HUF 67.7 billion, and a HUF 26.8 billion loss was accounted for against equity. In the case of Ukraine, there was no goodwill write-off.
Based on current experience, the Group takes into account the macroeconomic effects of the current geopolitical situation in the mid- to long-term when determining the impairment of investments in the case of countries affected by the conflict. In the case of Russian and Ukrainian operations, we currently do not consider it likely that the estimated investment value before the conflict (2021) will be reached during the 3-year explicit period.

NOTE 4: MACRO ENVIRONMENT, IMPACT OF ECONOMIC SITUATION ON THE GROUP [continued]

The principles used in the preparation of the Consolidated Statement of Financial Position as at 30 June 2023 in connection with the evaluation of Russian and Ukrainian exposures [continued]

Significant estimates affected by the Russian-Ukrainian conflict during the preparation of these Consolidated Financial Statements [continued]

References [continued]

7. Deferred tax

Due to the uncertainty of the expected return, the Group did not recognize deferred tax assets in Ukraine, while in Russia, the Group recognized HUF 12.8 billion in deferred tax assets. There is no limit to unused tax credits in Russia. In addition, if the bank's taxable loss were to increase (if the impairment calculated according to local rules approached the higher level of impairment according to IFRS), the difference between the settlement and the tax loss would decrease, thus reducing the deferred tax asset. As a result, the bank was able to utilize the temporary deferred tax asset both in the expected profitable operation and in a possible loss scenario.

Financial assets modified in the Group for the six-month period ended 30 June 2023

Modification due to prolongation of the existing interest rate cap till 30 June 2023

	Group
Gross carrying amount before modification	399,995
Loss allowance before modification	(14,081)
Net amortised cost before modification	**385,914**
Modification loss	(17,960)
Net amortised cost after modification	**367,954**

Financial assets modified during the period related to moratorium in the Group for the year ended 31 December 2022 (in HUF mn)

Modification due to prolongation of deadline of moratorium from 30 June until 31 July 2022

	Group
Gross carrying amount before modification	159,850
Loss allowance before modification	(31,718)
Net amortised cost before modification	**128,132**
Modification loss	(471)
Net amortised cost after modification	**127,661**

Modification due to prolongation of interest rate cap till 30 June 2022

	Group
Gross carrying amount before modification	289,630
Loss allowance before modification	(7,771)
Net amortised cost before modification	**281,859**
Modification loss	(11,144)
Net amortised cost after modification	**270,715**

NOTE 4: MACRO ENVIRONMENT, IMPACT OF ECONOMIC SITUATION ON THE GROUP [continued]

Financial assets modified during the period related to moratorium in the Group for the year ended 31 December 2022 (in HUF mn) [continued]

Modification due to prolongation of deadline of moratorium till 30 September 2022

	Group
Gross carrying amount before modification	1,053
Loss allowance before modification	(108)
Net amortised cost before modification	**945**
Modification loss	(5)
Net amortised cost after modification	**940**

Modification due to moratorium related to agriculture and prolongation of deadline of existing moratorium till 30 September 2022

	Group
Gross carrying amount before modification	152,051
Loss allowance before modification	(24,910)
Net amortised cost before modification	**127,141**
Modification loss	(2,122)
Net amortised cost after modification	**125,019**

Modification due to prolongation of interest rate cap till 30 November 2022

	Group
Gross carrying amount before modification	154,421
Loss allowance before modification	(6,184)
Net amortised cost before modification	**148,237**
Modification loss	(536)
Net amortised cost after modification	**147,701**

Modification due to scope extension (mortgage loans with 5-year fixing without subsidy) and prolongation of the existing interest rate cap till 31 December 2022

	Group
Gross carrying amount before modification	422,201
Loss allowance before modification	(12,604)
Net amortised cost before modification	**409,597**
Modification loss	(22,860)
Net amortised cost after modification	**386,737**

NOTE 5: CASH, AMOUNTS DUE FROM BANKS AND BALANCES WITH THE NATIONAL BANKS (in HUF mn)

	30/06/2023	31/12/2022
Cash on hand		
In HUF	77,719	92,526
In foreign currency	499,202	582,950
	576,921	**675,476**

Amounts due from banks and balances with the National Banks

	30/06/2023	31/12/2022
Within one year		
In HUF	1,986,298	732,956
In foreign currency	3,020,292	2,814,663
	5,006,590	**3,547,619**
Over one year		
In HUF	-	-
In foreign currency	-	-
	-	-
Loss allowance on amounts due from bank and balances with the National Banks	(889)	(1,703)
Total	**5,582,622**	**4,221,392**
Compulsory reserve set by the National Banks	(2,190,547)	(1,623,704)
Cash and cash equivalents	**3,392,075**	**2,597,688**

Foreign subsidiary banks within the Group have to comply with country specific regulation of local National Banks. Each country within the Group has its own regulation for compulsory reserve calculation and maintenance. Based on those banks are obliged to place compulsory reserve at their National Bank in a specified percentage of their liabilities considered in compulsory reserve calculation.

An analysis of the change in the loss allowance on amounts from banks and balances with the National Banks is as follows:

	30/06/2023	31/12/2022
Balance as at 1 January	**1,703**	**1,108**
Loss allowance for the period	8,450	8,072
Release of loss allowance for the period	(9,122)	(7,697)
Use of loss allowance for the period	(11)	-
Foreign currency translation difference	(131)	220
Closing balance	**889**	**1,703**

NOTE 6: PLACEMENTS WITH OTHER BANKS (in HUF mn)

	30/06/2023	31/12/2022
Within one year		
In HUF	347,565	681,892
In foreign currency	673,819	447,648
	1,021,384	**1,129,540**
Over one year		
In HUF	195,223	199,056
In foreign currency	91,505	26,323
	286,728	**225,379**
Loss allowance on placements	(2,803)	(3,837)
Total	**1,305,309**	**1,351,082**

An analysis of the change in the loss allowance on placements with other banks is as follows:

	30/06/2023	31/12/2022
Balance as at 1 January	**3,837**	**2,994**
Loss allowance for the period	16,970	38,314
Release of loss allowance for the period	(17,760)	(38,378)
Use of loss allowance for the period	(5)	(100)
Foreign currency translation difference	(239)	1,007
Closing balance	**2,803**	**3,837**

Interest conditions of placements with other banks:

	30/06/2023	31/12/2022
Interest rates on placements with other banks denominated in HUF	0.00% - 25.00%	0.00% - 25.70%
Interest rates on placements with other banks denominated in foreign currency	(1.5)% - 17.00%	(1.5)% - 13.29%

	30/06/2023	31/12/2022
Average interest rates on placements with other banks (%)	13.51%	11.02%

NOTE 7: REPO RECEIVABLES (in HUF mn)

	30/06/2023	31/12/2022
Within one year		
In HUF	36,091	41,250
In foreign currency	129,131	-
	165,222	**41,250**
Over one year		
In HUF	-	-
In foreign currency	18	-
	18	**-**
Loss allowance on repo receivables	(410)	(241)
Total	**164,830**	**41,009**

An analysis of the change in the loss allowance on repo receivables is as follows:

	30/06/2023	31/12/2022
Balance as at 1 January	**241**	**290**
Loss allowance for the period	8,731	4,744
Release of loss allowance for the period	(8,562)	(4,794)
Use of loss allowance	-	-
Foreign currency translation difference	-	1
Closing balance	**410**	**241**

Interest conditions of repo receivables (%):

	30/06/2023	31/12/2022
Interest rates on repo receivables denominated in HUF	11.50% - 16.00%	10.70% - 18.00%
Interest rates on repo receivables denominated in foreign currency	0.00% - 22.00%	-

	30/06/2023	31/12/2022
Average interest rates on repo receivables denominated in HUF (%)	25.27%	9.93%
Average interest rates on repo receivables denominated in foreign currency (%)	9.93%	-

NOTE 8: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)

	30/06/2023	31/12/2022
Securities held for trading		
Government bonds	48,772	78,897
Equity instruments and fund units	438	385
Corporate bonds	121	119
Discounted Treasury bills	10,703	22,896
Mortgage bonds	88	72
Other interest-bearing securities	131,028	1,628
Other non-interest-bearing securities	791	753
	191,941	**104,750**
Non-trading securities mandatorily at fair value through profit or loss		
Equity instruments, shares and open-ended fund units	57,650	49,746
Bonds	4,349	5,409
	61,999	**55,155**
Total	**253,940**	**159,905**

Positive fair value of derivative financial assets held for trading

	30/06/2023	31/12/2022
Foreign exchange swaps held for trading	70,107	79,395
Interest rate swaps held for trading	80,181	127,230
Commodity swaps	22,841	33,693
CCIRS and mark-to-market CCIRS held-for-trading [1]	22,615	20,512
Foreign exchange forward contracts held for trading	13,478	13,085
Held-for-trading option contracts	4,503	2,122
Held-for-trading forward security agreement	12	13
Other derivative transactions held for trading[2]	7,270	432
Total	**221,007**	**276,482**
Total	**474,947**	**436,387**

[1] CCIRS: Cross Currency Interest Rate Swaps (See Note 2.6.3.)
[2] Other category includes: fx spot, equity swaps, option and index futures.

An analysis of securities held for trading portfolio by currency (%):

	30/06/2023	31/12/2022
Denominated in HUF	80.79%	81.47%
Denominated in foreign currency	19.21%	18.53%
Total	**100.00%**	**100.00%**

NOTE 8: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn) [continued]

An analysis of government bond portfolio by currency (%):

	30/06/2023	31/12/2022
Denominated in HUF	43.29%	78.42%
Denominated in foreign currency	56.71%	21.58%
Total	**100.00%**	**100.00%**

Interest conditions of held for trading securities (%):

	30/06/2023	31/12/2022
Interest rates on securities held for trading denominated in HUF	0.00% - 16.66%	0.00% - 16.69%
Interest rates on securities held for trading denominated in foreign currency	0.00% - 7.63%	0.00% - 7.63%

Interest conditions and the remaining maturities of **securities held for trading** can be analysed as follows:

	30/06/2023	31/12/2022
Within one year		
With variable interest	169	3,041
With fixed interest	155,409	29,025
	155,578	**32,066**
Over one year		
With variable interest	929	9,535
With fixed interest	34,205	62,011
	35,134	**71,546**
Non-interest-bearing securities	1,229	1,138
Total	**191,941**	**104,750**

Interest conditions and the remaining maturities of non-trading securities mandatorily measured at fair value through profit or loss are as follows:

	30/06/2023	31/12/2022
Non-interest-bearing securities	61,999	55,155
Total	**61,999**	**55,155**

	30/06/2023	31/12/2022
Profit from associates from shares measured at fair value through profit or loss	56	12,216

An analysis of **non-trading securities** mandatorily measured at fair value through profit or loss portfolio by currency (%):

	30/06/2023	31/12/2022
Denominated in HUF	55.98%	60.69%
Denominated in foreign currency	44.02%	39.31%
Total	**100.00%**	**100.00%**

NOTE 9: SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in HUF mn)

	30/06/2023	31/12/2022
Securities at fair value through other comprehensive income		
Government bonds	1,310,970	1,301,179
Corporate bonds	45,728	82,651
Listed securities:		
In HUF	-	-
In foreign currency	*26,855*	*13,626*
	26,855	**13,626**
Non-listed securities:		
In HUF	*13,201*	*14,304*
In foreign currency	*5,672*	*54,721*
	18,873	**69,025**
Mortgage bonds	61,262	54,553
Interest bearing treasury bills	39,803	182,726
Securities issued by the National Bank of Hungary	296,891	74,867
Other securities	41,761	3,470
Total	**1,796,415**	**1,699,446**

	30/06/2023	31/12/2022
Non-trading equity instruments to be measured at fair value through other comprehensive income		
Listed securities:		
In HUF	-	-
In foreign currency	*8,492*	*11,233*
	8,492	**11,233**
Non-listed securities:		
In HUF	*403*	*403*
In foreign currency	*48,201*	*28,521*
	48,604	**28,924**
	57,096	**40,157**
Total	**1,853,511**	**1,739,603**

An analysis of securities at fair value through other comprehensive income by currency (%):

	30/06/2023	31/12/2022
Denominated in HUF	40.91%	36.47%
Denominated in foreign currency	59.09%	63.53%
Total	**100.00%**	**100.00%**

NOTE 9: SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in HUF mn) [continued]

Detailed information of the non-trading equity instruments to be measured at fair value through other comprehensive income:

	30/06/2023	31/12/2022
Strategic investments closely related to banking activity		
Fair value	48,618	31,873
Dividend income from instruments held at the reporting date	227	1,120
Derecognition		
Fair value of derecognized equity instrument, fund units	2,676	-
Strategic investments originated to offset outstanding		
Fair value	-	-
Dividend income from instruments held at the reporting date	-	-
Other strategic investments		
Fair value	8,478	8,284
Dividend income from instruments held at the reporting date	24	59
Total		
Total fair values	**57,096**	**40,157**
Dividend income from instruments held at the reporting date	**251**	**1,179**
Fair value of derecognized equity instrument, fund units	**2,676**	**-**

During the six-month period ended 30 June 2023 HUF 2,676 million sale transaction happened while the year ended 31 December 2022 there wasn't any sale transaction regarding equity instruments measured at fair value through other comprehensive income in the Group.

An analysis of government bonds by currency (%):

	30/06/2023	31/12/2022
Denominated in HUF	26.44%	23.64%
Denominated in foreign currency	73.56%	76.36%
Total	**100.00%**	**100.00%**

Interest conditions of the security portfolio at fair value through other comprehensive income are as follows (%):

	30/06/2023	31/12/2022
Interest rates on securities at fair value through other comprehensive income denominated in HUF	1.50% - 17.90%	1.50% - 15.11%
Interest rates on securities at fair value through other comprehensive income denominated in foreign currency	0.00% - 18.24%	0.00% - 18.24%

	30/06/2023	31/12/2022
Average interest rates on securities at fair value through other comprehensive income denominated in HUF (%)	3.98%	3.31%
Average interest rates on securities at fair value through other comprehensive income denominated in foreign currency (%)	3.47%	2.55%

NOTE 9: SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in HUF mn) [continued]

Interest conditions and the remaining maturities of securities at fair value through other comprehensive income can be analysed as follows:

	30/06/2023	31/12/2022
Within one year		
With variable interest	79	15,124
With fixed interest	586,977	507,888
	587,056	**523,012**
Over one year		
With variable interest	19,569	28,523
With fixed interest	1,189,790	1,147,911
	1,209,359	**1,176,434**
Non-interest-bearing securities	57,096	40,157
Total	**1,853,511**	**1,739,603**

Certain securities are hedged against interest rate risk. See Note 37.4.

NOTE 10: SECURITIES AT AMORTIZED COST (in HUF mn)

	30/06/2023	31/12/2022
Government bonds	4,696,186	4,375,085
Corporate bonds	368,000	250,538
Bonds of Hungarian National Bank	-	177,679
Discounted Treasury bills	95,287	19,539
Mortgage bonds	24,724	24,586
Interest bearing Treasury bills	11,035	4,977
Other securities	211,587	82,583
	5,406,819	**4,934,987**
Loss allowance on securities at amortized cost	(36,818)	(43,049)
Total	**5,370,001**	**4,891,938**

Interest conditions and the remaining maturities of securities at amortized cost can be analysed as follows:

	30/06/2023	31/12/2022
Within one year		
With variable interest	-	159
With fixed interest	1,040,379	951,773
	1,040,379	**951,932**
Over one year		
With variable interest	5,801	25,753
With fixed interest	4,360,639	3,957,302
	4,366,440	**3,983,055**
Total	**5,406,819**	**4,934,987**

An analysis of securities at amortized cost by currency (%):

	30/06/2023	31/12/2022
Denominated in HUF	53.72%	63.50%
Denominated in foreign currency	46.28%	36.50%
Total	**100.00%**	**100.00%**

Interest conditions of securities at amortized cost (%):

	30/06/2023	31/12/2022
Interest rates of securities at amortized cost with variable interest	0.75% - 2.58%	0.75% - 17.74%
Interest rates of securities at amortized cost with fixed interest	0.00% - 25.00%	0.00% - 23.00%

	30/06/2023	31/12/2022
Average interest rates on securities at amortized cost denominated in HUF (%)	4.00%	3.31%

NOTE 10: SECURITIES AT AMORTIZED COST (in HUF mn) [continued]

An analysis of the change in the loss allowance on securities at amortized cost is as follows:

	30/06/2023	31/12/2022
Balance as at 1 January	**43,049**	**9,113**
Loss allowance for the period	4,778	37,104
Release of loss allowance	(9,343)	(5,603)
Use of loss allowance	(5)	-
Foreign currency translation difference	(1,661)	2,435
Closing balance	**36,818**	**43,049**

NOTE 11: LOANS AT AMORTIZED COST AND AT FAIR VALUE (in HUF mn)

Loans at amortized cost

	30/06/2023	31/12/2022
Within one year		
In HUF	1,289,457	1,422,663
In foreign currency	3,676,416	3,672,023
	4,965,873	**5,094,686**
Over one year		
In HUF	2,530,782	2,425,793
In foreign currency	11,388,026	9,540,339
	13,918,808	**11,966,132**
	18,884,681	**17,060,818**
Loss allowance on loans	(911,246)	(966,360)
Total	**17,973,435**	**16,094,458**

An analysis of the gross loan portfolio at amortized cost by currency (%):

	30/06/2023	31/12/2022
In HUF	20.23%	22.56%
In foreign currency	79.77%	77.44%
Total	**100.00%**	**100.00%**

Interest rates of the loan portfolio at amortized cost are as follows:

	30/06/2023	31/12/2022
Loans at amortized cost denominated in HUF[1]	0.00% - 64.32%	0.00% - 43.70%
Loans at amortized cost denominated in foreign currency[2]	(0.50)% - 90.00%	(0.10)% - 90.00%

[1] The highest interest rate relates to HUF loan is overdraft loan, both in the current and in the previous years.
[2] The highest interest rate relates to loan in foreign currency regarding POS services in Russia both in the current and in the previous years.

	30/06/2023	31/12/2022
Average interest rates on loans at amortized cost denominated in HUF (%)	11.39%	8.65%
Average interest rates on loans at amortized cost denominated in foreign currency (%)	6.37%	5.47%

The amount of those loans which were written-off in the current year but they are still subject to enforcement activity to be collected is still going on were HUF 32,476 million and HUF 117,357 million as at 30 June 2023 and 31 December 2022, respectively.

NOTE 11: LOANS AT AMORTIZED COST AND AT FAIR VALUE (in HUF mn) [continued]

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

	30/06/2023	31/12/2022
Balance as at 1 January	**966,360**	**851,994**
Loss allowance for the period	*399,847*	*676,389*
Release of loss allowance	*(311,623)*	*(469,929)*
Loss allowance in the current period	88,224	206,460
Use of loss allowance	(39,300)	(92,004)
Partial write-off [1]	(14,444)	(67,651)
Unwinding	(100)	-
Foreign currency translation difference	(89,494)	67,561
Closing balance	**911,246**	**966,360**

[1] See details in Note 2.11.

Movement in loss allowance on loans and placements is summarized as below:

	30/06/2023	31/12/2022
Loss allowance on placements and gains from write-off and sale of placements	(790)	(39)
Loss allowance on loans and gains from write-off and sale of loans	52,795	114,163
Total [2]	**52,005**	**114,124**

[2] See details in Note 31.

Loans mandatorily at fair value through profit or loss

	30/06/2023	31/12/2022
Within one year		
In HUF	70,610	70,883
In foreign currency	416	-
	71,026	**70,883**
Over one year		
In HUF	1,230,551	1,176,531
In foreign currency	924	-
	1,231,475	**1,176,531**
Total	**1,302,501**	**1,247,414**

NOTE 11: LOANS AT AMORTIZED COST AND AT FAIR VALUE (in HUF mn) [continued]

An analysis of the loan portfolio mandatorily at fair value through profit or loss by currency (%):

	30/06/2023	31/12/2022
In HUF	99.90%	100.00%
In foreign currency	0.10%	0.00%
Total	**100.00%**	**100.00%**

Interest rates of the loan portfolio mandatorily at fair value through profit or loss are as follows (%):

	30/06/2023	31/12/2022
Interest rates on loans denominated in HUF	1.12% - 22.03%	1.12% - 18.26%
Interest rates on loans denominated in foreign currency	4.50% - 20.00%	-

	30/06/2023	31/12/2022
Average interest rates on loan portfolio at fair value through profit or loss denominated in HUF (%)	6.23%	4.55%
Average interest rates on loan portfolio at fair value through profit or loss denominated in foreign currency (%)	1.04%	0.04%

NOTE 12: ASSOCIATES AND OTHER INVESTMENTS (in HUF mn)

	30/06/2023	31/12/2022
Investments		
Investments in associates (non-listed)	68,287	56,835
Other investments (non-listed)	31,706	29,094
	99,993	**85,929**
Impairment on investments	(11,853)	(12,080)
Total	**88,140**	**73,849**

An analysis of the change in the impairment on investments is as follows:

	30/06/2023	31/12/2022
Balance as at 1 January	**12,080**	**12,514**
Impairment for the period	34	1,312
Release of impairment for the period	(62)	(411)
Modification due to merge	-	(1,238)
Foreign currency translation difference	(199)	(97)
Closing balance	**11,853**	**12,080**

NOTE 13: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn)

There are different kinds of tangible and intangible assets held by the Group. In the followings there are presented reasons of the changes from opening values to closing ones in the gross values, the accumulated depreciation and amortization and in the impairment of the tangible and intangible assets in the Group. Here can be found information about the fair values of the tangible assets and gross amounts of those assets which were fully depreciated but which are still in use.

Carrying amount of the temporarily idle properties was HUF 3,470 million and HUF 3,466 million as at 30 June 2023 and 31 December 2022, respectively.
There were no restrictions on title and properties, plants or equipment pledged as security for liabilities as at 30 June 2023 and 31 December 2022.
As at 30 June 2023 and 31 December 2022 the amount of contractual commitments for the acquisition of tangible and intangible assets was HUF 22,318 million and HUF 21,116 million, respectively.

Impairment for the properties in the current period was needed as a result of the valuation performed by using the comparative value method (market analogy method) with direct comparison to the market price of other similar properties. Actual market transactions were used based on the 6-month period prior to the valuation date where the market price of the analogous property is adjusted by an expert coefficient for market adaptation ("ECMA"). Usually this range is from -25% to +25% and reflects the availability of sufficient market information for similar items but at these properties ECMA exceeded this range where the circumstances were exceptional although by decision of the appraiser it was used only for unique properties with characteristics similar to the appraised ones, for which no sufficient market analogues are available. The price was adjusted by coefficients reflecting the area, location, size and structure of the property, as well as a weighing factor reflecting the weight of the selected market analogies in the determined fair value.
The Bank decided that the recoverable amount of goodwill is determined based on fair value less cost of disposal. When the Bank prepares goodwill impairment tests of the subsidiaries, the two methods which are used based on discounted cash-flow calculation that shows the same result; however, they represent different economical logics. Based on the internal regulation of the Bank as at 31 December 2021 impairment test was prepared where a three-year cash-flow model was applied with an explicit period between 2022-2024. The basis for the estimation was the actual data of May 2022 and based on the prepared medium-term (2022-2024) forecasts. When the Bank prepared the calculations for the period 2022-2024, it considered the actual worldwide economic situations, the expected economic growth for the following years, their possible effects on the financial sector, the plans for growing which result from these, and the expected changes of the mentioned factors.

Present value calculation with the Free Cash-Flow method

The Bank calculated the expected cash-flow for the given period based on the expected after-tax profit of the companies. The calculation is highly sensitive to the level of discount rate and growth rate used. As discount factor the Bank uses a zero coupon yield curve derived by the Headquarter Asse-Liability Management department. This zero coupon curve is estimated for each related countries, based on the countries' issued bonds and segmented by the issuances' currencies. By subsidiaries where the yield curves were not available (Ukraine) the daily Overnight deposit yield was used as a benchmark, provided by National Bank of Ukraine as currently the only available proxy for the hryvnia rate.
The Bank calculated risk premiums on the basis of information from the country risk premiums that are published by Aswath Damodaran – New York STERN University, according to the Bank's assumption the risk-free interest rate includes the country-dependent risks in an implicit way.
When the subsidiary owns subordinated debt, the discount rate is calculated as a weighted average of the expected return on equity presented previously and the subordinated debt's interest rate. At the end of the calculation, the value of subordinated debt is being subtracted from the valuations' result.
The growth rate in the explicit period is the growth rate of the profit after tax adjusted by the interest rate of the cash and subordinated loans. The supposed growth rates for the periods of residual values reflect the long-term economic expectations in case of every country.
The values of the subsidiaries in the FCF method were then calculated as the sum of the discounted cash-flows of the explicit period, the present value of the terminal values and the initial free capital assuming an effective capital structure.

Summary of the impairment test for the first half-year ended 30 June 2023 and for the year ended 31 December 2022

Based on the valuations of the subsidiaries for the first half-year ended 30 June 2023 no goodwill impairment while for the year ended 31 December 2022 67,715 million HUF goodwill impairment was needed to be recorded by the Group for JSC "OTP Bank" (Russia).

NOTE 13: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn) [continued]

For the six-month period ended 30 June 2023

Cost	**Intangible assets**	**Goodwill**	**Property**	**Machinery and office equipment**	**Vehicle**	**Construction in progress**	**Intangible assets subject to operating lease**	**Tangible assets subject to operating lease**	**Total**
Balance as at 1 January	**471,420**	**109,185**	**375,765**	**271,879**	**43,288**	**53,544**	**-**	**31,206**	**1,356,287**
Increase due to acquisition	18,564	-	38,952	7,564	147	125	-	272	65,624
Additions	48,890	-	15,045	17,840	286	27,607	255	10,086	120,009
Foreign currency translation differences	(22,370)	(2,859)	(17,134)	(14,276)	(647)	(659)	-	(2,267)	(60,212)
Disposals	(20,372)	(40,866)	(3,782)	(10,622)	(1,368)	(40,315)	(3)	(7,318)	(124,646)
Closing balance	**496,132**	**65,460**	**408,846**	**272,385**	**41,706**	**40,302**	**252**	**31,979**	**1,357,062**

Depreciation and amortization	**Intangible assets**	**Property**	**Machinery and office equipment**	**Vehicle**	**Tangible assets subject to operating lease**	**Total**
Balance as at 1 January	**299,912**	**93,288**	**195,614**	**9,140**	**8,855**	**606,809**
Charge for the period	26,352	5,733	14,562	1,208	2,016	49,871
Foreign currency translation differences	(13,761)	(5,214)	(11,206)	(413)	(690)	(31,284)
Disposals	(4,080)	(1,254)	(9,861)	(1,636)	(2,339)	(19,170)
Closing balance	**308,423**	**92,553**	**189,109**	**8,299**	**7,842**	**606,226**

NOTE 13: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn) [continued]

For the six-month period ended 30 June 2023 [continued]

Impairment	**Intangible assets**	**Goodwill**	**Property**	**Machinery and office equipment**	**Vehicle**	**Tangible assets subject to operating lease**	**Total**
Balance as at 1 January	**2,796**	**40,866**	**4,251**	**46**	**-**	**19**	**47,978**
Impairment for the period	3,446	-	245	-	3	1	3,695
Release of impairment for the period	-	-	-	(2)	(3)	(1)	(6)
Foreign currency translation differences	(78)	-	(528)	(1)	-	(1)	(608)
Use of impairment	-	(40,866)	(5)	-	-	(1)	(40,872)
Closing balance	**6,164**	**-**	**3,963**	**43**	**-**	**17**	**10,187**

	Intangible assets	**Goodwill**	**Property**	**Machinery and office equipment**	**Vehicle**	**Construction in progress**	**Intangible assets subject to operating lease**	**Tangible assets subject to operating lease**	**Total**
Carrying value									
Balance as at 1 January	**168,712**	**68,319**	**278,226**	**76,219**	**34,148**	**53,544**	**-**	**22,332**	**701,500**
Closing balance	**181,545**	**65,460**	**312,330**	**83,233**	**33,407**	**40,302**	**252**	**24,120**	**740,649**
Fair values	**-**	**-**	**346,443**	**83,249**	**33,407**	**-**	**-**	**24,121**	**487,220**
Gross amount of the fully depreciated assets that are still in use	**150,877**	**-**	**14,786**	**129,221**	**-**	**-**	**-**	**564**	**295,448**

An analysis of the intangible assets for the six-month period ended 30 June 2023 is as follows:

Intangible assets	**Self-developed**	**Purchased**	**Total**
Gross values	18,429	477,703	496,132
Accumulated amortization	(7,603)	(300,820)	(308,423)
Impairment	-	(6,164)	(6,164)
Carrying value	**10,826**	**170,719**	**181,545**

NOTE 13: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn) [continued]

For the six-month period ended 30 June 2023 [continued]

Carrying value of the investment and goodwill allocated to the appropriate cash generating units

Subsidiaries	Carrying amounts of the subsidiary in HUF million	Goodwill values in HUF million	Goodwill values in million functional currency	Type of functional currency	Consolidated ownership interest	With ownership adjusted company value in HUF million	Applied long term grow rate	Applied long term discount rate
DSK Bank EAD	280,722	43,222	28,541	HUF	99.92%	840,115	3.00%	12.54%
(Bulgaria)			77	BGN				
OTP banka d.d.								
(Croatia)	205,349	21,544	58	EUR	100.00%	410,711	2.69%	10.69%
POK-DSK Rodina a.d.								
(Bulgaria)	1,680	11	11	HUF	99.85%	15,383	3.00%	12.54%
George Consult								
(Croatia)	225	205	4	HRK	76.00%	171	2.69%	10.69%
OTP Home Solutions Llc.								
(Hungary)	3,870	478	478	HUF	100.00%	3,870	3.00%	15.40%
	491,846	**65,460**						

NOTE 13: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn) [continued]

For the year ended 31 December 2022

Cost	Intangible assets	Goodwill	Property	Machinery and office equipment	Vehicle	Construction in progress	Tangible assets subject to operating lease	Total
Balance as at 1 January	**408,003**	**105,640**	**304,922**	**243,731**	**41,252**	**67,657**	**30,833**	**1,202,038**
Increase due to acquisition	706	478	933	522	-	-	-	2,639
Additions	111,397	-	66,034	29,709	2,728	79,638	12,892	302,398
Foreign currency translation differences	16,350	3,067	15,936	10,951	408	316	1,952	48,980
Disposals	(65,036)	-	(12,060)	(13,034)	(1,100)	(94,067)	(14,471)	(199,768)
Closing balance	**471,420**	**109,185**	**375,765**	**271,879**	**43,288**	**53,544**	**31,206**	**1,356,287**

Depreciation and amortization	Intangible assets	Property	Machinery and office equipment	Vehicle	Tangible assets subject to operating lease	Total
Balance as at 1 January	**262,307**	**83,707**	**173,138**	**7,188**	**9,493**	**535,833**
Charge for the period	49,750	10,627	26,770	2,433	4,249	93,829
Foreign currency translation differences	9,482	4,145	8,081	257	718	22,683
Disposals	(21,627)	(5,191)	(12,375)	(738)	(5,605)	(45,536)
Closing balance	**299,912**	**93,288**	**195,614**	**9,140**	**8,855**	**606,809**

NOTE 13: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn) [continued]

For the year ended 31 December 2022 [continued]

Impairment	Intangible assets	Goodwill	Property	Machinery and office equipment	Tangible assets subject to operating lease	Total
Balance as at 1 January	**2,705**	**-**	**3,553**	**43**	**137**	**6,438**
Impairment for the period	37	67,715	590	-	-	68,342
Release of impairment for the period	-	-	-		(122)	(122)
Foreign currency translation differences	54	(26,849)	258	3	7	(26,527)
Use of impairment	-		(150)	-	(3)	(153)
Closing balance	**2,796**	**40,866**	**4,251**	**46**	**19**	**47,978**

	Intangible assets	Goodwill	Property	Machinery and office equipment	Vehicle	Construction in progress	Tangible assets subject to operating lease	Total
Carrying value								
Balance as at 1 January	**142,991**	**105,640**	**217,662**	**70,550**	**34,064**	**67,657**	**21,203**	**659,767**
Closing balance	**168,712**	**68,319**	**278,226**	**76,219**	**34,148**	**53,544**	**22,332**	**701,500**
Fair values	**-**	**-**	**308,375**	**76,230**	**34,122**	**-**	**22,351**	**441,078**
Gross amount of the fully depreciated assets that are still in use	**152,718**	**-**	**26,007**	**144,310**	**1,504**	**-**	**-**	**324,539**

An analysis of the intangible assets for the year ended 31 December 2022 is as follows:

Intangible assets	Self-developed	Purchased	Total
Gross values	14,704	456,716	471,420
Accumulated amortization	(5,508)	(294,404)	(299,912)
Impairment	-	(2,796)	(2,796)
Carrying value	**9,196**	**159,516**	**168,712**

NOTE 13: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn) [continued]

For the year ended 31 December 2022 [continued]

Carrying value of the investment and goodwill allocated to the appropriate cash generating units

Subsidiaries	Carrying amounts of the subsidiary in HUF million	Goodwill values in HUF million	Goodwill values in million functional currency	Type of functional currency	Consolidated ownership interest	With ownership adjusted company value in HUF million	Applied long term grow rate	Applied long term discount rate
DSK Bank EAD	280,722	44,375	28,541	HUF	99.92%	840,031	3.00%	12.54%
(Bulgaria)			77	BGN				
OTP banka d.d.								
(Croatia)	205,349	23,235	58	EUR	100.00%	410,711	2.69%	10.69%
POK-DSK Rodina a.d.								
(Bulgaria)	1,680	11	11	HUF	99.85%	16,564	3.00%	12.54%
George Consult								
(Croatia)	225	220	4	HRK	76.00%	171	2.69%	10.69%
OTP Home Solutions Llc.								
(Hungary)	2,570	478	478	HUF	100.00%	2,570	3.00%	16.26%
	490,546	**68,319**						

NOTE 14: INVESTMENT PROPERTIES (in HUF mn)

An analysis of the change in gross values of investment properties is as follows:

Gross values	30/06/2023	31/12/2022
Balance as at 1 January	**61,346**	**40,241**
Increase due to transfer from inventories or owner-occupied properties	132	1,830
Increase from purchase	2,384	20,935
Increase from acquisition	9,910	-
Transfer to held-for-sale properties	(1,472)	(321)
Transfer to inventories or owner-occupied properties	(350)	(1,442)
Disposal due to sale	(9,825)	(1,798)
Foreign currency translation difference	(3,624)	1,901
Closing balance	**58,501**	**61,346**

The applied depreciation and amortization rates were as follows:

	30/06/2023	31/12/2022
Depreciation and amortization rates	2.00% - 20.00%	2.00% - 20.00%

An analysis of the movement in the depreciation and amortization on investment properties is as follows:

Depreciation and amortization	30/06/2023	31/12/2022
Balance as at 1 January	**11,273**	**9,111**
Additions due to transfer from inventories or owner-occupied properties	-	1,513
Charge for the period	523	912
Transfer to inventories or owner-occupied properties	-	(126)
Disposal due to sale	(87)	(780)
Transfer to held-for-sale properties	(1,312)	(17)
Foreign currency translation difference	(762)	660
Closing balance	**9,635**	**11,273**

An analysis of the movement in the impairment on investment properties is as follows:

Impairment	30/06/2023	31/12/2022
Balance as at 1 January	**2,621**	**1,248**
Impairment for the period	-	1,389
Release of impairment for the period	(6)	(63)
Use of impairment	-	(40)
Decrease due to transfer to inventories or owner-occupied properties	-	(8)
Foreign currency translation difference	(86)	95
Closing balance	**2,529**	**2,621**

NOTE 14: INVESTMENT PROPERTIES (in HUF mn) [continued]

Carrying values	30/06/2023	31/12/2022
Balance as at 1 January	47,452	29,882
Closing balance	46,337	47,452
Fair values	60,090	61,198

The Group chose the cost model for measuring investment properties but estimates and reviews the fair value of the investment properties by external experts, these investment properties would have been presented on level 3 in the fair value hierarchy if the Group didn't apply cost method for this recognition.

Income and expenses	30/06/2023	31/12/2022
Rental income	1,730	2,511
Direct operating expenses of investment properties – income generating	262	426
Direct operating expenses of investment properties – non income generating	136	82

NOTE 15: DERIVATIVE FINANCIAL ASSETS DESIGNATED AS HEDGE ACCOUNTING (in HUF mn)

Positive fair value of derivative financial assets designated as fair value hedge

	30/06/2023	31/12/2022
CCIRS and mark-to-market CCIRS designated as fair value hedge	14,000	20,732
Foreign exchange swap designated as fair value hedge	3,409	1,696
Interest rate swaps designated as fair value hedge	32,349	25,819
Total	**49,758**	**48,247**

NOTE 16: OTHER ASSETS (in HUF mn)

Other assets are expected to be recovered or settled no more than twelve months after the reporting period.

Other financial assets	30/06/2023	31/12/2022
Receivables from card operations	48,350	67,981
Prepayments and accrued income on other financial assets	29,486	29,284
Trade receivables	38,074	37,777
Receivables from investment services	58,650	57,189
Other advances	18,565	19,652
Stock exchange deals	33,108	31,234
Giro clearing accounts	23,880	12,593
Receivables due from pension funds and investment funds	2,487	6,478
Receivables from leasing activities	2,301	1,778
Advances for securities and investments	217	358
Other financial assets	20,253	30,490
Loss allowance on other financial assets	(31,249)	(31,833)
Total	**244,122**	**262,981**

Other non-financial assets	30/06/2023	31/12/2022
Prepayments and accrued income on other non-financial assets	77,106	62,878
Receivables, subsidies from the State, Government	33,142	23,383
Settlement and suspense accounts	22,773	40,066
Biological assets and agricultural produce	8,064	8,366
Other non-financial assets	35,148	27,963
Impairment on other non-financial assets	(6,388)	(7,041)
Total	**169,845**	**155,615**

Other assets (under IAS 2)	30/06/2023	31/12/2022
Inventories	53,752	48,210
Repossessed real estate	13,706	6,985
Repossessed other non-financial assets	2,405	1,192
Write-down of the assets measured under IAS 2	(3,259)	(3,864)
Total	**66,604**	**52,523**
Total other assets	**480,571**	**471,119**

NOTE 16: OTHER ASSETS (in HUF mn) [continued]

An analysis of the movement in the loss allowance on **other financial assets** is as follows:

	30/06/2023	31/12/2022
Balance as at 1 January	**31,833**	**16,800**
Loss allowance for the period	7,407	22,472
Release of allowance for the period	(3,336)	(8,917)
Use of loss allowance	(1,490)	(2,083)
Reclassification	-	253
Foreign currency translation difference	(3,165)	3,308
Closing balance	**31,249**	**31,833**

An analysis of the movement in the impairment on **other non-financial assets** is as follows:

	30/06/2023	31/12/2022
Balance as at 1 January	**7,041**	**4,413**
Impairment for the period	1,226	3,304
Release of impairment for the period	(732)	(647)
Use of impairment	(142)	(324)
Reclassification	-	(253)
Foreign currency translation difference	(1,005)	548
Closing balance	**6,388**	**7,041**

NOTE 17: AMOUNTS DUE TO BANKS, THE NATIONAL GOVERNMENTS, DEPOSITS FROM THE NATIONAL BANKS AND OTHER BANKS (in HUF mn)

	30/06/2023	31/12/2022
Within one year		
In HUF	251,358	369,015
In foreign currency	401,734	218,611
	653,092	**587,626**
Over one year		
In HUF	711,420	689,579
In foreign currency	738,266	185,953
	1,449,686	**875,532**
Total	**2,102,778**	**1,463,158**

Interest rates on amounts due to banks, the National Governments, deposits from the National Banks and other banks are as follows:

	30/06/2023	31/12/2022
Within one year		
In HUF	(2.40)% - 20.00%	(2.40)% - 18.00%
In foreign currency	(2.32)% - 13.50%	(2.32)% - 12.00%
Over one year		
In HUF	(1.71)% - 9.23%	(2.40)% - 9.23%
In foreign currency	(2.32)% - 18.00%	(2.40)% - 13.76%

	30/06/2023	31/12/2022
Average interest rates on amounts due to banks, the National Governments, deposits from the National Banks and other banks denominated in HUF	3.16%	2.28%
Average interest rates on amounts due to banks, the National Governments, deposits from the National Banks and other banks denominated in in foreign currency	4.38%	2.40%

NOTE 18: REPO LIABILITIES (in HUF mn)

	30/06/2023	31/12/2022
Within one year		
In HUF	393,830	29,147
In foreign currency	181	197
	394,011	**29,344**
Over one year		
In HUF	612	96
In foreign currency	171,326	187,929
	171,938	**188,025**
Total	**565,949**	**217,369**

Interest conditions on repo liabilities are as follows (%):

	30/06/2023	31/12/2022
Interest rates on repo liabilities denominated in HUF	0.00% - 15.30%	4.75% - 15.47%
Interest rates on repo liabilities denominated in foreign currency	0.00% - 5.18%	2.47% - 5.20%

	30/06/2023	31/12/2022
Average interest rates on repo liabilities denominated in HUF	11.94%	9.06%
Average interest rates on repo liabilities denominated in foreign currency	4.03%	1.51%

NOTE 19: FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)

	30/06/2023	31/12/2022
Within one year		
In HUF	1,805	1,716
In foreign currency	-	-
	1,805	**1,716**
Over one year		
In HUF	58,118	52,475
In foreign currency	-	-
	58,118	**52,475**
Total	**59,923**	**54,191**
Contractual amount outstanding	18,586	19,853
Result from associated entity's measured at fair value attributable to the Group	39,885	37,616

Interest conditions of financial liabilities designated at fair value through profit or loss can be analysed as follows:

	30/06/2023	31/12/2022
Interest rates on financial liabilities designated at fair value denominated in HUF within one year	4.02% - 9.02%	2.19% - 3.96%
Interest rates on financial liabilities designated at fair value denominated in HUF over one year	3.88%	0.01% - 4.63%

Certain MFB ("Hungarian Development Bank") refinanced loan receivables are categorised as fair value through profit or loss based on SPPI test. Related refinancing loans at the liability side are categorised as fair value through profit or loss based on fair value option due to accounting mismatch as provided by the IFRS 9 standard.

The Group controls capital funds where it does not hold the 100% of the owner rights. The related non-controlling interest is treated as financial liability designated at fair value through profit or loss as it is not considered equity under IAS 32.

NOTE 20: DEPOSITS FROM CUSTOMERS (in HUF mn)

	30/06/2023	31/12/2022
Within one year		
In HUF	7,172,503	7,910,448
In foreign currency	18,968,929	16,757,984
	26,141,432	**24,668,432**
Over one year		
In HUF	261,121	274,217
In foreign currency	501,429	246,156
	762,550	**520,373**
Total	**26,903,982**	**25,188,805**

Interest rates on deposits from customers are as follows:

	30/06/2023	31/12/2022
Within one year		
In HUF	0.00% - 28.35%	0.00% - 17.95%
In foreign currency[1]	(0.39)% - 43.00%	(0.40)% - 45.10%
Over one year		
In HUF	0.00%- 3.00%	0.00%- 13.00%
In foreign currency	0.00% - 17.00%	0.00% - 18.00%

[1] The highest interest rate regarding within-one-year deposits in foreign currency for the current and previous year relate to treasury deposit in Turkish lira in Hungary.

	30/06/2023	31/12/2022
Average interest rates on deposits from customers denominated in HUF	3.90%	2.21%
Average interest rates on deposits from customers denominated in foreign currency	1.08%	0.68%

An analysis of deposits from customers by type is as follows:

	30/06/2023		31/12/2022	
Retail deposits	15,196,261	56.48%	13,739,669	54.56%
Corporate deposits	10,510,402	39.07%	10,408,982	41.32%
Municipality deposits	1,197,319	4.45%	1,040,154	4.13%
Total	**26,903,982**	**100.00%**	**25,188,805**	**100.00%**

NOTE 21: LIABILITIES FROM ISSUED SECURITIES (in HUF mn)

	30/06/2023	31/12/2022
With original maturity		
Within one year		
In HUF	233,521	48,755
In foreign currency	38,666	6,427
	272,187	**55,182**
Over one year		
In HUF	438,025	373,645
In foreign currency	1,017,176	441,855
	1,455,201	**815,500**
Total	**1,727,388**	**870,682**

Interest rates on liabilities from issued securities are as follows:

	30/06/2023	31/12/2022
Issued securities denominated in HUF	0.60% - 17.10%	0.60% - 15.00%
Issued securities denominated in foreign currency	1.63% - 16.00%	0.74% - 7.35%

	30/06/2023	31/12/2022
Average interest rates on issued securities denominated in HUF	8.94%	5.00%
Average interest rates on issued securities denominated in foreign currency	6.63%	2.95%

Issued securities denominated in HUF as at 30 June 2023 (in HUF mn)

	Name	Date of issue	Maturity	Nominal value (in HUF mn)	Amortized cost (in HUF mn)	Interest conditions (actual interest rate in % p.a.)		Hedged
1	OTPX2024A	18/06/2014	21/06/2024	241	363	indexed	1.30	hedged
2	OTPX2024B	10/10/2014	16/10/2024	295	441	indexed	0.70	hedged
3	OTPX2024C	15/12/2014	20/12/2024	242	362	indexed	0.60	hedged
4	OTP_HUF_24/1	2/17/2023	2/17/2024	26,697	27,801	fix	11.00	
5	OTP_HUF_24/2	3/10/2023	3/10/2024	23,520	24,343	fix	11.00	
6	OTP_HUF_24/3	3/31/2023	3/31/2024	17,434	17,934	fix	11.00	
7	OTP_HUF_24/4	4/21/2023	4/21/2024	15,125	15,462	fix	11.00	
8	OTP_HUF_24/5	5/12/2023	5/12/2024	14,218	14,445	fix	11.00	
9	OTP_HUF_24/6	6/2/2023	6/2/2024	17,136	17,301	fix	11.00	
10	OTP_HUF_24/7	6/23/2023	6/23/2024	11,484	11,520	fix	10.50	
11	OTP_HUF_24/8	6/30/2023	6/30/2024	3,761	3,765	fix	10.50	
	Subtotal			**130,153**	**133,737**			

NOTE 21: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

Issued securities denominated in HUF as at 30 June 2023 (in HUF mn) [continued]

	Name	Date of issue	Maturity	Nominal value (in HUF mn)	Amortized cost (in HUF mn)	Interest conditions (actual interest rate in % p.a.)		Hedged
12	OTP_HUF_25/1	11/11/2022	18/11/2025	25,562	27,957	fix	15.00	
13	OTP_HUF_25/2	6/30/2023	6/30/2025	5,116	5,123	fix	12.00	
14	OTP_HUF_26/1	21/12/2022	05/01/2026	10,230	10,882	fix	12.00	
15	OJB2023_I	05/04/2018	24/11/2023	44,120	42,666	fix	1.75	hedged
16	OJB2024_A	17/09/2018	20/05/2024	49,609	49,843	floating	17.01	
17	OJB2024_C	2/24/2020	10/24/2024	80,000	80,135	floating	16.24	
18	OJB2024_II	10/10/2018	24/10/2024	96,800	87,009	fix	2.50	hedged
19	OJB2025_II	03/02/2020	26/11/2025	22,551	18,728	fix	1.50	hedged
20	OJB2027_I	23/07/2020	27/10/2027	76,850	62,027	fix	1.25	hedged
21	OJB2029_A	25/07/2022	24/05/2029	91,714	91,816	floating	16.19	
22	OJB2031_I	18/08/2021	22/10/2031	82,000	61,411	fix	2.50	hedged
23	Other			212	212			
	Total issued securities in HUF			**714,917**	**671,546**			

Issued securities denominated in foreign currency as at 30 June 2023

	Name	Date of issue	Maturity	Type of FX	Nominal value (FX mn)		Amortized cost (FX mn)		Interest conditions (actual interest rate in % p.a.)	
1	XS2560693181	12/1/2022	3/4/2026	EUR	649	240,749	660	244,898	fix	7.35
2	XS2626773381	5/17/2023	5/25/2027	EUR	500	171,200	500	171,229	fix	7.50
3	XS2499691330	7/13/2022	7/13/2025	USD	398	147,710	417	154,654	fix	5.50
4	XS2642536671	6/27/2023	6/27/2026	EUR	110	40,824	109	40,630	fix	7.50
5	XS2536446649	9/29/2022	9/29/2026	USD	60	20,544	61	20,814	fix	7.25
6	SI0022104176	5/25/2021	5/25/2027	EUR	176	65,208	149	55,272	fix	1.63
7	XS2430442868	1/27/2022	1/27/2025	EUR	300	111,339	294	109,101	fix	1.88
8	XS2639027346	6/29/2023	6/29/2026	EUR	400	148,452	398	147,894	fix	7.38
9	XS2260457754	11/19/2020	11/19/2025	USD	300	104,742	265	92,359	fix	5.50
10	XS2331929963	4/16/2021	4/16/2024	UZS	672,066	20,028	635,856	18,949	fix	16.00
11	Other				8	31	11	42		
	Total issued securities in FX					**1,070,827**		**1,055,842**		
	Total issued securities							**1,727,388**		

Issued other securities denominated in foreign currency in “Other” category are promissory notes issued by JSC “OTP Bank” (Russia) in the amount of HUF 31 million as at 30 June 2023.

NOTE 21: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

Issued securities denominated in HUF as at 31 December 2022 (in HUF mn)

	Name	Date of issue	Maturity	Nominal value (in HUF mn)	Amortized cost (in HUF mn)	Interest conditions (actual interest rate in % p.a.)		Hedged
1	OTPX2023A	22/03/2013	24/03/2023	312	410	indexed	1.7	hedged
2	OTPX2023B	28/06/2013	26/06/2023	198	260	indexed	0.60	hedged
3	OTPX2024A	18/06/2014	21/06/2024	241	310	indexed	1.30	hedged
4	OTPX2024B	10/10/2014	16/10/2024	295	378	indexed	0.70	hedged
5	OTPX2024C	15/12/2014	20/12/2024	242	309	indexed	0.60	hedged
6	OTP_HUF_25/1	18/11/2022	18/11/2025	25,562	26,046	fix	15.00	
7	OTP_HUF_26/1	22/12/2022	05/01/2026	10,229	10,270	fix	12.00	
8	OTPRF2023A	22/03/2013	24/03/2023	1,010	1,215	indexed	1.70	hedged
9	OJB2023_I	05/04/2018	24/11/2023	44,120	39,968	fix	1.75	hedged
10	OJB2024_A	17/09/2018	20/05/2024	53,732	53,933	floating	17.36	
11	OJB2024_II	10/10/2018	24/10/2024	96,800	79,228	fix	2.50	hedged
12	OJB2025_II	03/02/2020	26/11/2025	22,550	16,193	fix	1.50	hedged
13	OJB2027_I	23/07/2020	27/10/2027	76,850	52,608	fix	1.25	hedged
14	OJB2029_A	25/07/2022	24/05/2029	91,510	91,488	floating	17.13	
15	OJB2031_I	18/08/2021	22/10/2031	82,000	49,515	fix	2.50	hedged
16	Other			269	269			
	Total issued securities in HUF			**505,920**	**422,400**			

Issued securities denominated in foreign currency as at 31 December 2022

	Name	Date of issue	Maturity	Type of FX	Nominal value (FX mn)		Amortized cost (FX mn)		Interest conditions (actual interest rate in % p.a.)	
1	XS2560693181	01/12/2022	04/03/2026	EUR	650	260,136	653	261,341	fix	7.35
2	XS2499691330	13/07/2022	13/07/2025	EUR	399	159,859	409	163,893	fix	5.5
3	XS2536446649	29/09/2022	29/09/2026	USD	60	22,541	61	22,972	fix	7.25
4	Other				12	60	15	76		
	Total issued securities in FX					**442,596**		**448,282**		
	Total issued securities							**870,682**		

Issued securities denominated in foreign currency in “Other” category are promissory notes issued by JSC “OTP Bank” (Russia) in the amount of HUF 60 million as at 31 December 2022.

NOTE 21: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

Hedge accounting

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 2022/2023

On 10 May 2022 the Bank initiated term note program in the value of HUF 200 billion with the intention of issuing registered dematerialized bonds in public. On 10 August the National Bank of Hungary approved the prospectus of Term Note Program. The prospectus is valid for 12 months following the disclosure.
The Issuer can initiate to introduce the bonds issued under the program to the Hungarian and to other stock exchanges without any obligations.
On 28 June 2023 the National Bank of Hungary approved the extension of the value of the originally HUF 200 billion Term Note Program to HUF 500 billion.

Term Note Program in the value of HUF 200 billion for the year of 2021/2022

On 28 May 2021 the Bank initiated term note program in the value of HUF 200 billion with the intention of issuing registered dematerialized bonds in public. On 8 July 2021, the National Bank of Hungary approved the prospectus of Term Note Program. The prospectus is valid for 12 months following the disclosure.
The Issuer can initiate to introduce the bonds issued under the program to the Hungarian and to other stock exchanges without any obligations.

Issuance of Green Senior Preferred Notes in the aggregate nominal amount of EUR 400 million

OTP Bank Plc have been issued "green" notes (ISIN: XS2499691330) on 13 July 2022 as value date in the aggregate nominal amount of EUR 400 million. The non-call 2 years senior preferred notes have a three-year term and carry an annually paid fixed coupon of 5.500% in the first two years. With respect to the third year, the quarterly coupon is calculated as the sum of the initial margin (of 426.5 basis points) and the 3-month EURIBOR rate. The notes are rated 'BBB' by S&P Ratings Europe Limited and 'BBB+' by Scope Ratings GmbH. The notes are listed on the Luxembourg Stock Exchange.

Issuance of Green Senior Preferred Notes in the aggregate nominal amount of USD 60 million

OTP Bank Plc issued "green" notes (ISIN: XS2536446649) on 29 September 2022 as value date in the aggregate nominal amount of USD 60 million. The notes are rated 'BBB' by S&P Ratings Europe Limited and 'BBB+' by Scope Ratings GmbH. The notes are listed on the Luxembourg Stock Exchange.

NOTE 21: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

Issuance of Senior Preferred Notes in the aggregate nominal amount of EUR 650 million

OTP Bank Plc have been issued the notes (ISIN: XS2560693181) on 1 December 2022 as value date in the aggregate nominal amount of EUR 650 million. The 3.25 Non-Call 2.25 years Senior Preferred Notes were priced on 23 November 2022. The notes are rated 'BBB' by S&P Ratings Europe Limited and 'BBB+' by Scope Ratings GmbH. The notes are listed on the Luxembourg Stock Exchange.

Issuance of Tier 2 Notes in the aggregate nominal amount of USD 650 million

OTP Bank Plc. have been issued notes (ISIN: XS2586007036) on 15 February 2023 as value date in the aggregate nominal amount of USD 650 million. The notes are rated 'Ba2' by Moody's Investor Services Cyprus Ltd., 'BB' by S&P Ratings Europe Limited and 'BB+' by Scope Ratings GmbH. The notes are listed on the Luxembourg Stock Exchange.

Issuance of Senior Preferred Notes in the aggregate nominal amount of USD 500 million

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

Issuance of Senior Non-Preferred Notes in the aggregate nominal amount of EUR 110 million

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

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

	30/06/2023	31/12/2022
Foreign exchange swaps held for trading	71,742	83,149
Commodity swaps	19,056	31,632
Interest rate swaps held for trading	143,012	237,269
Foreign exchange forward contracts held-for-trading	20,292	13,740
CCIRS and mark-to-market CCIRS held for trading	9,182	15,759
Held for trading option contracts	3,970	1,891
Other derivative transactions held for trading[1]	2,319	2,307
Total	**269,573**	**385,747**

[1] Other category includes: fx spot, equity swaps, forward rate agreement, options and index futures.

NOTE 23: DERIVATIVE FINANCIAL LIABILITIES DESIGNATED AS HEDGE ACCOUNTING (in HUF mn)

Negative fair value of derivative financial liabilities designated as hedge accounting by type of contracts

	30/06/2023	31/12/2022
CCIRS and mark-to-market CCIRS designated as fair value hedge	6,343	5,398
Foreign exchange swap designated as fair value hedge	-	16,199
Interest rate swaps designated as fair value hedge	14,813	6,352
Total	**21,156**	**27,949**

NOTE 24: PROVISIONS AND OTHER LIABILITIES (in HUF mn)

Other liabilities are expected to be recovered or settled no more than twelve months after the reporting period. Besides the total other liabilities mentioned above, which are expected to be recovered or settled more than twelve months after the reporting period are the following: accrued contractual liabilities, compulsory pension reserve, loans from government and liabilities from preferential dividend shares.

	30/06/2023	31/12/2022
Other financial liabilities		
Liabilities connected to Cafeteria benefits	95,112	91,001
Liabilities from investment services	110,106	108,513
Accrued expenses on other financial liabilities	63,880	55,898
Liabilities from card transactions	67,834	75,544
Accounts payable	36,839	56,828
Liabilities due to short positions	33,516	24,596
Giro clearing accounts	38,909	32,133
Advances received from customers	12,602	12,540
Liabilities from wages and other salary related payments	36,047	34,672
Loans from government	7,247	7,961
Dividend payable	396	207
Other financial liabilities	129,174	82,387
Subtotal	**631,662**	**582,280**

Other non-financial liabilities	**30/06/2023**	**31/12/2022**
Clearing and giro settlement accounts	51,386	46,800
Liabilities from social security contributions	14,410	11,749
Accrued expenses on other non-financial liabilities	15,617	13,647
Liabilities related to housing loans	9,813	12,868
Insurance technical reserve	1,831	2,354
Other non-financial liabilities	83,138	37,956
Subtotal	**176,195**	**125,374**
Total	**807,857**	**707,654**

NOTE 24: PROVISIONS AND OTHER LIABILITIES (in HUF mn) [continued]

The provisions are detailed as follows:

	30/06/2023	31/12/2022
Commitments and guarantees given	60,343	63,372
Total provision according to IFRS 9	**60,343**	**63,372**
Pending legal issues and tax litigation	36,172	37,043
Pensions and other retirement benefit obligations	8,014	8,225
Other long-term employee benefits	1,553	1,331
Restructuring	886	1,256
Provision due to CHF loans conversion at foreign subsidiaries	188	900
Other provision	22,585	19,494
Total provision according to IAS 37	**69,398**	**68,249**
Total	**129,741**	**131,621**

The movements of provisions according to IFRS 9 can be summarized as follows:

	30/06/2023	31/12/2022
Balance as at 1 January	**63,372**	**51,990**
Provision for the period	59,778	102,928
Release of provision for the period	(59,295)	(96,783)
Use of provision	(40)	(293)
Change due to acquisition	519	21
Foreign currency translation differences	(3,991)	5,509
Closing balance	**60,343**	**63,372**

The movements of provisions according to IAS 37 can be summarized as follows:

	30/06/2023	31/12/2022
Balance as at 1 January	**68,249**	**67,809**
Provision for the period	12,417	27,290
Release of provision for the period	(13,070)	(24,846)
Use of provision	(4,524)	(6,878)
Change due to actuarial gains or losses related to employee benefits	-	(1,098)
Change due to acquisition	11,607	57
Unwinding of the discounted amount	-	16
Foreign currency translation differences	(5,281)	5,899
Closing balance	**69,398**	**68,249**

NOTE 25: SUBORDINATED BONDS AND LOANS (in HUF mn)

	30/06/2023	31/12/2022
Within one year		
In HUF	-	-
In foreign currency	13,591	3,395
	13,591	**3,395**
Over one year		
In HUF	-	-
In foreign currency	539,292	298,589
	539,292	**298,589**
Total	**552,883**	**301,984**

Types of subordinated bonds and loans are as follows:

	30/06/2023	31/12/2022
Debt securities issued	20,497	7,798
Loan received	532,386	294,186
Total	**552,883**	**301,984**

Interest rates on subordinated bonds and loans are as follows:

	30/06/2023	31/12/2022
Denominated in HUF	-	-
Denominated in foreign currency	2.88% - 8.75%	2.90% - 5.00%

	30/06/2023	31/12/2022
Average interest rates on subordinated bonds and loans denominated in foreign currency	5.83%	3.10%

Subordinated bonds and loans can be detailed as follows:

Type	Nominal value	Date of issuance	Date of maturity	Issue price	Interest conditions	Interest rate as at 30 June 2023
Subordinated bond	EUR 231 million	07/11/2006	Perpetual	99.375%	Three-month EURIBOR + 3%, variable after year 10 (payable quarterly)	6.312%
Subordinated bond	EUR 499 million	15/07/2019	15/07/2029	99.738%	Fixed 2.875% annual in the first 5 years and callable after 5 years, starting from year 6 fix coupon (payable annually) is calculated as a sum of the initial margin (320 basis point) and the 5-year mid-swap rate prevailing at the end of the 5 year.	2.875%
Subordinated bond	USD 650 million	2/15/2023	5/15/2033	99.417%	Fix 8.75%	8.75%
Subordinated loan	USD 17 million	05/06/2018	30/06/2025	100.00%	Bullet repayment, once at the end of the loan agreement	5.00%
Subordinated bond	EUR 90 million	10/9/2019	10/9/2029	100.00%	Fix 4.00% annually	4.00%
Subordinated loan	UZS 253.93 million	5/16/2019	11/10/2028	100.00%	Fix 3.00%, quarterly	3.00%
Subordinated loan	USD 16.83 million	3/30/2023	3/31/2030	100.00%	Fix 0.00%, quarterly	0.00%

<u>NOTE 26:</u> SHARE CAPITAL (in HUF mn)

	30/06/2023	**31/12/2022**
Authorized, issued and fully paid:		
Ordinary shares	28,000	28,000

Share capital is the portion of the Bank's equity that has been obtained by the issue of shares in the corporation to a shareholder, usually for cash.

The nominal value of the shares is HUF 100 per shares. All of the shares are ordinary shares representing the same rights to the shareholders. Furthermore, there are no restrictions on the distribution of dividends and the repayment of capital.

NOTE 27: RETAINED EARNINGS AND RESERVES (in HUF mn)

In 2022 dividend of HUF 119 billion from the profit of years 2019 and 2020 and HUF 1 billion from the profit of year 2021 (totally HUF 120 billion) was paid out, which meant HUF 425.89 (for the year 2019 and 2020) and HUF 3.57 (for the year 2021) dividend per share payable to shareholders. In 2023 dividend of HUF 84,000 million was paid out from the profit of the year 2022, which meant HUF 300 dividend per share payable to the shareholders.

The retained earnings and reserves according to IFRS contains the retained earnings (HUF 493,068 million and HUF 774,151 million) and reserves (HUF 3,190,946 million and HUF 2,621,064 million) as at 30 June 2023 and 31 December 2022, respectively. The reserves include mainly the option reserve, other reserves, the fair value adjustment of financial instruments at fair value through other comprehensive income, share-based payment reserve, fair value of hedge transactions, 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 (29,757) million and HUF 237,853 million as at 30 June 2023 and 31 December 2022, respectively.

Retained earnings

Profit of previous years generated by the Group that are not distributed to shareholders as dividends.

Other reserves

The other reserves contain separated reserves due to statutory provisions.

Option reserve

OTP Bank Plc and MOL Plc entered into a share swap agreement in 16 April 2009, whereby OTP has changed 24,000,000 OTP ordinary shares for 5,010,501 „A series" MOL shares. The amended final maturity of the share swap agreement is 11 July 2027, until which any party can initiate cash or physical settlement of the transaction.
Option reserve represents the written put option over OTP ordinary shares 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 shareholders' equity is related to SKB Bank, OTP Luxembourg S.à r.l., OTP banka d.d. and Crnogorska komercijalna banka a.d.

NOTE 27: RETAINED EARNINGS AND RESERVES (in HUF mn) [continued]

Changes in equity accumulated in the previous year at the subsidiaries and due to consolidation

The accumulated changes at the subsidiaries contain the accumulated gains and losses of the subsidiaries from the first day when they were included in the consolidation process. The changes due to consolidation contain the effect on the result of the eliminations in the consolidation process of the previous years.

	30/06/2023	31/12/2022
Retained earnings	493,068	774,151
Capital reserve	52	52
Option reserve	(55,468)	(55,468)
Other reserves	162,769	129,902
Actuarial loss related to employee defined benefits	439	544
Fair value of financial instruments measured at fair value through other comprehensive income	(58,262)	(107,676)
Share-based payment reserve	50,504	49,110
Net investment hedge in foreign operations	(18,462)	(27,405)
Profit after income tax	576,186	346,354
Changes in equity accumulated in the previous year at the subsidiaries and due to consolidation	2,562,945	2,047,798
Foreign currency translation differences	(29,757)	237,853
Retained earnings and other reserves [1]	**3,684,014**	**3,395,215**

[1]See more details in the Consolidated Statement of Comprehensive Income and in the Consolidated statement of Changes in equity on page 8 and 9.

Fair value adjustment of securities at fair value through other comprehensive income	**30/06/2023**	**31/12/2022**
Balance as at 1 January	**(164,432)**	**(7,653)**
Change of fair value	55,256	(180,981)
Deferred tax related to change of fair value	(6,041)	22,401
Transfer to profit or loss due to derecognition	972	1,040
Deferred tax related to transfer to proft or loss	(58)	(194)
Foreign currency translation difference	3,115	955
Closing balance	**(111,188)**	**(164,432)**

Expected credit loss on securities at fair value through other comprehensive income	**30/06/2023**	**31/12/2022**
Balance as at 1 January	**39,625**	**6,710**
Increase of loss allowance	3,934	40,664
Release of loss allowance	(4,502)	(11,391)
Decrease due to sale, derecognition	-	(43)
Foreign currency translation difference	(2,911)	3,685
Closing balance	**36,146**	**39,625**

NOTE 27: RETAINED EARNINGS AND RESERVES (in HUF mn) [continued]

Fair value changes of equity instruments as at fair value through other comprehensive income	30/06/2023	31/12/2022
Balance as at 1 January	**17,131**	**12,633**
Change of fair value	3,194	5,394
Deferred tax related to change of fair value	(401)	(1,282)
Transfer to retained earnings due to derecognition	(2,676)	-
Foreign currency translation difference	(468)	386
Closing balance	**16,780**	**17,131**

Net investment hedge in foreign operations	30/06/2023	31/12/2022
Balance as at 1 January	**(27,405)**	**(27,405)**
Change of fair value on hedging item	8,943	-
Deferred tax related to change of fair value	-	-
Closing balance	**(18,462)**	**(27,405)**

Actuarial loss related to defined employee benefits	30/06/2023	31/12/2022
Balance as at 1 January	**544**	**(471)**
Change of actuarial loss related to employee benefits	-	1,097
Deferred tax related to change of actuarial loss related to employee benefits	-	(43)
Foreign currency translation difference	(105)	(39)
Closing balance	**439**	**544**

Foreign currency translation difference	30/06/2023	31/12/2022
Balance as at 1 January	**237,853**	**58,164**
Change of foreign currency translation	(267,610)	179,689
Closing balance	**(29,757)**	**237,853**

NOTE 28: TREASURY SHARES (in HUF mn)

	30/06/2023	31/12/2022
Nominal value (Ordinary shares)	1,316	1,132
Carrying value at acquisition cost	125,907	106,862

The changes in the carrying value of treasury shares are due to repurchase and sale transactions on market authorised by the General Assembly.

Change in number of shares:

	30/06/2023	31/12/2022
Number of shares as at 1 January	**11,318,096**	**10,906,881**
Additions	3,730,751	1,801,256
Disposals	(1,885,180)	(1,390,041)
Closing number of shares	**13,163,667**	**11,318,096**

Change in carrying value:

	30/06/2023	31/12/2022
Balance as at 1 January	**106,862**	**106,941**
Additions	36,880	16,268
Disposals	(17,835)	(16,347)
Closing balance	**125,907**	**106,862**

NOTE 29: NON-CONTROLLING INTEREST (in HUF mn)

	30/06/2023	31/12/2022
Balance as at 1 January	**5,959**	**6,198**
Increase due to business combination	4,021	-
Non-controlling interest included in net profit for the period	625	727
Purchase of non-controlling interest	-	(886)
Foreign currency translation difference	(1,212)	(80)
Closing balance	**9,393**	**5,959**

The non-controlling interest is not significant in respect of the whole OTP Group.

NOTE 30: INTEREST INCOME, INCOME SIMILAR TO INTEREST INCOME AND EXPENSE (in HUF mn)

	Six-month period ended 30 June 2023	Six-month period ended 30 June 2022
Interest income calculated using the effective interest method from / on		
loans	648,486	417,771
securities at amortized cost	99,660	59,388
finance lease receivables	49,885	34,100
securities at fair value through other comprehensive income	29,656	25,831
banks and balances with the National Banks	185,052	4,651
placements with other banks	90,507	63,664
liabilities (negative interest expense)	345	5,835
repo receivables	7,895	1,106
Subtotal	**1,111,486**	**612,346**
Income similar to interest income from		
swap deals related to placements with other banks	218,173	161,435
loans mandatorily at fair value through profit or loss	39,415	24,390
swap deals related to credit institutions	70,020	18,639
rental income	5,379	4,503
non-trading securities mandatorily at fair value through profit or loss	-	54
Subtotal	**332,987**	**209,021**
Total interest income and incomes similar to interest income	**1,444,473**	**821,367**

	Six-month period ended 30 June 2023	Six-month period ended 30 June 2022
Interest expense due to / from / on		
swaps related to banks, National Governments and to deposits from the National Banks	281,085	155,683
deposits from customers	247,701	75,331
swaps related to deposits from customers	149,143	42,767
banks, National Governments and on deposits from the National Banks	28,180	13,392
issued securities	41,893	7,492
subordinated and supplementary bonds and loans	14,138	4,041
financial assets (negative interest income)	6,465	4,500
depreciation of assets subject to operating lease and investment properties	2,539	2,640
leases	1,322	963
repo liabilities	21,266	8,662
other	1,563	623
Total interest expense	**795,295**	**316,094**

NOTE 31: LOSS ALLOWANCES / IMPAIRMENT / PROVISIONS (in HUF mn)

	Six-month period ended 30 June 2023	Six-month period ended 30 June 2022
Loss allowance on loans		
Loss allowance for the period	399,847	314,597
Release of loss allowance	(316,855)	(222,174)
from this: impairment gain	5,232	6,820
Income from loan recoveries	(23,150)	(21,140)
Income from recoveries exceeding the gross loans	(6,181)	(3,960)
Impairment gain	(10,905)	(13,298)
Income from provisions on loans before OTP acquisition	(522)	(614)
Income from recoveries of written-off, but legally existing loans	(5,542)	(3,268)
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	1,501	(14,987)
Loss allowance on finance lease	19,405	23,597
Release of loss allowance on finance lease	(17,710)	(8,347)
	63,038	**71,546**
(Release of loss allowance) / Loss allowance on due from banks, balances with National Banks, on placements and on repo receivables		
Allowance for the period	34,151	10,574
Release of allowance	(35,444)	(8,520)
	(1,293)	**2,054**
(Release of loss allowance) / Loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost		
Allowance for the period	8,712	60,276
Release of allowance	(13,845)	(11,065)
	(5,133)	**49,211**
Release of impairment of intangible, tangible assets subject to operating lease and of investment properties		
Impairment for the period	1	38
Release of impairment	(7)	(105)
	(6)	**(67)**
Provision for commitments and guarantees given		
Provision for the period	59,778	49,030
Release of provision	(59,295)	(43,096)
	483	**5,934**
Loss allowances / Impairment and provisions	**57,089**	**128,678**

NOTE 32: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn)

Income from fees and commissions	Six-month period ended 30 June 2023	Six-month period ended 30 June 2022
Fees and commissions related to lending[1]	**26,593**	**18,872**
Deposit and account maintenance fees and commissions	136,133	113,550
Fees and commissions related to the issued bank cards	73,115	59,384
Currency exchange gains and losses	54,117	43,317
Fees related to cash withdrawal	33,191	28,006
Fees and commissions related to security trading	17,343	16,217
Fees and commissions related to fund management	18,663	11,394
Insurance fee income	10,330	8,549
Other	34,153	26,666
Fees and commissions from contracts with customers	**377,045**	**307,083**
Total	**403,638**	**325,955**

[1] Such kinds of fees and commissions related to lending which aren't included in the effective interest rate calculation due to their nature.

Fee type	Nature and timing of obligation settlement, and the significant payment terms	Revenue recognition under IFRS 15
Deposit and account maintenance fees and commissions and fees related to cash withdrawal	The Group provides a number of account management services for both retail and corporate customers in which they charge a fee. Fees related to these services can be typically account transaction fees (money transfer fees, direct debit fees, money standing order fees, etc.), internet banking fees (e.g. OTP Direct fee), account control fees (e.g. sms fee), or other fees for occasional services (account statement fees, other administration fees, etc.). Fees for ongoing account management services are charged to the customer's account on a monthly basis. The fees are commonly fixed amounts that can be vary per account package and customer category. In the case of the transaction-based fees where the services include money transfer the fee is charged when the transaction takes place. The rate of the fee is typically determined in a certain % of the transaction amount. In the case of other transaction-based fees (e.g. SMS fee), the fee is settled monthly. In the case of occasional services, the Group basically charges the fees when the services are used by the customer. The fees can be fixed fees or they can be set in %. The rates are reviewed by the Group regularly.	Fees for ongoing account management services are charged on a monthly basis during the period when they are provided. Transaction-based fees are charged when the transaction takes place or charged monthly at the end of the month.

NOTE 32: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn) [continued]

Fee type	Nature and timing of obligation settlement, and the significant payment terms	Revenue recognition under IFRS 15
Fees and commission related to the issued bank cards	The Group provides a variety of bank cards to its customers, for which different fees are charged. The fees are basically charged in connection with the issuance of cards and the related card transactions. The annual fees of the cards are charged in advance in a fixed amount. The amount of the annual card fee depends on the type of card. In case of transaction-based fees (e.g. cash withdrawal/payment fee, merchant fee, interchange fee, etc.), the settlement of the fees will take place immediately after the transaction or on a monthly basis. The fee is typically determined in % of the transaction with a fixed minimum amount. For all other cases where the Group provides a continuous service to the customers (e.g. card closing fee), the fees are charged monthly. The fee is calculated in a fix amount. The rates are reviewed by the Group regularly.	Fees for ongoing services are charged on a monthly basis during the period when they are provided. Transaction-based fees are charged when the transaction takes place or charged monthly at the end of the month.
Fees and commissions related to security account management services	The Group provides its clients security account management services. Fees will be charged for account management and transactions on accounts. Account management fees are typically charged quarterly or annually. The amount is determined in %, based on the stocks of securities managed by the clients on the account in a given period. Fees for transactions on the securities account are charged immediately after the transaction. They are determined in %, based on the transaction amount. Fees for complex services provided to clients (e.g. portfolio management or custody) are typically charged monthly or annually. The fees are fixed monthly amounts and in some cases a bonus fee are charged.	Fees for ongoing services are charged quarterly or annually during the period when they are provided. The fees are accrued monthly. Transaction-based fees are charged when the transaction takes place.
Fees and commissions related to fund management	Fees from fund management services provided to investment funds and from portfolio management provided to insurance companies, funds. The fee income are calculated on the basis of net asset value of the portfolio and by the fee rates determined in the contracts about portfolio management.	Fees for ongoing services are charged usually on monthly (mutual funds) or semi-annually (venture capital funds) during the period when they are provided but accrued monthly.
Net insurance fee income	Due to the fact that the Group rarely provides insurance services to its clients, only acts as an agent, the fee income charged to the customers and fees payable to the insurance company are presented net in the fee income. In addition, agency fee charged for the sale of insurance contracts is also recorded in this line. The fee is charged on a monthly basis and determined in %.	Fees for ongoing services are charged on a monthly basis during the period when they are provided.
Other	Fees that are not significant in the Group total income are included in Other fees category. Such fees are safe lease, special procedure fee, account rent fee, fee of a copy of document, etc. Other fees may include charges for continuous services or for ad hoc administration services. Continuous fees are charged monthly (e.g., safe lease fees) at the beginning of the period, typically at a fixed rate. Fees for ad hoc services are charged immediately after the service obligation were met, usually in a fixed amount.	Fees for ongoing services are charged on a monthly basis during the period when they are provided. Fees for ad hoc services are charged when the transaction takes place.

NOTE 32: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn) [continued]

Expense from fees and commissions	Six-month period ended 30 June 2023	Six-month period ended 30 June 2022
Fees and commissions related to issued bank cards	28,744	21,903
Interchange fees	17,334	13,632
Fees and commissions paid on loans	4,831	4,401
Fees and commissions related to deposits	5,117	4,551
Cash withdrawal transaction fees	4,584	2,279
Fees and commissions related to security trading	2,532	2,068
Insurance fees	833	727
Fees and commissions related to collection of loans	386	388
Postal fees	2,516	288
Money market transaction fees and commissions	411	112
Other agent fee	868	799
Other	10,738	9,356
Total	**78,894**	**60,504**
Net profit from fees and commissions	**324,744**	**265,451**

NOTE 33: GAINS AND LOSSES BY TRANSACTIONS (in HUF mn)

Gains and losses by transactions	Six-month period ended 30 June 2023	Six-month period ended 30 June 2022
Gain by transactions	10,864	3,379
Loss by transactions	(2,316)	(1,442)
Gain from sale of loans, placements, finance lease	**8,548**	**1,937**
Gain by transactions	11	41
Loss by transactions	(7,991)	-
(Loss) / Gain from derecognition of securities and other receivables at amortized cost	**(7,980)**	**41**
Gain from derecognition of financial assets at amortized cost	**568**	**1,978**

Foreign exchange result consists of revaluation difference from converting assets and liabilities in foreign currencies into the presentation currency of the consolidation financial statements.

Gains and losses by transactions	Six-month period ended 30 June 2023	Six-month period ended 30 June 2022
Gain by transactions	21,683	5,479
Loss by transactions	(3,175)	(3,986)
Fx gain on securities at fair value through profit or loss	**18,508**	**1,493**
Gain by transactions	643	-
Loss by transactions	(5)	(9)
Fx gain / (loss) on derecognition of investment in subsidiaries, associates	**638**	**(9)**
Gain by transactions	370	4,311
Loss by transactions	(660)	(4,287)
Fx (loss) / gain on securities at fair value through other comprehensive income	**(290)**	**24**
Gain by transactions	-	-
Loss by transactions	-	(9,369)
Fx loss on other securities	**-**	**(9,369)**
Gain / (Loss) on securities, net	**18,856**	**(7,861)**

Gains and losses by transactions	Six-month period ended 30 June 2023	Six-month period ended 30 June 2022
Gain by transactions	3,502	1,264
Loss by transactions	(352)	(2,093)
Gain / (Loss) on non-trading securities mandatorily at fair value through profit or loss	**3,150**	**(829)**
Gain by transactions	57,718	24,227
Loss by transactions	(12,259)	(20,651)
Gain on loans mandatorily at fair value through profit or loss (adjustment resulting from change in market factors)	**45,459**	**3,576**
Gain by transactions	286	2,209
Loss by transactions	(5,052)	-
(Loss) / Gain on financial assets and liabilities designated at fair value through profit or loss	**(4,766)**	**2,209**
Fair value adjustment on financial instruments measured at fair value through profit or loss	**43,843**	**4,956**

NOTE 33: GAINS AND LOSSES BY TRANSACTIONS (in HUF mn) [continued]

Gains and losses by transactions	Six-month period ended 30 June 2023	Six-month period ended 30 June 2022
Gain by transactions	57,532	86,995
Loss by transactions	(102,458)	(80,020)
(Loss) / Gain from fx swap, swap and option deals	**(44,926)**	**6,975**
Gain by transactions	2,713	2,188
Loss by transactions	(3,134)	(2,158)
(Loss) / Gain from option deals	**(421)**	**30**
Gain by transactions	298,825	74,135
Loss by transactions	(295,671)	(81,245)
Gain / (Loss) from commodities deals	**3,154**	**(7,110)**
Gain by transactions	1,440	750
Loss by transactions	(267)	(1,715)
Gain / (Loss) from futures deals	**1,173**	**(965)**
Net results on derivative instruments and hedge relationships	**(41,020)**	**(1,070)**

Gains and losses attributable to the hedged risk on the hedged item and on the hedging instruments and ineffectiveness in case of fair value hedge on amortised cost line items are as follows:

Fair value hedge	30/06/2023	31/12/2022
Hedged items	(3,029)	6,750
Hedging instrument	4,636	(9,352)
Hedge effectiveness	1,607	(2,602)

NOTE 34: OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn)

Other operating income	Six-month period ended 30 June 2023	Six-month period ended 30 June 2022
Income from agricultural activity	34,297	24,864
Income from tourism activity	1,403	7,221
Gains on transactions related to property activities	4,016	1,592
Rental income	1,908	557
Income from computer programming	1,626	741
Fair value adjustment of biological assets and agricultural produce	(3,003)	(891)
Income from written-of receivable	2,161	1,731
Income from air passenger transport	1,670	889
Gains on transactions related to insurance activity	814	605
Non-repayable assets received	122	78
Negative goodwill due to acquisition	229,428	-
Other income from non-financial activities	19,661	8,283
Total	**294,103**	**45,670**

Other operating expenses	Six-month period ended 30 June 2023	Six-month period ended 30 June 2022
Expense related to agricultural activity	25,370	19,675
(Release of provision) / Provision for off-balance sheet commitments and contingent liabilities	(43)	2,156
Financial support for sport association and organization of public utility	14,186	3,678
Expenses related to tourism activity	-	6,518
Loss allowance and loan losses on other financial assets	3,882	15,617
Expenses from losses due to foreign currency loan conversion at foreign subsidiaries	81	402
(Release of impairment) / Impairment on investments[1]	(28)	7
Non-repayable assets contributed	276	5,370
Impairment on tangible and intangible assets	3,689	-
Impairment and loan losses on other non-financial assets and assets measured under IAS 2	560	1,446
Release of provision due to foreign currency loan conversion at foreign subsidiaries	(610)	(316)
Operating expenses of assets subject to operating lease and investment property	634	-
Other	6,417	8,375
Other expenses from non-financial activities	*4,038*	*2,425*
Other costs	*2,379*	*5,950*
Total	**54,414**	**62,928**

[1] See details in Note 12.

NOTE 34: OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn) [continued]

Other administrative expenses	**Six-month period ended 30 June 2023**	**Six-month period ended 30 June 2022**
Personnel expenses		
Wages	176,134	139,158
Taxes related to personnel expenses	27,049	21,802
Other personnel expenses	25,786	13,792
Subtotal	**228,969**	**174,752**
Depreciation, amortization of tangible, intangible assets, right-of-use assets [2]	**57,185**	**50,472**
Other administrative expenses		
Taxes, other than income tax [3]	110,294	139,589
Services	87,816	67,076
Professional fees	12,242	9,246
Fees payable to authorities and other fees	38,121	28,428
Advertising	9,349	8,668
Administration expenses	7,362	7,456
Rental fees	3,003	2,362
Subtotal	**268,187**	**262,825**
Total	**554,341**	**488,049**

[2] See details in Note 13 and Note 36.
[3] Special tax of financial institutions was paid by the Group in the amount of HUF 56,557 million for the six-month period ended 30 June 2023 and HUF 99,974 million for the year 2022, recognized as an expense thus decreased the corporate tax base. For the first-half year ended 30 June 2023 financial transaction duty was paid by the Bank in the amount of HUF 48,959 million while for the year ended 31 December 2022 the same duty was HUF 88,642 million.

NOTE 35: INCOME TAXES (in HUF mn)

The Group is presently liable for income tax at rates between 9% and 35% of taxable income.

Deferred tax is calculated at the income tax rate of 9% in Hungary and Montenegro, 10% in Bulgaria, 12% in Moldova, 15% in Serbia, Albania and Uzbekistan, 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:

	30/06/2023	31/12/2022
Current tax expense	70,519	91,537
Deferred tax expense / (income)	407	(32,286)
Total	**70,926**	**59,251**

A reconciliation of the net deferred tax asset/liability is as follows:

	30/06/2023	31/12/2022
Balance as at 1 January	**35,327**	**(8,936)**
Deferred tax (expense) / income in profit or loss	(407)	32,286
Deferred tax (liability) / receivable related to items recognized directly in equity and in Comprehensive Income	(5,214)	14,591
Due to acquisition of subsidiary	4,608	-
Foreign currency translation difference	(4,857)	(2,614)
Closing balance	**29,457**	**35,327**

A breakdown of the deferred tax assets are as follows:

	30/06/2023	31/12/2022
Loss allowance on granted loans	18,901	13,244
Provision for off-balance sheet commitments and contingent liabilities, derivative financial instruments	5,194	7,668
Securities at amortized cost	402	8
Difference in depreciation of tangible assets	1,476	1,304
Fair value adjustment of non-trading instruments mandatorily at fair value though profit or loss	178	214
Fair value adjustment of derivative financial instruments	3,825	7,227
Provision on other financial, non-financial liabilities	580	564
Difference in accounting for leases	7	430
Fair value adjustment of securities at fair value through other comprehensive income	8,132	7,563
Unused tax allowance	7,777	12,103
Loss allowance / impairment on other financial, non-financial assets	726	159
Tax accrual caused by negative taxable income	31,758	19,744
Difference in depreciation of right-of-use assets	244	564
Loss allowance on investment	78	84
Interbank placements and receivables	2,195	-
Fair value adjustment of securities at fair value through profit or loss	3,177	4,023
Difference in accounting for investment properties	16	51
Amounts unenforceable by tax law	43	32
Other	9,261	477
Deferred tax asset	**93,970**	**75,459**

NOTE 35: INCOME TAXES (in HUF mn) [continued]

A breakdown of the deferred tax liabilities are as follows:

	30/06/2023	31/12/2022
Difference in depreciation of tangible assets	(9,355)	(10,944)
Fair value adjustment of securities at fair value through other comprehensive income	(9,218)	(4,586)
Fair value adjustment of securities at fair value through profit or loss	(1)	-
Loss allowance on investment	(1,556)	(1,293)
Fair value adjustment of non-trading instruments mandatorily at fair value though profit or loss	(238)	(25)
Securities at amortized cost	(4,807)	(959)
Provision for off-balance sheet commitments and contingent liabilities, derivative financial instruments	(914)	(639)
Loss allowance on granted loans	(4,138)	(4,383)
Interbank placements and receivables	(1,341)	(1,269)
Unused tax allowance	(1)	-
Loss allowance / impairment on other financial, non-financial assets	(144)	(91)
Repurchase agreement and security lending	(593)	(265)
Provision on other financial, non-financial liabilities	(733)	-
Difference in accounting for investment properties	(215)	(204)
Issued securities	(25)	-
Difference in depreciation of right-of-use assets	(6)	(272)
Other	(31,228)	(15,202)
Deferred tax liabilities	**(64,513)**	**(40,132)**

	30/06/2023	31/12/2022
Net deferred tax asset (amount presented in the consolidated statement of financial position)	**29,457**	**35,327**
Deferred tax assets	**64,267**	**75,421**
Deferred tax liabilities	**(34,810)**	**(40,094)**

Among deferred tax assets the tax accruals are included the following accruals by entities:

Tax accrual caused by negative taxable income	**30/06/2023**	**31/12/2022**	**Date until it can be used**
OTP Bank	14,180	19,424	31 December 2027
OTP Real Estate Leasing Ltd.	102	142	31 December 2030
Nagisz Ltd.	3	55	31 December 2025
Nagisz Ltd.	55	56	31 December 2026
Nagisz Ltd.	22	-	31 December 2027
Nagisz Ltd.	101	67	31 December 2030
OTP Leasing Romania IFN S.A.	66	-	31 December 2027
Nova KBM	17,229	-	no time limit
	31,758	**19,744**	

NOTE 35: INCOME TAXES (in HUF mn) [continued]

A reconciliation of the income tax income / expense is as follows:

	30/06/2023	31/12/2022
Profit before income tax	**647,737**	**394,888**
Income tax expense at statutory tax rates	**79,479**	**53,933**
Income tax adjustments due to permanent differences are as follows:		
Deferred use of tax allowance	4,329	(12,102)
Reversal of statutory general provision	-	(5)
Permanent differences from unused tax losses	(171)	(1,894)
Tax effect of transaction costs related to treasury share transaction recognized directly in shareholders' equity	129	267
Amounts unenforceable by tax law	(218)	61
Use of tax allowance in the current year	(4,349)	(23)
Other	(21,028)	(2,804)
Income tax expense	**58,171**	**37,433**
Effective tax rate	**8.98%**	**9.48%**
Business tax and innovation contribution	**12,755**	**21,818**
Total income tax expense	**70,926**	**59,251**

	30/06/2023	31/12/2022
Net current tax liability (amount presented in the consolidated statement of financial position)	**(23,288)**	**(23,216)**
Current income tax receivables	**11,459**	**5,650**
Current income tax payable	**(34,747)**	**(28,866)**

NOTE 36: LEASES (in HUF mn)

The Group as a lessee:

Right-of-use assets by class of underlying assets as at 30 June 2023:

30/06/2023	Property	Office equipment and vehicles	Total
Depreciation expense of right-of-use assets	8,807	523	9,330
Additions to right-of-use assets	7,170	549	7,719
Carrying amount of right-of-use assets at the end of the reporting period	54,738	3,436	58,174

Right-of-use assets by class of underlying assets as at 31 December 2022:

31/12/2022	Property	Office equipment and vehicles	Total
Depreciation expense of right-of-use assets	17,680	328	18,008
Additions to right-of-use assets	19,416	1,931	21,347
Carrying amount of right-of-use assets at the end of the reporting period	56,842	2,095	58,937

The total cash outflow for leases was HUF 10,069 million as at 30 June 2023 and HUF 31,872 million as at 31 December 2022.

The Group mainly leases real estates, a significant part of its right-of-use assets are related to branch offices, a smaller part to office buildings and office space.

Leasing liabilities by maturities:

	30/06/2023	31/12/2022
Within one year	12,394	13,757
Over one year	47,979	50,021
Total	**60,373**	**63,778**

Lease liabilities by payments:

	30/06/2023	31/12/2022
Arising from fixed lease payments	36,426	38,636
Arising from variable lease payments	23,947	25,142
Total	**60,373**	**63,778**

On 30 June 2023 and 31 December 2022 HUF 84 million and HUF 44 million is the lease payment respectively to be paid in the future due to leases not yet commenced to which the Group is committed. The future lease payment not taken into account would be HUF 3,068 million as at 30 June 2023 and would have been HUF 4,220 million as at 31 December 2022 arising from extension options if they had been taken into account.
The most typical indexes/rates on which the variable lease payments depend are: Consumer Price Index, Inflation Rate, BUBOR, EURIBOR.

NOTE 36: LEASES (in HUF mn) [continued]

The Group as a lessee [continued]:

Amounts recognized in profit and loss	**30/06/2023**	**31/12/2022**
Interest expense on lease liabilities	1,322	2,386
Expense relating to short-term leases	2,064	3,935
Expense relating to leases of low value assets	499	919
Expense relating to variable lease payments not included in the measurement of lease liabilities	-	-
Income from subleasing right-of-use assets	4	6
Gains or losses arising from sale and leaseback transactions	-	-

The Group as a lessor:

The Group's leasing activities are most significant in Hungary, Bulgaria, Slovenia, Croatia and Ukraine. The main activity of the leasing companies is finance leasing. About half of the underlying assets are passenger cars, besides this the Group leases mainly agricultural machinery, commercial vehicles, vessels and construction machinery.

The Group manages the risk associated with the rights held in the underlying assets by, inter alia, buy-back agreements, determining the residual values on level lower than future market values and registering pledge on the underlying asset.

The Group as a lessor, finance lease:

Amounts receivable under finance leases	**30/06/2023**	**31/12/2022**
In less than 1 year	501,284	438,205
Between 1 and 2 years	384,615	391,229
Between 2 and 3 years	295,434	265,744
Between 3 and 4 years	191,407	175,723
Between 4 and 5 years	113,538	175,420
More than 5 years	70,543	69,877
Total receivables from undiscounted lease payments	**1,556,821**	**1,516,198**
Unguaranteed residual values	224	395
Gross investment in the lease	**1,557,045**	**1,516,593**
Less: unearned finance income	(206,253)	(164,710)
Present value of minimum lease payments receivable	**1,350,792**	**1,351,883**
Loss allowance	(50,643)	(53,131)
Net investment in the lease	**1,300,149**	**1,298,752**

An analysis of the change in the gross values on finance receivables is as follows:

	30/06/2023	**31/12/2022**
Balance as at 1 January	**1,351,883**	**1,212,631**
Additions due to new contracts	348,959	662,694
Additions due to interest income and amortized fees	34,536	82,181
Decrease due to write-off	(401)	(484)
Decrease due to repossession of the asset	(1,538)	(3,616)
Decrease due to sale	(193)	(1,697)
Decrease due to early repayment	(34,225)	(77,500)
Decrease due to regular lease payment	(273,158)	(572,293)
Foreign currency translation difference	(75,071)	49,967
Closing balance	**1,350,792**	**1,351,883**

NOTE 36: LEASES (in HUF mn) [continued]

The Group as a lessor [continued]:

The Group as a lessor, finance lease [continued]:

An analysis of the change in the loss allowance on finance receivables is as follows:

	30/06/2023	31/12/2022
Balance as at 1 January	**53,131**	**30,003**
Loss allowance for the period	19,405	49,433
Release of loss allowance	(17,710)	(25,020)
Use of loss allowance	(114)	(319)
Partial write-off	-	(516)
Decrease due to sale	(26)	(61)
Foreign currency translation difference	(4,043)	(389)
Closing balance	**50,643**	**53,131**

Result from finance leases	30/06/2023	31/12/2022
Selling profit or loss	-	-
Finance income on the net investment in the lease	49,885	78,262
Income relating to variable lease payments not included in the measurement of the net investment in the lease	-	-

The Group as a lessor, operating lease:

Amounts receivable under operating leases	30/06/2023	31/12/2022
In less than 1 year	8,125	6,636
Between 1 and 2 years	7,535	6,177
Between 2 and 3 years	4,560	4,782
Between 3 and 4 years	3,457	3,481
Between 4 and 5 years	2,825	2,644
More than 5 years	1,729	2,173
Total receivables from undiscounted lease payments	**28,231**	**25,893**

Result from operating leases	30/06/2023	31/12/2022
Lease income	7,287	11,439
Therein lease income relating to variable lease payments that do not depend on an index or a rate	-	-

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn)

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
Financial instruments may result in certain risks to the Group. The most significant risks the Group faces include:

37.1. Credit risk

The Group takes on exposure to credit risk which is the risk that a counter-party will be unable to pay amounts in full when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or banks of borrowers, and to geographical areas and loan types. Such risks are monitored on a periodical basis and are subject to an annual or more frequent review. The exposure to any borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is managed by obtaining collateral, corporate and personal guarantees.

Defining the expected credit loss on individual and collective basis

On individual basis:

Individually assessed are the non-retail or non- micro- and small enterprise exposure of significant amount on a stand-alone basis:

- exposure in stage 3,
- exposure in workout management,
- purchased or originated credit-impaired instruments which are in accordance with the conditions mentioned above.

The calculation of impairment must be prepared and approved by the risk management functional areas. The calculation, all relevant factors (amortized cost, original and current EIR, contracted and expected cash flows (from business and/or collateral) for the individual periods of the entire lifecycle, other essential information enforced during the valuation) and the criteria thereof (including the factors underlying the classification as stage 3) must be documented individually.

The expected credit loss of the exposure equals the difference of the items' AC (gross book value) on the valuation date and the present value of the receivable's expected cash flows discounted to the valuation date by the exposure's original effective interest rate (EIR) (calculated at the initial recognition, or in the case of variable rate, recalculated due to the last interest rate change). The estimation of the expected future cash flows should be forward looking, it must also contain the effects of the possible change of macroeconomic outlook.
At least two scenarios must be used for the estimation of the expected cash flow. It should be at least one scenario in which the entity anticipates that realized cash flows will be significantly different from the contractual cash flows. Probability weights must be allocated to the individual scenarios. The estimation must reflect the probability of the occurrence and non-occurrence of the credit loss, even if the most probable result is the non-occurrence of the loss.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

Defining the expected credit loss on individual and collective basis [continued]

On collective basis:

The following exposures are subject to collective assessment:

- retail exposure irrespective of the amount,
- micro and small enterprise exposures irrespective of the amount,
- all other exposure which are insignificant on a stand-alone basis and not part of the workout management,
- exposure which are not in stage 3, significant on a stand-alone basis,
- purchased or originated credit-impaired instruments which are in accordance with the conditions mentioned above.

In the collective impairment methodology credit risk and the change of credit risk can be correctly captured by understanding the risk characteristics of the portfolio. In order to achieve this, the main risk drivers shall be identified and used to form homogeneous segments having similar risk characteristics. The segmentation is expected to stay stable from month to month, however a regular (at least yearly) revision of the segmentation process should be set up to capture the change of risk characteristics. The segmentation must be performed separately for each parameter, since in each case different factors may have relevance.

The Bank's Headquarter Group Reserve Committee stipulates the guidelines related to the collective impairment methodology at group level. In addition, it has right of agreement in respect of the risk parameters (PD -probability of default, LGD - loss given default, EAD – exposure at default) and segmentation criteria proposed by the group members.

The review of the parameters must be performed at least annually, and the results should be approved by the Group Reserve Committee. Local Risk Managements are responsible for parameter estimations / updates, macroeconomic scenarios are calculated by OTP Bank Headquarter for each subsidiary and each parameter. Based on the consensus proposal of Local Risk Management and OTP Bank Headquarter, the Group Reserve Committee decides on the modification of parameters (all parameters for impairment calculation).

At least on a yearly basis the impairment parameters should be back tested as well.

The expected loss calculation should be forward looking, including forecasts of future economic conditions. This may be achieved by applying 3-5 different macroeconomic scenarios, which may be integrated in the PD, LGD and EAD parameters.

In 2022 in Slovenia and Romania the PD parameter estimation was extended to estimate parameters based on rating categories only. The more granular estimation resulted EUR 11 million less impairment in Slovenia, while in Romania the RON 95 million impairment release outcome of the review was netted with a post model adjustment resulting neutral overall effect.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.1. Financial instruments by stages

Gross carrying amount and accumulated loss allowance of financial assets at amortized cost and of interest-bearing securities at fair value through other comprehensive income and financial commitments and provision on them by stages as at 30 June 2023:

		Gross carrying amount / Notional value					Accumulated loss allowance / Provision				
30/06/2023	**Carrying amount / Exposure**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Placements with other banks	**1,305,309**	1,303,842	4,249	21	-	**1,308,112**	2,686	96	21	-	**2,803**
Repo receivables	**164,830**	165,240	-	-	-	**165,240**	410	-	-	-	**410**
Mortgage loans	**5,042,844**	4,628,169	382,601	119,352	51,724	**5,181,846**	35,422	23,840	65,586	14,154	**139,002**
Loans to medium and large corporates	**7,703,178**	6,770,214	1,008,421	183,524	27,633	**7,989,792**	68,423	90,566	121,842	5,783	**286,614**
Consumer loans	**3,334,787**	2,988,907	405,356	319,018	14,386	**3,727,667**	61,896	81,378	242,168	7,438	**392,880**
Loans to micro and small enterprises	**872,631**	687,401	161,573	67,201	21,635	**937,810**	14,185	12,247	37,630	1,117	**65,179**
Car-finance loans	**559,540**	490,140	68,297	21,162	913	**580,512**	4,509	5,279	10,474	710	**20,972**
Municipal loans	**460,455**	448,368	17,989	697	-	**467,054**	4,386	1,597	616	-	**6,599**
Loans at amortized cost	**17,973,435**	**16,013,199**	**2,044,237**	**710,954**	**116,291**	**18,884,681**	**188,821**	**214,907**	**478,316**	**29,202**	**911,246**
Finance lease receivable	**1,300,149**	1,096,710	180,799	73,048	235	**1,350,792**	5,674	10,194	34,597	178	**50,643**
Interest bearing securities at fair value through other comprehensive income[1]	**1,796,415**	1,708,110	61,364	26,941	-	**1,796,415**	10,198	2,979	22,969	-	**36,146**
Securities at amortized cost	**5,370,001**	5,344,750	13,896	48,173	-	**5,406,819**	19,082	571	17,165	-	**36,818**
Financial assets total	**27,910,139**	**25,631,851**	**2,304,545**	**859,137**	**116,526**	**28,912,059**	**226,871**	**228,747**	**553,068**	**29,380**	**1,038,066**
Loan commitments given	**4,483,952**	4,214,440	295,538	12,827	716	**4,523,521**	22,690	13,383	3,215	281	**39,569**
Financial guarantees given	**1,377,395**	1,294,325	86,275	8,923	62	**1,389,585**	8,787	2,243	1,111	49	**12,190**
Other commitments given	**813,157**	783,456	25,803	10,606	1,876	**821,741**	3,744	1,997	2,366	477	**8,584**
Financial liabilities total	**6,674,504**	**6,292,221**	**407,616**	**32,356**	**2,654**	**6,734,847**	**35,221**	**17,623**	**6,692**	**807**	**60,343**

[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 2022:

31/12/2022	Carrying amount / Exposure	Gross carrying amount / Notional value					Accumulated loss allowance / Provision				
		Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Placements with other banks	**1,351,082**	1,354,832	63	24	-	**1,354,919**	3,801	12	24	-	**3,837**
Repo receivables	**41,009**	41,250	-	-	-	**41,250**	241	-	-	-	**241**
Mortgage loans	**4,433,192**	3,975,636	373,433	161,684	53,844	**4,564,597**	12,638	23,738	78,932	16,097	**131,405**
Loans to medium and large corporates	**6,824,520**	5,912,383	996,292	202,188	25,350	**7,136,213**	64,479	100,793	138,877	7,544	**311,693**
Consumer loans	**3,199,520**	2,879,094	363,047	388,258	13,495	**3,643,894**	61,424	81,256	294,251	7,443	**444,374**
Loans to micro and small enterprises	**594,427**	460,940	114,173	64,383	3,079	**642,575**	4,710	9,136	32,558	1,744	**48,148**
Car-finance loans	**512,580**	433,316	82,146	20,705	1,098	**537,265**	5,751	6,830	11,199	905	**24,685**
Municipal loans	**530,219**	515,299	20,229	746	-	**536,274**	3,187	2,212	656	-	**6,055**
Loans at amortized cost	**16,094,458**	**14,176,668**	**1,949,320**	**837,964**	**96,866**	**17,060,818**	**152,189**	**223,965**	**556,473**	**33,733**	**966,360**
Finance lease receivable	**1,298,752**	1,045,688	235,817	70,050	328	**1,351,883**	4,797	15,241	32,875	218	**53,131**
Interest bearing securities at fair value through other comprehensive income[1]	**1,699,446**	1,642,481	28,285	28,680	-	**1,699,446**	13,754	1,040	24,831	-	**39,625**
Securities at amortized cost	**4,891,938**	4,867,061	15,141	52,785	-	**4,934,987**	23,675	611	18,763	-	**43,049**
Financial assets total	**25,376,685**	**23,127,980**	**2,228,626**	**989,503**	**97,194**	**26,443,303**	**198,457**	**240,869**	**632,966**	**33,951**	**1,106,243**
Loan commitments given	**4,191,766**	3,954,773	258,655	16,660	201	**4,230,289**	24,124	11,285	3,085	29	**38,523**
Financial guarantees given	**1,447,014**	1,378,871	80,187	7,515	1	**1,466,574**	14,678	2,932	1,950	-	**19,560**
Other commitments given	**559,224**	509,314	20,394	34,805	-	**564,513**	2,755	904	1,630	-	**5,289**
Financial liabilities total	**6,198,004**	**5,842,958**	**359,236**	**58,980**	**202**	**6,261,376**	**41,557**	**15,121**	**6,665**	**29**	**63,372**

[1] Interest bearing securities at fair value through other comprehensive income are recognized in the Consolidated statement of financial position as at fair value (see in Note 9). Loss allowances for securities at fair value through other comprehensive income that are in Stage 1 and / or in Stage 2 is recognized in the Other comprehensive income. It is included in the accumulated loss allowance of this table showed above.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.2. 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 30 June 2023:

30/06/2023	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between stages (net)	Changes due to change in credit risk (net)	Changes due to modifications without derecognition (net)	Decrease in loss allowance account due to write-offs	Other adjustments[1]	Closing balance
Stage 1	**198,457**	**134,988**	**(24,813)**	**(59,609)**	**2,414**	**(4,765)**	**(40)**	**(19,761)**	**226,871**
Placements with other banks	3,801	29,085	(6,963)	(96)	(22,479)	-	(2)	(660)	**2,686**
Repo receivables	241	14,394	-	-	(14,226)	-	-	1	**410**
Loans at amortized cost	152,189	87,930	(17,150)	(58,299)	45,736	(4,734)	(20)	(16,831)	**188,821**
Finance lease receivables	4,797	1,351	(230)	(1,215)	1,460	(31)	(18)	(440)	**5,674**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	37,429	2,228	(470)	1	(8,077)	-	-	(1,831)	**29,280**
Stage 2	**240,869**	**19,319**	**(18,377)**	**15,410**	**(7,371)**	**3,181**	**(528)**	**(23,756)**	**228,747**
Placements with other banks	12	1,325	-	96	(1,213)	-	-	(124)	**96**
Repo receivables	-	-	-	-	-	-	-	-	**-**
Loans at amortized cost	223,965	12,540	(17,505)	18,653	(2,253)	3,172	(528)	(23,137)	**214,907**
Finance lease receivables	15,241	780	(243)	(3,338)	(1,892)	9	-	(363)	**10,194**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	1,651	4,674	(629)	(1)	(2,013)	-	-	(132)	**3,550**
Stage 3	**632,966**	**21,289**	**(61,296)**	**44,199**	**11,574**	**3,040**	**(33,696)**	**(65,008)**	**553,068**
Placements with other banks	24	-	-	-	109	-	-	(112)	**21**
Repo receivables	-	-	-	-	-	-	-	-	**-**
Loans at amortized cost	556,473	13,268	(60,839)	39,646	21,158	3,137	(33,652)	(60,875)	**478,316**
Finance lease receivables	32,875	8,021	(457)	4,553	(9,656)	(97)	(44)	(598)	**34,597**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	43,594	-	-	-	(37)	-	-	(3,423)	**40,134**
Loss allowance on financial assets subtotal	**1,072,292**	**175,596**	**(104,486)**	**-**	**6,617**	**1,456**	**(34,264)**	**(108,525)**	**1,008,686**

[1]Other adjustment mainly includes changes due to foreign exchange conversion.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.2. Movement table of loss allowance / provision on financial instruments [continued]

Movement of loss allowance on financial assets at amortized cost and on interest bearing securities at fair value through other comprehensive income and of provision of financial commitments as at 30 June 2023 [continued]:

30/06/2023	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between stages (net)	Changes due to change in credit risk (net)	Changes due to modifications without derecognition (net)	Decrease in loss allowance account due to write-offs	Other adjustments[1]	Closing balance
POCI	**33,951**	**-**	**(1,191)**	**-**	**636**	**(31)**	**(1,155)**	**(2,830)**	**29,380**
Placements with other banks	-	-	-	-	-	-	-	-	**-**
Repo receivables	-	-	-	-	-	-	-	-	**-**
Loans at amortized cost	33,733	-	(1,183)	-	533	(31)	(1,050)	(2,800)	**29,202**
Finance lease receivables	218	-	(8)	-	103	-	(105)	(30)	**178**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	-	-	-	-	-	-	-	-	**-**
Loss allowance on financial assets total	**1,106,243**	**175,596**	**(105,677)**	**-**	**7,253**	**1,425**	**(35,419)**	**(111,355)**	**1,038,066**
Loan commitments and financial guarantees given - stage 1	41,557	9,413	(3,350)	(12,002)	8,711	(2,430)	(1,876)	(4,802)	**35,221**
Loan commitments and financial guarantees given - stage 2	15,121	1,231	(803)	7,184	(4,152)	(313)	-	(645)	**17,623**
Loan commitments and financial guarantees given - stage 3	6,665	326	(529)	4,818	(3,777)	(170)	(2)	(639)	**6,692**
Loan commitments and financial guarantees given - poci	29	809	(17)	-	(12)	(2)	-	-	**807**
Provision on financial liabilities total	**63,372**	**11,779**	**(4,699)**	**-**	**770**	**(2,915)**	**(1,878)**	**(6,086)**	**60,343**

[1]Other adjustment mainly includes changes due to foreign exchange conversion.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.2. Movement table of loss allowance / provision on financial instruments [continued]

Movement of loss allowance on financial assets at amortized cost and on interest bearing securities at fair value through other comprehensive income and of provision of financial commitments as at 31 December 2022:

31/12/2022	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between stages (net)	Changes due to change in credit risk (net)	Changes due to modifications without derecognition (net)	Decrease in loss allowance account due to write-offs	Other adjustments[1]	Closing balance
Stage 1	**142,432**	**138,017**	**(43,066)**	**(120,475)**	**71,441**	**(4,547)**	**(88)**	**14,743**	**198,457**
Placements with other banks	2,966	34,558	(11,574)	(1,345)	(20,902)	-	-	98	**3,801**
Repo receivables	290	4,457	(389)	-	(1,044)	-	-	(3,073)	**241**
Loans at amortized cost	120,389	93,238	(28,281)	(101,521)	56,228	(4,576)	(88)	16,800	**152,189**
Finance lease receivables	4,432	2,647	(1,105)	1,668	(3,384)	29	-	510	**4,797**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	14,355	3,117	(1,717)	(19,277)	40,543	-		408	**37,429**
Stage 2	**208,240**	**52,749**	**(24,038)**	**9,927**	**(26,352)**	**6,158**	**(959)**	**15,144**	**240,869**
Placements with other banks	-	-	-	1,345	(1,518)	-	-	185	**12**
Repo receivables	-	-	-	-	-	-	-	-	**-**
Loans at amortized cost	195,632	42,790	(22,408)	12,796	(23,558)	6,174	(959)	13,498	**223,965**
Finance lease receivables	11,140	6,646	(1,630)	(4,296)	2,102	(16)	-	1,295	**15,241**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	1,468	3,313	-	82	(3,378)	-	-	166	**1,651**
Stage 3	**506,842**	**72,119**	**(52,134)**	**110,548**	**69,855**	**743**	**(124,057)**	**49,050**	**632,966**
Placements with other banks	28	11	(14)	-	(121)	-	(4)	124	**24**
Repo receivables	-	-	-	-	-	-	-	-	**-**
Loans at amortized cost	492,571	34,977	(49,466)	88,725	67,932	743	(122,687)	43,678	**556,473**
Finance lease receivables	14,243	12,732	(2,654)	2,628	3,374	-	(1,366)	3,918	**32,875**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	-	24,399	-	19,195	(1,330)	-	-	1,330	**43,594**
Loss allowance on financial assets subtotal	**857,514**	**262,885**	**(119,238)**	**-**	**114,944**	**2,354**	**(125,104)**	**78,937**	**1,072,292**

[1]Other adjustment mainly includes changes due to foreign exchange conversion.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.2. Movement table of loss allowance / provision on financial instruments [continued]

Movement of loss allowance on financial assets at amortized cost and on interest bearing securities at fair value through other comprehensive income and of provision of financial commitments as at 31 December 2022 [continued]:

31/12/2022	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between stages (net)	Changes due to change in credit risk (net)	Changes due to modifications without derecognition (net)	Decrease in loss allowance account due to write-offs	Other adjustments[1]	Closing balance
POCI	**43,590**	**-**	**(3,534)**	**-**	**6,116**	**(138)**	**(6,610)**	**(5,473)**	**33,951**
Placements with other banks	-	-	-	-	-	-	-	-	**-**
Repo receivables	-	-	-	-	-	-	-	-	**-**
Loans at amortized cost	43,402		(3,434)	-	6,098	(138)	(6,572)	(5,623)	**33,733**
Finance lease receivables	188	-	(100)	-	18	-	(38)	150	**218**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	-	-	-	-	-	-	-	-	**-**
Loss allowance on financial assets total	**901,104**	**262,885**	**(122,772)**	**-**	**121,060**	**2,216**	**(131,714)**	**73,464**	**1,106,243**
Loan commitments and financial guarantees given - stage 1	35,523	22,118	(6,033)	(10,309)	708	(1,368)	-	918	**41,557**
Loan commitments and financial guarantees given - stage 2	10,030	4,024	(2,236)	6,939	(6,070)	302	(11)	2,143	**15,121**
Loan commitments and financial guarantees given - stage 3	6,409	1,975	(619)	3,370	(4,728)	(156)	(1)	415	**6,665**
Loan commitments and financial guarantees given - poci	28	5	(9)	-	5	-	-	-	**29**
Provision on financial liabilities total	**51,990**	**28,122**	**(8,897)**	**-**	**(10,085)**	**(1,222)**	**(12)**	**3,476**	**63,372**

[1]Other adjustment mainly includes changes due to foreign exchange conversion.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.3. Loan portfolio by internal ratings

30/06/2023	Gross carrying amount				
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Low risk grade (1-4)	11,165,800	561,635	-	5,012	11,732,447
Medium risk grade (5-7)	5,727,121	1,118,731	-	48,699	6,894,551
High risk grade (8-9)	216,988	544,670	-	3,267	764,925
Non-performing	-	-	784,002	59,548	843,550
Total loans at amortized cost and finance lease receivable	**17,109,909**	**2,225,036**	**784,002**	**116,526**	**20,235,473**

30/06/2023	Accumulated loss allowance				
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Low risk grade (1-4)	84,578	48,050	-	178	132,806
Medium risk grade (5-7)	98,032	115,380	-	5,306	218,718
High risk grade (8-9)	11,885	61,671	-	194	73,750
Non-performing	-	-	512,913	23,702	536,615
Total loans at amortized cost and finance lease receivable	**194,495**	**225,101**	**512,913**	**29,380**	**961,889**

31/12/2022	Gross carrying amount				
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Low risk grade (1-4)	9,947,741	569,504	-	3,703	10,520,948
Medium risk grade (5-7)	5,073,919	1,033,413	-	36,259	6,143,591
High risk grade (8-9)	200,696	582,220	-	2,913	785,829
Non-performing	-	-	908,014	54,319	962,333
Total loans at amortized cost and finance lease receivable	**15,222,356**	**2,185,137**	**908,014**	**97,194**	**18,412,701**

31/12/2022	Accumulated loss allowance				
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Low risk grade (1-4)	66,621	51,998	-	172	118,791
Medium risk grade (5-7)	82,554	121,985	-	6,235	210,774
High risk grade (8-9)	7,811	65,223	-	250	73,284
Non-performing	-	-	589,348	27,294	616,642
Total loans at amortized cost and finance lease receivable	**156,986**	**239,206**	**589,348**	**33,951**	**1,019,491**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.4. Loan portfolio by countries

An analysis of the non-qualified and qualified gross loan portfolio at amortized cost, finance lease receivables, placements with other banks and repo receivables and their loss allowances by country is as follows:

	30/06/2023		31/12/2022	
Country	**Gross amount of exposure**	**Loss allowance**	**Gross amount of exposure**	**Loss allowance**
Hungary	5,534,016	250,128	5,955,212	235,946
Bulgaria	3,493,130	137,445	3,537,330	159,412
Croatia	2,194,199	89,159	2,279,085	102,039
Serbia	2,136,036	71,280	2,127,646	70,779
Romania	1,212,159	54,966	1,326,510	65,646
Slovenia	2,760,798	27,179	1,200,735	14,627
Russia	1,120,417	134,161	1,053,208	187,610
Ukraine	430,757	105,613	543,159	124,859
Montenegro	431,524	20,683	454,567	22,421
Uzbekistan	938,756	39,849	-	-
France	209,715	876	272,848	1,171
Albania	375,919	15,393	390,856	16,660
Moldova	148,744	8,744	171,616	11,181
Germany	115,699	1,578	39,631	525
Belgium	33,010	128	38,855	134
Austria	40,444	121	3,182	31
Slovakia	112,198	410	121,591	545
The Netherlands	133,289	1,902	101,078	1,864
Gibraltar	9,095	36	-	-
Switzerland	4,066	64	63,843	3,138
United Kingdom	50,006	1,539	13,833	1,336
United States of America	98,173	447	45,232	205
Luxembourg	30,767	1,106	3,477	1,085
Poland	27,714	829	34,012	987
Italy	23,335	438	9,330	235
Ireland	6,374	52	5,966	116
Cyprus	35	8	5,311	217
Denmark	104	7	46	7
Subtotal	**21,670,479**	**964,141**	**19,798,159**	**1,022,776**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.4. Loan portfolio by countries [continued]

	30/06/2023		31/12/2022	
Country	**Gross amount of exposure**	**Loss allowance**	**Gross amount of exposure**	**Loss allowance**
Czech Republic	1,531	21	739	10
Canada	94	4	74	4
Australia	146	-	58	13
Greece	1,678	110	999	122
Turkey	1,622	55	1,418	63
Spain	19,647	237	1,164	35
Israel	1,097	13	937	13
Bosnia and Herzegovina	1,157	124	673	97
Sweden	323	25	542	30
Norway	5,008	41	107	9
Saudi Arabia	-	-	87	70
United Arab Emirates	42	24	36	26
Egypt	443	48	726	14
Kazakhstan	205	8	224	9
Latvia	46	33	50	30
Other[1]	5,307	218	2,877	248
Subtotal	**38,346**	**961**	**10,711**	**793**
Total	**21,708,825**	**965,102**	**19,808,870**	**1,023,569**

[1] Other category as at 30 June 2023 mainly includes e.g.: Japan, Macedonia, Portugal, China, Brazil, Lithuania, Republic of South-Africa, Armenia, South Korea, Iran, Tunisia, Syria, Kosovo and other countries.

An analysis of the non-qualified and qualified loan portfolio mandatorily at fair value through profit or loss by country is as follows**:**

Country	**30/06/2023**	**31/12/2022**
Hungary	1,301,469	1,247,401
United Kingdom	1,009	-
Slovakia	11	-
Romania	2	-
Others	10	13
Total loans at fair value	**1,302,501**	**1,247,414**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.5. Loan portfolio classification by economic activities

Gross loan at amortized cost and finance lease receivable portfolio by economic activities	30/06/2023	31/12/2022
Retail	9,556,009	8,575,020
Agriculture, forestry and fishing	717,540	752,497
Manufacturing, mining and quarrying and other industry	2,615,007	2,338,129
Construction	832,060	734,908
Wholesale and retail trade, transportation and storage accommodation and food service activities	2,959,501	2,948,392
Information and communication	247,185	241,809
Financial and insurance activities	767,770	354,235
Real estate activities	930,080	841,069
Professional, scientific, technical, administration and support service activities	719,585	657,055
Public administration, defence, education, human health and social work activities	448,791	494,955
Other services	441,945	474,632
Total gross loans and finance lease receivable	**20,235,473**	**18,412,701**

Loss allowance on loans at amortized cost and finance lease receivable by economic activities	30/06/2023	31/12/2022
Retail	578,246	633,253
Agriculture, forestry and fishing	39,113	39,200
Manufacturing, mining and quarrying and other industry	92,910	94,324
Construction	27,792	26,040
Wholesale and retail trade, transportation and storage accommodation and food service activities	133,349	141,799
Information and communication	6,227	6,293
Financial and insurance activities	9,275	12,373
Real estate activities	38,571	29,500
Professional, scientific, technical, administration and support service activities	18,744	18,079
Public administration, defence, education, human health and social work activities	6,985	7,783
Other services	10,677	10,847
Total loss allowance on loans and finance lease receivable	**961,889**	**1,019,491**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

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	30/06/2023	31/12/2022
Mortgages	19,967,742	16,332,892
Guarantees and warranties	1,496,375	1,630,318
Guarantees of state or organizations owned by state	1,749,351	1,635,382
Assignments (revenue or other receivables)	287,461	423,098
Securities	342,590	168,941
Cash deposits	317,717	208,487
Other	2,521,896	1,758,802
Total	**26,683,132**	**22,157,920**

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	30/06/2023	31/12/2022
Mortgages	8,741,322	8,044,836
Guarantees of state or organizations owned by state	1,409,063	1,241,702
Guarantees and warranties	977,227	1,016,672
Assignments (revenue or other receivables)	174,291	220,062
Securities	308,245	99,345
Cash deposits	113,293	80,313
Other	1,073,439	752,241
Total	**12,796,880**	**11,455,171**

The coverage level of the loan portfolio (total collateral) increased by 10.32 pps and the coverage level to the extent of the exposures also increased by 1.30 pps as at 30 June 2023.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.7. Restructured loans

	30/06/2023		31/12/2022	
	Gross portfolio	**Loss allowance**	**Gross portfolio**	**Loss allowance**
Retail mortgage loans	39,005	(3,627)	89,167	(5,803)
Loans to medium and large corporations	345,389	(50,955)	403,643	(59,453)
Retail consumer loans	42,879	(16,918)	64,268	(21,346)
Loans to micro and small enterprises	52,325	(4,725)	59,096	(4,750)
Municipal	1,291	(126)	-	-
Other loans	2,424	(1,019)	3,417	(1,361)
Total	**483,313**	**(77,370)**	**619,591**	**(92,713)**

The forborne definition used by the Group is based on EU 2015/227 regulation.
Restructuring (forbearance) is a modification of the contract – initiated by either the client or the bank – that provides a concession or allowance towards the client in respect to the client's current or future financial difficulties. The table of restructured loans contains exposures classified as performing forborne. An exposure is considered performing forborne if the conditions of the non-performing status are not met at the time of the restructuring, or the exposure fulfilled the requirements of the minimum one-year cure period as non-performing forborne.

The loan volume of Hungarian entities classified as performing forborne exclusively due to moratoria participation decreased significantly due the expiration of the probation period for retail exposures (a total decrease of HUF 58 billion). Added to this the decreased loan volume (mostly in the medium and large corporation segment) of performing forborne exposures in Ukraine (a total decrease of HUF 49 billion).

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.8. Financial instruments by Moody's rating categories

Securities held for trading as at fair value through profit or loss

30/06/2023	Aaa	Aa2	Aa3	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	Not rated	Total
Government bonds	2,317	559	146	147	363	9,016	28,190	3,657	-	3,930	-	447	-	**48,772**
Equity instruments and fund units	-	-	65	54	31	15	25	10	22	-	4	-	212	**438**
Corporate bonds	-	-	-	-	-	-	-	118	-	-	-	-	3	**121**
Discounted Treasury bills	-	-	7,603	-	-	-	3,071	-	-	-	-	-	29	**10,703**
Mortgage bonds	-	-	-	-	-	-	-	-	-	-	-	-	88	**88**
Other interest bearing securities	-	-	-	-	-	-	779	-	-	-	-	-	130,249	**131,028**
Other non-interest bearing securities	462	-	-	-	-	-	-	-	-	-	-	-	329	**791**
Total	**2,779**	**559**	**7,814**	**201**	**394**	**9,031**	**32,065**	**3,785**	**22**	**3,930**	**4**	**447**	**130,910**	**191,941**

31/12/2022	Aaa	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	Not rated	Total
Government bonds	346	-	-	-	197	-	9,850	63,992	843	-	3,669	-	-	**78,897**
Equity instruments and fund units	-	-	20	42	47	29	15	24	-	39	2	4	163	**385**
Corporate bonds	-	-	-	-	-	-	-	-	116	-	-	-	3	**119**
Discounted Treasury bills	-	-	-	-	-	-	-	22,865	-	-	-	-	31	**22,896**
Mortgage bonds	-	-	-	-	-	-	-	-	-	-	-	-	72	**72**
Other interest bearing securities	-	1	-	-	-	-	-	1,627	-	-	-	-	-	**1,628**
Other non-interest bearing securities	479	-	-	-	-	-	-	-	-	-	-	-	274	**753**
Total	**825**	**1**	**20**	**42**	**244**	**29**	**9,865**	**88,508**	**959**	**39**	**3,671**	**4**	**543**	**104,750**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.8. Financial instruments by Moody's rating categories [continued]

Non-trading securities mandatorily at fair value through profit or loss

30/06/2023	Aaa	Aa3	A3	Baa2	Baa3	Not rated	Total
Non-trading equity instruments mandatorily at fair value through profit or loss	3,771	-	539	7,835	-	45,505	**57,650**
Non-trading debt instruments mandatorily at fair value through profit or loss	977	835	-	49	960	1,528	**4,349**
Total	**4,748**	**835**	**539**	**7,884**	**960**	**47,033**	**61,999**

31/12/2022	Aaa	Aa3	A3	Baa2	Baa3	Not rated	Total
Non-trading equity instruments mandatorily at fair value through profit or loss	-	-	-	8,152	-	41,594	**49,746**
Non-trading debt instruments mandatorily at fair value through profit or loss	949	797	6	1,182	1,006	1,469	**5,409**
Total	**949**	**797**	**6**	**9,334**	**1,006**	**43,063**	**55,155**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.8. Financial instruments by Moody's rating categories [continued]

Securities at fair value through other comprehensive income

30/06/2023	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	B1	Caa1	Ca	C	Not rated	N/A	Total
Government bonds	17,951	2,333	15,424	1,740	15,534	17,508	91,434	109,811	572,918	111,595	-	136,224	101,727	179	59,795	1,305	29,856	25,636	**1,310,970**
Corporate bonds	3,952	1,467	707	-	1,106	2,506	5,335	-	-	-	3,545	5,298	8,611	-	-	-	13,201	-	**45,728**
Mortgage bonds	-	-	-	-	47,416	-	-	-	-	-	-	-	-	-	-	-	13,846	-	**61,262**
National Bank of Hungary bonds	-	-	-	-	-	-	-	-	296,891	-	-	-	-	-	-	-	-	-	**296,891**
Interest bearing treasury bills	-	-	-	-	-	-	-	-	39,803	-	-	-	-	-	-	-	-	-	**39,803**
Other securities	26,504	-	1,469	1,836	-	517	10,715	-	-	-	-	-	-	-	-	-	720	-	**41,761**
Non-trading equity instruments	5,961	-	-	3,194	401	-	17,918	-	291	29	-	-	-	11	-	-	29,291	-	**57,096**
Total	**54,368**	**3,800**	**17,600**	**6,770**	**64,457**	**20,531**	**125,402**	**109,811**	**909,903**	**111,624**	**3,545**	**141,522**	**110,338**	**190**	**59,795**	**1,305**	**86,914**	**25,636**	**1,853,511**

31/12/2022	Aaa	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	B1	Caa1	Caa3	Not rated	N/A	Total
Government bonds	19,775	6,773	-	17,544	24,234	80,968	138,811	534,476	120,053	10,198	157,469	105,049	145	26,597	31,672	27,415	**1,301,179**
Corporate bonds	-	-	-	-	-	1,691	-	-	39,309	3,820	13,721	9,262	-	-	14,848	-	**82,651**
Mortgage bonds	-	-	-	42,407	-	-	-	-	-	-	-	-	-	-	12,146	-	**54,553**
National Bank of Hungary bonds	-	-	-	-	-	-	-	74,867	-	-	-	-	-	-	-	-	**74,867**
Interest bearing treasury bills	-	-	-	-	-	-	-	182,726	-	-	-	-	-	-	-	-	**182,726**
Other securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,470	-	**3,470**
Non-trading equity instruments	5,767	-	3,036	388	-	-	-	323	30	-	-	-	-	-	30,613	-	**40,157**
Total	**25,542**	**6,773**	**3,036**	**60,339**	**24,234**	**82,659**	**138,811**	**792,392**	**159,392**	**14,018**	**171,190**	**114,311**	**145**	**26,597**	**92,749**	**27,415**	**1,739,603**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.1. Credit risk [continued]

37.1.8. Financial instruments by Moody's rating categories [continued]

Securities at amortized cost

30/06/2023	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	B3	Caa1	Ca	C	Not rated	N/A	Total
Government bonds	441,499	61,774	52,305	42,814	11,282	81,092	98,317	238,253	2,976,345	153,722	-	18,979	128,373	53,833	37,525	-	245,680	50	-	22,177	**4,664,020**
Corporate bonds	19,703	1,359	13,551	7,562	10,198	17,196	21,322	20,039	20,704	21,329	2,220	-	4,528	2,646	-	1,385	-	-	201,447	-	**365,189**
Discounted Treasury bills	7,990	6,895	21,465	11,245	-	-	8,466	5,857	-	3,650	-	-	-	-	29,059	-	-	51	-	-	**94,678**
Mortgage bonds	-	-	-	-	13,223	-	-	-	-	-	-	-	-	-	-	-	-	-	11,417	-	**24,640**
Interest bearing Treasury bills	-	-	-	-	-	-	-	-	-	-	-	-	-	10,998	-	-	-	-	-	-	**10,998**
Other securities	6,404	-	4,285	21,757	24,609	29,843	30,538	28,385	6,796	12,723	-	1,823	-	-	-	23	-	-	43,290	-	**210,476**
Total	**475,596**	**70,028**	**91,606**	**83,378**	**59,312**	**128,131**	**158,643**	**292,534**	**3,003,845**	**191,424**	**2,220**	**20,802**	**132,901**	**67,477**	**66,584**	**1,408**	**245,680**	**101**	**256,154**	**22,177**	**5,370,001**

31/12/2022	Aaa	Aa2	A1	A2	A3	Baa1	Baa2	Baa3	Ba2	B1	B3	Caa3	Not rated	N/A	Total
Government bonds	285,285	27,551	12,382	26,341	33,154	218,408	3,019,422	154,043	163,104	39,470	23,623	308,798	-	24,427	**4,336,008**
Corporate bonds	-	-	-	-	-	-	-	15,800	-	2,839	-	-	229,322	-	**247,961**
Bonds of Hungarian National Bank	-	-	-	-	-	-	-	177,679	-	-	-	-	-	-	**177,679**
Discounted Treasury bills	-	-	-	-	-	-	-	-	-	-	18,871	-	-	-	**18,871**
Mortgage bonds	-	-	12,966	-	-	-	-	-	-	-	-	-	11,518	-	**24,484**
Interest bearing Treasury bills	-	-	-	-	-	-	-	-	-	4,954	-	-	-	-	**4,954**
Other securities	-	-	1,911	9,357	403	11,874	3,971	13,223	1,968	-	-	-	39,274	-	**81,981**
Total	**285,285**	**27,551**	**27,259**	**35,698**	**33,557**	**230,282**	**3,023,393**	**360,745**	**165,072**	**47,263**	**42,494**	**308,798**	**280,114**	**24,427**	**4,891,938**

37.2. Maturity analysis of assets, liabilities and liquidity risk

Liquidity risk is a measure of the extent to which the Group may be required to raise funds to meet its commitments associated with financial instruments. The Group maintains its liquidity position in accordance with regulations prescribed by the NBH.

The essential aspect of the liquidity risk management strategy is to identify all relevant systemic and idiosyncratic sources of liquidity risk and to measure the probability and severity of such events. During liquidity risk management the Group considers the effect of liquidity risk events caused by reasons arising in the bank business line (deposit withdrawal), the national economy (exchange rate shock yield curve shock) and the global financial system (capital market shock).

In line with the Group's risk management policy liquidity risks are measured and managed on multiply hierarchy levels and applying integrated unified VaR based methodology. The basic requirement is that the Group must keep high quality liquidity reserves which means it can fulfill all liabilities when they fall due without material additional costs.

The liquidity reserves can be divided in two parts. There are separate decentralized liquid asset portfolios at subsidiary level and a centralized flexible liquidity pool at a Group level. The reserves at subsidiary levels are held to cover the relevant shocks of the subsidiaries which may arise in local currencies (deposit withdrawal, local capital market shock, unexpected business expansion), while the centralized liquidity pool is held to cover the Bank's separate shocks (deposit-, yield curve- and exchange rate shocks) and all group member's potential shocks that may arise in foreign currencies (deposit withdrawal, capital market shock).

The recalculation of shocks is made at least quarterly while the recalibration of shock measurement models and review of the risk management methodology is an annual process. The monitoring of liquidity reserves for both centralized and decentralized liquid asset portfolio has been built into the daily reporting process.

Due to the balance sheet adjustment process (deleveraging) experienced in the last few years, the liquidity reserves of the Group increased significantly while the liquidity risk exposure has decreased considerably. Currently the (over)coverage of potential liquidity risk exposure by high quality liquid assets is high. There were no material changes in the liquidity risk management process for the six-month period ended 30 June 2023.

The contractual amounts disclosed in the maturity analyses are the contractual undiscounted cash-flows like gross finance lease obligations (before deducting finance charges); prices specified in forward agreements to purchase financial assets for cash; net amounts for pay-floating/receive-fixed interest rate swaps for which net cash-flows are exchanged; contractual amounts to be exchanged in a derivative financial instrument for which gross cash-flows are exchanged; gross loan commitments.

Such undiscounted cash-flows differ from the amount included in the Consolidated Statement of Financial Position because the amount in that statement is based on discounted cash-flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. For example, when the amount payable varies with changes in an index, the amount disclosed may be based on the level of the index at the end of the period.

The following tables provide an analysis of assets and liabilities about the non-discounted cash-flow into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.2. Maturity analysis of assets, liabilities and liquidity risk [continued]

30/06/2023	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash, amounts due from banks and balances with the National Banks	5,583,604	19	-	-	-	5,583,623
Placements with other banks	933,180	92,814	204,205	89,246	737	1,320,182
Repo receivables	165,229	-	18	-	-	165,247
Trading securities at fair value through profit or loss	141,116	18,222	25,871	8,513	66	193,788
Non-trading instruments mandatorily at fair value through profit or loss	4,316	-	8,867	19	37,594	50,796
Debt securities designated at fair value through profit or loss	-	-	-	-	-	-
Securities at fair value through other comprehensive income	400,603	245,909	1,020,392	262,135	128,988	2,058,027
Securities at amortized cost	476,865	643,501	2,832,006	1,517,189	-	5,469,561
Loans at amortized cost	2,153,486	3,373,139	7,419,082	7,467,364	30,743	20,443,814
Finance lease receivable	124,452	282,042	917,992	92,161	-	1,416,647
Loans mandatorily at fair value through profit or loss	33,426	37,876	231,579	993,088	-	1,295,969
Associates and other investments	-	-	-	-	99,993	99,993
Other financial assets[1]	234,602	23,819	1,872	16	15,152	275,461
TOTAL ASSETS	**10,250,879**	**4,717,341**	**12,661,884**	**10,429,731**	**313,273**	**38,373,108**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	431,812	226,045	716,300	770,321	-	2,144,478
Repo liabilities	394,011	-	171,938	-	-	565,949
Financial liabilities designated at fair value through profit or loss	704	1,101	5,460	51,842	-	59,107
Deposits from customers	24,838,921	1,255,835	724,735	94,943	-	26,914,434
Liabilities from issued securities	31,083	276,399	1,456,372	51,040	-	1,814,894
Leasing liabilities	4,322	8,503	30,620	18,991	-	62,436
Other financial liabilities[1]	604,416	29,717	11,460	3	2,555	648,151
Subordinated bonds and loans	13,615	1,342	9,144	533,859	4,830	562,790
TOTAL LIABILITIES	**26,318,884**	**1,798,942**	**3,126,029**	**1,520,999**	**7,385**	**32,772,239**
NET POSITION[2]	**(16,068,005)**	**2,918,399**	**9,535,855**	**8,908,732**	**305,888**	**5,600,869**

[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]

30/06/2023	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Receivables from derivative financial instruments held for trading	7,694,525	1,241,541	544,089	195,307	-	9,675,462
Liabilities from derivative financial instruments held for trading	(7,708,437)	(1,284,833)	(544,409)	(199,424)	-	(9,737,103)
Net position of financial instruments held for trading	**(13,912)**	**(43,292)**	**(320)**	**(4,117)**	**-**	**(61,641)**
Receivables from derivative financial instruments designated as hedge accounting	28,012	314,338	888,360	14,733	-	1,245,443
Liabilities from derivative financial instruments designated as hedge accounting	(21,251)	(341,756)	(857,218)	(10,500)	-	(1,230,725)
Net position of financial instruments designated as hedge accounting	**6,761**	**(27,418)**	**31,142**	**4,233**	**-**	**14,718**
Net position of derivative financial instruments total	**(7,151)**	**(70,710)**	**30,822**	**116**	**-**	**(46,923)**
Commitments to extend credit	4,028,143	355,002	133,637	27,743	-	4,544,525
Bank guarantees	531,326	338,877	323,223	123,346	-	1,316,772
Confirmed letters of credit	58,814	13,004	995	-	-	72,813
Factoring loan commitment	439,846	4,926	172	-	-	444,944
Off-balance sheet commitments	**5,058,129**	**711,809**	**458,027**	**151,089**	**-**	**6,379,054**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.2. Maturity analysis of assets, liabilities and liquidity risk [continued]

31/12/2022	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash, amounts due from banks and balances with the National Banks	4,223,091	4	-	-	-	4,223,095
Placements with other banks	1,062,238	67,317	221,803	2,969	806	1,355,133
Repo receivables	41,250	-	-	-	-	41,250
Trading securities at fair value through profit or loss	5,350	29,118	67,117	11,794	50	113,429
Non-trading instruments mandatorily at fair value through profit or loss	594	1,127	9,163	20	34,490	45,394
Debt securities designated at fair value through profit or loss	-	-	-	-	-	-
Securities at fair value through other comprehensive income	254,204	301,798	996,103	286,950	131,680	1,970,735
Securities at amortized cost	534,388	439,296	2,423,815	1,585,672	-	4,983,171
Loans at amortized cost	2,013,234	3,287,432	6,141,665	6,441,001	30,584	17,913,916
Finance lease receivable	87,867	215,640	1,007,512	83,753	-	1,394,772
Loans measured at fair value through profit or loss	40,151	38,038	239,627	973,060	-	1,290,876
Associates and other investments	-	-	-	-	85,929	85,929
Other financial assets[1]	271,648	4,039	3,917	8,485	6,726	294,815
TOTAL ASSETS	**8,534,015**	**4,383,809**	**11,110,722**	**9,393,704**	**290,265**	**33,712,515**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	387,564	213,599	665,930	296,766	-	1,563,859
Repo liabilities	29,153	191	188,025	-	-	217,369
Financial liabilities designated at fair value through profit or loss	583	1,133	5,535	50,218	-	57,469
Deposits from customers	23,399,285	1,275,142	398,900	123,290	-	25,196,617
Liabilities from issued securities	10,644	44,375	730,703	173,510	-	959,232
Leasing liabilities	4,720	9,616	33,534	18,397	72	66,339
Other financial liabilities[1]	550,802	34,748	11,065	817	4,231	601,663
Subordinated bonds and loans	3,395	-	8,603	291,801	-	303,799
TOTAL LIABILITIES	**24,386,146**	**1,578,804**	**2,042,295**	**954,799**	**4,303**	**28,966,347**
NET POSITION[2]	**(15,852,131)**	**2,805,005**	**9,068,427**	**8,438,905**	**285,962**	**4,746,168**

[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]

31/12/2022	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Receivables from derivative financial instruments held for trading	7,242,836	1,270,841	476,343	186,089	-	9,176,109
Liabilities from derivative financial instruments held for trading	(7,885,403)	(1,623,033)	(499,998)	(192,979)	-	(10,201,413)
Net position of financial instruments held for trading	**(642,567)**	**(352,192)**	**(23,655)**	**(6,890)**	**-**	**(1,025,304)**
Receivables from derivative financial instruments designated as hedge accounting	316,440	186,839	784,159	15,859	-	1,303,297
Liabilities from derivative financial instruments designated as hedge accounting	(297,714)	(217,102)	(2,031,727)	(13,425)	-	(2,559,968)
Net position of financial instruments designated as hedge accounting	**18,726**	**(30,263)**	**(1,247,568)**	**2,434**	**-**	**(1,256,671)**
Net position of derivative financial instruments total	**(623,841)**	**(382,455)**	**(1,271,223)**	**(4,456)**	**-**	**(2,281,975)**
Commitments to extend credit	3,937,023	236,103	54,355	2,808	-	4,230,289
Bank guarantees	602,335	308,787	337,105	164,790	-	1,413,017
Confirmed letters of credit	47,631	5,733	193	-	-	53,557
Factoring loan commitment	414,585	5,035	-	-	-	419,620
Off-balance sheet commitments	**5,001,574**	**555,658**	**391,653**	**167,598**	**-**	**6,116,483**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.3. Net foreign currency position and foreign currency risk

30/06/2023	USD	EUR	CHF	Other	Total
Assets	1,332,879	14,123,330	64,274	8,479,287	23,999,770
Liabilities	(2,144,618)	(13,430,148)	(157,360)	(7,035,280)	(22,767,406)
Derivative financial instruments	1,244,159	1,146,908	149,478	(250,737)	2,289,808
Net position	**432,420**	**1,840,090**	**56,392**	**1,193,270**	**3,522,172**

31/12/2022	USD	EUR	CHF	Other	Total
Assets	1,092,435	9,990,818	50,641	9,646,119	20,780,013
Liabilities	(1,523,947)	(9,320,156)	(148,570)	(7,646,515)	(18,639,188)
Derivative financial instruments	499,444	1,014,423	161,697	(355,391)	1,320,173
Net position	**67,932**	**1,685,085**	**63,768**	**1,644,213**	**3,460,998**

The table above provides an analysis of the main foreign currency exposures of the Group that arise in the non-functional currency of the entities constituting the Group. The remaining foreign currencies are shown within ‘Others’. ‘Others’ category contains mainly foreign currencies in RON, RSD, HRK, UAH, RUB, BGN, ALL, MDL and UZS. The Group monitors its foreign exchange position for compliance with the regulatory requirements of the National Banks and its own limit system established in respect of limits on open positions. The measurement of the open foreign currency position of the Group involves monitoring the “VaR” limit on the foreign exchange exposure of the Group. The derivative financial instruments detailed in the table above are presented at fair value.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.4. Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument, therefore, indicates to what extent it is exposed to interest rate risk.

The majority of the interest-bearing assets and liabilities of the Group are structured to match either short-term assets and short-term liabilities, or long-term assets and liabilities with repricing opportunities within one year, or long-term assets and corresponding liabilities where repricing is performed simultaneously.

In addition, the significant spread existing between the different types of interest-bearing assets and liabilities enables the Group to benefit from a high level of flexibility in adjusting for its interest rate matching and interest rate risk exposure.

The following table presents the interest repricing periods of the assets and liabilities. Variable yield assets and liabilities have been reported in accordance with their next repricing date. Fixed income assets and liabilities have been reported in accordance with their maturity.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.4. Interest rate risk management [continued]

As at 30 June 2023

ASSETS	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
Cash, amounts due from banks and balances with the National Banks	**1,880,228**	**2,178,773**	**-**	**19,345**	**-**	**40,930**	**-**	**6,833**	**-**	**11,706**	**183,775**	**1,261,032**	**2,064,003**	**3,518,619**	**5,582,622**
fixed rate	778,870	2,064,927	-	5,045	-	8,831	-	-	-	-	-	-	778,870	2,078,803	**2,857,673**
variable rate	1,101,358	113,846	-	14,300	-	32,099	-	6,833	-	11,706	-	-	1,101,358	178,784	**1,280,142**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	183,775	1,261,032	183,775	1,261,032	**1,444,807**
Placements with other banks	**445,098**	**573,842**	**40,535**	**18,484**	**14,073**	**4,543**	**-**	**12,009**	**-**	**53,938**	**41,661**	**101,126**	**541,367**	**763,942**	**1,305,309**
fixed rate	2,431	495,516	210	10,655	-	1,614	-	12,009	-	52,260	-	-	2,641	572,054	**574,695**
variable rate	442,667	78,326	40,325	7,829	14,073	2,929	-	-	-	1,678	-	-	497,065	90,762	**587,827**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	41,661	101,126	41,661	101,126	**142,787**
Repo receivables	**6,324**	**129,018**	**29,470**	**18**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**35,794**	**129,036**	**164,830**
fixed rate	6,324	129,018	29,470	18	-	-	-	-	-	-	-	-	35,794	129,036	**164,830**
variable rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Trading instruments at fair value through profit or loss	**132,692**	**6,455**	**450**	**354**	**4,771**	**13,984**	**5,802**	**1,996**	**11,174**	**13,034**	**217**	**1,012**	**155,106**	**36,835**	**191,941**
fixed rate	132,645	6,426	108	354	4,091	13,984	5,802	1,996	11,174	13,034	-	-	153,820	35,794	**189,614**
variable rate	47	29	342	-	680	-	-	-	-	-	-	-	1,069	29	**1,098**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	217	1,012	217	1,012	**1,229**
Non-trading instruments mandatorily at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**34,707**	**27,292**	**34,707**	**27,292**	**61,999**
fixed rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
variable rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	34,707	27,292	34,707	27,292	**61,999**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.4. Interest rate risk management [continued]

As at 30 June 2023 [continued]

ASSETS [continued]	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
Securities at fair value through other comprehensive income	**124,555**	**201,747**	**-**	**32,237**	**90,344**	**100,326**	**13,900**	**137,126**	**528,988**	**567,192**	**264**	**56,832**	**758,051**	**1,095,460**	**1,853,511**
fixed rate	111,500	201,746	-	32,237	89,664	100,117	13,900	136,769	528,988	561,846	-	-	744,052	1,032,715	**1,776,767**
variable rate	13,055	1	-	-	680	209	-	357	-	5,346	-	-	13,735	5,913	**19,648**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	264	56,832	264	56,832	**57,096**
Securities at amortized cost	**320**	**366,359**	**51**	**86,625**	**367,260**	**332,155**	**441,540**	**240,365**	**2,075,464**	**1,459,862**	**-**	**-**	**2,884,635**	**2,485,366**	**5,370,001**
fixed rate	258	366,347	51	82,133	367,260	332,155	441,540	239,290	2,075,464	1,459,862	-	-	2,884,573	2,479,787	**5,364,360**
variable rate	62	12	-	4,492	-	-	-	1,075	-	-	-	-	62	5,579	**5,641**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Loans at amortized cost, net of allowance for loan losses	**892,287**	**7,190,295**	**425,835**	**2,435,063**	**210,875**	**2,027,213**	**192,777**	**527,885**	**1,772,251**	**2,095,841**	**111,470**	**91,643**	**3,605,495**	**14,367,940**	**17,973,435**
fixed rate	40,375	1,546,561	23,402	217,242	148,174	689,117	167,448	456,353	1,129,750	1,985,088	-	-	1,509,149	4,894,361	**6,403,510**
variable rate	851,912	5,643,734	402,433	2,217,821	62,701	1,338,096	25,329	71,532	642,501	110,753	-	-	1,984,876	9,381,936	**11,366,812**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	111,470	91,643	111,470	91,643	**203,113**
Finance lease receivables	**51,461**	**345,111**	**4,852**	**139,270**	**27,611**	**159,247**	**37,168**	**97,097**	**240,621**	**190,343**	**189**	**7,179**	**361,902**	**938,247**	**1,300,149**
fixed rate	5,987	168,451	2,504	7,745	17,972	32,518	36,922	33,297	228,774	79,141	-	-	292,159	321,152	**613,311**
variable rate	45,474	176,660	2,348	131,525	9,639	126,729	246	63,800	11,847	111,202	-	-	69,554	609,916	**679,470**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	189	7,179	189	7,179	**7,368**
Loans mandatorily at fair value through profit or loss	**30,429**	**-**	**15,498**	**331**	**242,533**	**1,009**	**298,670**	**-**	**708,627**	**-**	**5,404**	**-**	**1,301,161**	**1,340**	**1,302,501**
fixed rate	-	-	-	331	-	1,009	-	-	-	-	-	-	-	1,340	**1,340**
variable rate	30,429	-	15,498	-	242,533	-	298,670	-	708,627	-	-	-	1,295,757	-	**1,295,757**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	5,404	-	5,404	-	**5,404**
Fair value adjustment of derivative financial instruments	**1,440,200**	**1,717,976**	**944,659**	**1,479,255**	**545,424**	**844,459**	**73,690**	**13,763**	**195,316**	**156,273**	**29,890**	**738,464**	**3,229,179**	**4,950,190**	**8,179,369**
fixed rate	1,326,192	1,659,048	536,426	1,011,189	346,763	597,868	73,690	13,300	195,316	153,921	-	-	2,478,387	3,435,326	**5,913,713**
variable rate	114,008	58,928	408,233	468,066	198,661	246,591	-	463	-	2,352	-	-	720,902	776,400	**1,497,302**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	29,890	738,464	29,890	738,464	**768,354**
Other financial assets	**235**	**13,879**	**1,187**	**1,201**	**-**	**637**	**-**	**3**	**-**	**193**	**78,689**	**148,098**	**80,111**	**164,011**	**244,122**
fixed rate	233	7,433	1,050	911	-	637	-	3	-	113	-	-	1,283	9,097	**10,380**
variable rate	2	6,446	137	290	-	-	-	-	-	80	-	-	139	6,816	**6,955**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	78,689	148,098	78,689	148,098	**226,787**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.4. Interest rate risk management [continued]

As at 30 June 2023 [continued]

LIABILITIES	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	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	**90,952**	**338,732**	**80,271**	**166,578**	**160,353**	**177,420**	**302,964**	**39,813**	**301,039**	**381,969**	**27,199**	**35,488**	**962,778**	**1,140,000**	**2,102,778**
fixed rate	51,247	185,580	28,483	30,569	128,437	69,075	302,964	36,449	301,039	381,852	-	-	812,170	703,525	**1,515,695**
variable rate	39,705	153,152	51,788	136,009	31,916	108,345	-	3,364	-	117	-	-	123,409	400,987	**524,396**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	27,199	35,488	27,199	35,488	**62,687**
Repo liabilities	**394,410**	**166,872**	**-**	**4,524**	**32**	**-**	**-**	**66**	**-**	**45**	**-**	**-**	**394,442**	**171,507**	**565,949**
fixed rate	394,410	-	-	4,524	32	-	-	66	-	45	-	-	394,442	4,635	**399,077**
variable rate	-	166,872	-	-	-	-	-	-	-	-	-	-	-	166,872	**166,872**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Financial liabilities designated at fair value through profit or loss	**20,011**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,444**	**-**	**38,468**	**-**	**59,923**	**-**	**59,923**
fixed rate	-	-	-	-	-	-	-	-	27	-	-	-	27	-	**27**
variable rate	20,011	-	-	-	-	-	-	-	1,417	-	-	-	21,428	-	**21,428**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	38,468	-	38,468	-	**38,468**
Deposits from customers	**6,885,349**	**15,147,348**	**193,005**	**1,886,537**	**98,076**	**1,058,906**	**41,307**	**184,191**	**201,661**	**206,020**	**14,226**	**987,356**	**7,433,624**	**19,470,358**	**26,903,982**
fixed rate	1,281,281	7,281,130	193,005	1,880,811	98,076	1,040,074	41,307	182,916	201,661	206,020	-	-	1,815,330	10,590,951	**12,406,281**
variable rate	5,604,068	7,866,218	-	5,726	-	18,832	-	1,275	-	-	-	-	5,604,068	7,892,051	**13,496,119**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	14,226	987,356	14,226	987,356	**1,001,582**
Liabilities from issued securities	**224,199**	**-**	**-**	**-**	**41,113**	**22,164**	**238,361**	**108,219**	**167,873**	**924,430**	**-**	**1,029**	**671,546**	**1,055,842**	**1,727,388**
fixed rate	211	-	-	-	41,113	22,164	238,361	108,219	167,873	924,430	-	-	447,558	1,054,813	**1,502,371**
variable rate	223,988	-	-	-	-	-	-	-	-	-	-	-	223,988	-	**223,988**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	1,029	-	1,029	**1,029**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.4. Interest rate risk management [continued]

As at 30 June 2023 [continued]

LIABILITIES [continued]	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
Fair value adjustment of derivative financial instruments	**3,036,288**	**176,375**	**568,192**	**1,807,019**	**606,407**	**901,878**	**45,892**	**20,852**	**163,226**	**112,686**	**439,633**	**320,885**	**4,859,638**	**3,339,695**	**8,199,333**
fixed rate	2,970,169	44,869	444,020	1,078,027	326,740	584,196	45,875	20,389	163,226	112,686	-	-	3,950,030	1,840,167	**5,790,197**
variable rate	66,119	131,506	124,172	728,992	279,667	317,682	17	463	-	-	-	-	469,975	1,178,643	**1,648,618**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	439,633	320,885	439,633	320,885	**760,518**
Leasing liabilities	**628**	**8,534**	**14**	**1,110**	**230**	**5,164**	**195**	**7,434**	**2,331**	**27,695**	**-**	**7,038**	**3,398**	**56,975**	**60,373**
fixed rate	524	8,249	14	481	230	2,048	195	4,693	2,162	11,230	-	-	3,125	26,701	**29,826**
variable rate	104	285	-	629	-	3,116	-	2,741	169	16,465	-	-	273	23,236	**23,509**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	7,038	-	7,038	**7,038**
Other financial liabilities	**1,485**	**67,798**	**733**	**551**	**-**	**1,459**	**-**	**597**	**-**	**913**	**352,344**	**266,125**	**354,562**	**337,443**	**692,005**
fixed rate	1,485	67,768	10	551	-	1,159	-	514	-	897	-	-	1,495	70,889	**72,384**
variable rate	-	30	723	-	-	300	-	83	-	16	-	-	723	429	**1,152**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	352,344	266,125	352,344	266,125	**618,469**
Subordinated bonds and loans	**-**	**189,310**	**-**	**86,573**	**-**	**-**	**-**	**8,478**	**-**	**261,863**	**-**	**6,659**	**-**	**552,883**	**552,883**
fixed rate	-	24	-	-	-	-	-	8,478	-	261,863	-	-	-	270,365	**270,365**
variable rate	-	189,286	-	86,573	-	-	-	-	-	-	-	-	-	275,859	**275,859**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	6,659	-	6,659	**6,659**
Net position	**(5,649,493)**	**(3,371,514)**	**620,322**	**259,291**	**596,680**	**1,357,512**	**434,828**	**667,427**	**4,694,867**	**2,632,761**	**(385,604)**	**808,098**	**311,600**	**2,353,575**	**2,665,175**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.4. Interest rate risk management [continued]

As at 31 December 2022

ASSETS	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
Cash, amounts due from banks and balances with the National Banks	**641,960**	**1,166,289**	**309**	**14,649**	**-**	**28,967**	**-**	**20,323**	**-**	**14,550**	**183,201**	**2,151,144**	**825,470**	**3,395,922**	**4,221,392**
fixed rate	641,503	1,085,631	-	-	-	4,941	-	-	-	-	-	-	641,503	1,090,572	**1,732,075**
variable rate	457	80,658	309	14,649	-	24,026	-	20,323	-	14,550	-	-	766	154,206	**154,972**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	183,201	2,151,144	183,201	2,151,144	**2,334,345**
Placements with other banks	**682,568**	**345,915**	**46,805**	**37,222**	**100,744**	**2,007**	**-**	**28**	**-**	**22,016**	**48,754**	**65,023**	**878,871**	**472,211**	**1,351,082**
fixed rate	2,151	239,634	6,542	37,222	352	-	-	28	-	22,016	-	-	9,045	298,900	**307,945**
variable rate	680,417	106,281	40,263	-	100,392	2,007	-	-	-	-	-	-	821,072	108,288	**929,360**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	48,754	65,023	48,754	65,023	**113,777**
Repo receivables	**41,009**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**41,009**	**-**	**41,009**
fixed rate	41,009	-	-	-	-	-	-	-	-	-	-	-	41,009	-	**41,009**
variable rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Trading instruments at fair value through profit or loss	**7,171**	**1,234**	**16,157**	**661**	**12,146**	**4,265**	**21,882**	**2,436**	**27,900**	**9,760**	**124**	**1,014**	**85,380**	**19,370**	**104,750**
fixed rate	7,156	1,234	11,967	661	3,775	4,265	21,882	2,436	27,900	9,760	-	-	72,680	18,356	**91,036**
variable rate	15	-	4,190	-	8,371	-	-	-	-	-	-	-	12,576	-	**12,576**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	124	1,014	124	1,014	**1,138**
Non-trading instruments mandatorily at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**30,057**	**25,098**	**30,057**	**25,098**	**55,155**
fixed rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
variable rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	30,057	25,098	30,057	25,098	**55,155**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.4. Interest rate risk management [continued]

As at 31 December 2022 [continued]

ASSETS [continued]	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
Securities at fair value through other comprehensive income	**150,015**	**194,093**	**62,611**	**57,998**	**127,352**	**134,675**	**15,327**	**101,052**	**278,680**	**577,643**	**265**	**39,892**	**634,250**	**1,105,353**	**1,739,603**
fixed rate	120,553	194,092	62,610	44,277	127,345	134,675	15,327	100,597	278,680	577,643	-	-	604,515	1,051,284	**1,655,799**
variable rate	29,462	1	1	13,721	7	-	-	455	-	-	-	-	29,470	14,177	**43,647**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	265	39,892	265	39,892	**40,157**
Securities at amortized cost	**197,317**	**364,928**	**-**	**61,623**	**375,979**	**216,496**	**288,026**	**48,565**	**2,247,457**	**1,091,547**	**-**	**-**	**3,108,779**	**1,783,159**	**4,891,938**
fixed rate	177,967	364,928	-	56,550	375,979	216,496	288,026	48,565	2,247,457	1,090,235	-	-	3,089,429	1,776,774	**4,866,203**
variable rate	19,350	-	-	5,073	-	-	-	-	-	1,312	-	-	19,350	6,385	**25,735**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Loans at amortized cost, net of allowance for loan losses	**186,499**	**6,653,388**	**2,251,999**	**2,762,858**	**77,681**	**1,428,579**	**38,430**	**403,633**	**961,205**	**1,116,179**	**129,999**	**84,008**	**3,645,813**	**12,448,645**	**16,094,458**
fixed rate	20,139	1,643,455	1,160,027	324,583	14,300	565,806	11,987	344,884	290,461	1,016,774	-	-	1,496,914	3,895,502	**5,392,416**
variable rate	166,360	5,009,933	1,091,972	2,438,275	63,381	862,773	26,443	58,749	670,744	99,405	-	-	2,018,900	8,469,135	**10,488,035**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	129,999	84,008	129,999	84,008	**214,007**
Finance lease receivables	**70,923**	**326,963**	**10,843**	**147,623**	**21,539**	**183,361**	**30,106**	**94,727**	**217,805**	**182,904**	**194**	**11,764**	**351,410**	**947,342**	**1,298,752**
fixed rate	5,969	144,070	818	8,234	8,971	36,041	29,796	34,165	207,861	75,332	-	-	253,415	297,842	**551,257**
variable rate	64,954	182,893	10,025	139,389	12,568	147,320	310	60,562	9,944	107,572	-	-	97,801	637,736	**735,537**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	194	11,764	194	11,764	**11,958**
Loans mandatorily at fair value through profit or loss	**26,449**	**-**	**10,992**	**-**	**70,371**	**-**	**231,141**	**-**	**908,461**	**-**	**-**	**-**	**1,247,414**	**-**	**1,247,414**
fixed rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
variable rate	26,449	-	10,992	-	70,371	-	231,141	-	908,461	-	-	-	1,247,414	-	**1,247,414**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Fair value adjustment of derivative financial instruments	**1,808,603**	**3,091,633**	**906,446**	**1,424,864**	**485,449**	**545,738**	**36,682**	**35,986**	**183,664**	**98,654**	**28,204**	**730,436**	**3,449,048**	**5,927,311**	**9,376,359**
fixed rate	1,687,569	3,023,972	428,080	879,090	271,921	518,869	36,682	35,986	183,664	98,654	-	-	2,607,916	4,556,571	**7,164,487**
variable rate	121,034	67,661	478,366	545,774	213,528	26,869	-	-	-	-	-	-	812,928	640,304	**1,453,232**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	28,204	730,436	28,204	730,436	**758,640**
Other financial assets	**2,217**	**25,400**	**2,703**	**1,316**	**-**	**712**	**-**	**-**	**-**	**143**	**93,577**	**136,913**	**98,497**	**164,484**	**262,981**
fixed rate	2,217	14,552	2,504	1,018	-	712	-	-	-	123	-	-	4,721	16,405	**21,126**
variable rate	-	10,848	199	298	-	-	-	-	-	20	-	-	199	11,166	**11,365**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	93,577	136,913	93,577	136,913	**230,490**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.4. Interest rate risk management [continued]

As at 31 December 2022 [continued]

LIABILITIES	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks	**17,358**	**187,834**	**27,239**	**55,363**	**109,518**	**80,566**	**71,613**	**5,187**	**751,109**	**42,918**	**81,757**	**32,696**	**1,058,594**	**404,564**	**1,463,158**
fixed rate	12,847	62,086	27,239	5,079	109,518	70,661	71,613	5,182	751,109	42,913	-	-	972,326	185,921	**1,158,247**
variable rate	4,511	125,748	-	50,284	-	9,905	-	5	-	5	-	-	4,511	185,947	**190,458**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	81,757	32,696	81,757	32,696	**114,453**
Repo liabilities	**29,145**	**188,121**	**98**	**5**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**29,243**	**188,126**	**217,369**
fixed rate	29,143	5	98	5	-	-	-	-	-	-	-	-	29,241	10	**29,251**
variable rate	2	188,116	-	-	-	-	-	-	-	-	-	-	2	188,116	**188,118**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Financial liabilities designated at fair value through profit or loss	**16,575**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**37,616**	**-**	**54,191**	**-**	**54,191**
fixed rate	26	-	-	-	-	-	-	-	-	-	-	-	26	-	**26**
variable rate	16,549	-	-	-	-	-	-	-	-	-	-	-	16,549	-	**16,549**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	37,616	-	37,616	-	**37,616**
Deposits from customers	**7,466,580**	**13,217,695**	**292,239**	**1,746,958**	**153,147**	**869,141**	**37,952**	**154,101**	**220,222**	**189,032**	**14,525**	**827,213**	**8,184,665**	**17,004,140**	**25,188,805**
fixed rate	1,097,639	6,265,835	292,239	1,746,958	153,147	869,141	37,952	151,009	220,222	189,032	-	-	1,801,199	9,221,975	**11,023,174**
variable rate	6,368,941	6,951,860	-	-	-	-	-	3,092	-	-	-	-	6,368,941	6,954,952	**13,323,893**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	14,525	827,213	14,525	827,213	**841,738**
Liabilities from issued securities	**1,878**	**-**	**1,215**	**18**	**194,515**	**41**	**79,497**	**-**	**145,295**	**448,205**	**-**	**18**	**422,400**	**448,282**	**870,682**
fixed rate	211	-	-	18	44,390	41	79,497	-	145,295	448,205	-	-	269,393	448,264	**717,657**
variable rate	1,667	-	1,215	-	150,125	-	-	-	-	-	-	-	153,007	-	**153,007**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	18	-	18	**18**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.4. Interest rate risk management [continued]

As at 31 December 2022 [continued]

LIABILITIES [continued]	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
Fair value adjustment of derivative financial instruments	**2,868,787**	**2,091,600**	**478,930**	**1,824,450**	**577,862**	**556,209**	**22,780**	**36,714**	**118,071**	**113,968**	**246,135**	**529,820**	**4,312,565**	**5,152,761**	**9,465,326**
fixed rate	2,783,756	1,945,423	331,253	972,676	218,514	531,863	22,758	36,714	118,071	113,968	-	-	3,474,352	3,600,644	**7,074,996**
variable rate	85,031	146,177	147,677	851,774	359,348	24,346	22	-	-	-	-	-	592,078	1,022,297	**1,614,375**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	246,135	529,820	246,135	529,820	**775,955**
Leasing liabilities	**2,005**	**9,146**	**2**	**1,329**	**-**	**5,384**	**4**	**7,647**	**1,277**	**31,084**	**-**	**5,900**	**3,288**	**60,490**	**63,778**
fixed rate	1,905	8,686	1	408	-	2,197	4	2,541	1,277	17,244	-	-	3,187	31,076	**34,263**
variable rate	100	460	1	921	-	3,187	-	5,106	-	13,840	-	-	101	23,514	**23,615**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	5,900	-	5,900	**5,900**
Other financial liabilities	**93,677**	**36,041**	**2,247**	**1,735**	**11**	**6,706**	**-**	**2,494**	**-**	**2,408**	**288,478**	**211,855**	**384,413**	**261,239**	**645,652**
fixed rate	93,668	35,843	1,748	1,735	7	3,283	-	2,401	-	2,319	-	-	95,423	45,581	**141,004**
variable rate	9	198	499	-	4	3,423	-	93	-	89	-	-	512	3,803	**4,315**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	288,478	211,855	288,478	211,855	**500,333**
Subordinated bonds and loans	**-**	**-**	**-**	**93,110**	**-**	**201,076**	**-**	**-**	**-**	**7,798**	**-**	**-**	**-**	**301,984**	**301,984**
fixed rate	-	-	-	-	-	-	-	-	-	7,798	-	-	-	7,798	**7,798**
variable rate	-	-	-	93,110	-	201,076	-	-	-	-	-	-	-	294,186	**294,186**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Net position	**(6,681,274)**	**(3,560,594)**	**2,506,895**	**785,846**	**236,208**	**825,677**	**449,748**	**500,607**	**3,589,198**	**2,277,983**	**(154,136)**	**1,637,790**	**(53,361)**	**2,467,309**	**2,413,948**

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.5. 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**	
	30/06/2023	**30/06/2022**
Foreign exchange	5,957	2,513
Interest rate	498	969
Equity instruments	14	65
Diversification	-	-
Total VaR exposure	**6,469**	**3,547**

The table above shows the VaR figures by asset classes. Since processes driving the value of the major asset classes are not independent (for example the depreciation of HUF against the EUR mostly coincide with the increase of the yields of Hungarian Government Bonds), a diversification impact emerges, so the overall VaR is less than the sum of the VaR of each individual asset class.

While VaR captures the Group's daily exposure to currency and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in interest or foreign currency rates over a year. The longer time frame of sensitivity analysis complements VaR and helps the Group to assess its market risk exposures. Details of sensitivity analysis for foreign currency risk are set out in Note 37.5.2., for interest rate risk in Note 37.5.3., and for equity price sensitivity analysis in Note 37.5.4.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.5. Market risk [continued]

37.5.2. Foreign currency sensitivity analysis

The Bank changed its methodology of foreign currency sensitivity analysis and has been using a historical VaR calculation since 31 March 2021. The former Monte Carlo simulation represented the Group's sensitivity to the rise and fall in the HUF exchange rate against EUR, over a 3-month period. The sensitivity analysis included only outstanding foreign currency denominated monetary items as strategic open positions related to foreign activities. In line with the Management's intention, the former EUR (310) million strategic open position was fully closed as at 31 March 2021.
Since the closing of the strategic open position, the Group has been using a historical VaR calculation with a 1 day holding period. The analysis includes the same net open foreign exchange position as used under the internal capital adequacy assessment process (ICAAP). The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets.
Additionally, the Bank determines the foreign currency risk of assets evaluated through the Other Comprehensive Income, which includes securities valuated on fair value through other comprehensive income and the foreign currency translation reserves.

The following table shows the result of the foreign currency sensitivity analysis.
The numbers below indicate the expected daily profit or loss of the portfolio beside the given confidence level.

Probability	Effects to the Consolidated Statement of Profit or Loss In HUF million		Effects to the Consolidated Statement of Other Comprehensive Income In HUF million	
	30/06/2023	30/06/2022	30/06/2023	30/06/2022
1%	(9,844)	(3,770)	(4,941)	(9,848)
5%	(5,391)	(1,761)	(3,703)	(5,787)
25%	(1,695)	(612)	(1,805)	(2,709)
50%	478	4	(400)	(79)
25%	1,880	732	1,078	1,700
5%	5,643	1,931	3,328	5,236
1%	7,908	3,574	5,370	11,086

Note:
(1) Historical VaR simulation is based on the empirical distribution of the historical exchange rate movements between 31 December 2022 and 30 June 2023.

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.5. Market risk [continued]

37.5.3. Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. The analysis is prepared assuming the amount of assets and liabilities outstanding at the balance sheet date was outstanding for the whole year. The analysis was prepared by assuming only adverse interest rate changes. The main assumptions were as follows:

- Floating rate assets and liabilities were repriced to the modelled benchmark yields at the repricing dates assuming the unchanged margin compared to the last repricing.
- Fixed rate assets and liabilities were repriced at the contractual maturity date.
- As for liabilities with discretionary repricing feature by the Bank were assumed to be repriced with two-weeks delay, assuming no change in the margin compared to the last repricing date.
- Deposits with an interest rate lower than 0.3% even at high market rates were assumed to be unchanged for the whole period.

The sensitivity of interest income to changes in BUBOR was analysed by assuming two interest rate path scenarios:

(1) BUBOR decreases gradually by 700 bps over the next year (probable scenario)
(2) BUBOR increases gradually by 100 bps over the next year (alternative scenario)

The net interest income in a one-year period after 1 July 2023 would be increased by HUF 43,767 million (probable scenario) and decreased by HUF (7,805) million (alternative scenario) as a result of these simulation. A similar simulation indicated HUF (1,032) million decrease (probable scenario) and HUF 491 million (alternative scenario) increase in the Net interest income in a one-year period after 1 July 2022.
This effect is further enhanced by capital results HUF 2,277 million (for probable scenario) and HUF (295) million (for alternative scenario) as at 30 June 2023, the comparative results were (HUF (450) million for probable scenario, HUF 233 million for alternative scenario as at 30 June 2022) on the government bond portfolio held for hedging (economic).

Furthermore, the effects of an instant 10bps parallel shift of the HUF, EUR and USD yield-curves on net interest income over a one-year period and on the market value of the hedge government bond at fair value through other comprehensive income portfolio booked against capital was analysed. The results of unfavorable shocks can be summarized as follows (in HUF million):

	30/06/2023		30/06/2022	
Description	**Effects to the net interest income**	**Effects to capital**	**Effects to the net interest income**	**Effects to capital**
HUF (0.1%) parallel shift	1,416	46	305	46
HUF 0.1% parallel shift	(1,416)	(46)	(310)	(46)
EUR (0.1%) parallel shift	(5,921)	-	(2,421)	-
USD (0.1%) parallel shift	(212)	-	(131)	-
USD 0.1% parallel shift	222	-	(159)	-

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

37.5. Market risk [continued]

37.5.4. Equity price sensitivity analysis

The following table shows the effect of the equity price sensitivity. The Group uses VaR calculation with 1 day holding period and a 99% confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. The daily loss will not exceed the reported VaR number with 99% of probability.
The stress test assumes the largest price movement of the last year and calculates with it as the adverse direction. These scenarios show the loss of the portfolio when all prices change with the maximum amount of the last year.

Description	30/06/2023	30/06/2022
VaR (99%, one day, HUF million)	12	107
Stress test (HUF million)	(14)	(201)

37.6. Capital management

Capital management

The primary objective of the capital management of the Group is to ensure the prudent operation, the entire compliance with the prescriptions of the regulator for a persistent business operation and maximising the shareholder value, accompanied by an optimal financing structure.
The capital management of the Group members includes the management and evaluation of the shareholders` equity and other types of funds available for hedging risks, to be recorded in the equity and all material risks to be covered by the capital.
The basis of the capital management of the Group members in the short run is the continuous monitoring of their capital position, in the long run the strategic and the business planning, which includes the monitoring and forecast of the capital position.
The Group members maintain the capital adequacy required by the regulatory bodies and the planned risk taking mainly by means of ensuring and developing their profitability. In the event that the planned risk level of a Group member exceeded its Core and the previously raised Supplementary capital, it ensures the prudent operation by occasional measures. A further tool in the capital management of the Bank is the dividend policy, and the transactions performed with the treasury shares.

Capital adequacy

The Capital Requirements Directive package (CRDIV/CRR) transposes the new global standards on banking regulation (known as the Basel III agreement) into the EU legal framework. The new rules are applied from 1 January 2014. They set stronger prudential requirements for institutions, requiring them to keep sufficient capital reserves and liquidity. This new framework makes institutions in the EU more solid and strengthens their capacity to adequately manage the risks linked to their activities and absorb any losses they may incur in doing business.
The capital adequacy of the Group is supervised based on the financial statements data prepared in accordance with IFRS applying the current directives, rulings and indicators from 1 January 2014.

The Group uses the standard method for determining the regulatory capital requirements of the credit risk and market risk, and parallel to that, the base indicator method, and the advanced method ("AMA") in case of the operational risk.

For international comparison purposes, the Group calculated the Regulatory capital based on IFRS data as adopted by the EU, and the consolidated Capital adequacy ratio based on this in accordance with the regulations of Basel III. The Capital adequacy ratio of the Group (IFRS) was 17.5%, the Regulatory capital was HUF 3,951,089 million and the Total regulatory capital requirement was HUF 1,804,094 million as at 30 June 2023. The same ratios calculated as at 31 December 2022 were the following: 17.5%, HUF 3,565,933 million and HUF 1,632,426 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)	30/06/2023	31/12/2022
Core capital (Tier 1) = Common Equity Tier 1 (CET 1)	**3,426,219**	**3,277,984**
Issued capital	28,000	28,000
Reserves[1]	3,665,582	3,154,801
Fair value adjustments	(76,724)	(135,081)
Other capital components	20,746	286,963
Non-controlling interests	32,492	2,485
Treasury shares	(132,844)	(119,138)
Goodwill and other intangible assets	(177,312)	(170,344)
Other adjustments	66,279	230,298
Additional Tier 1 (AT1)	-	-
Supplementary capital (Tier 2)	**524,870**	**287,949**
Subordinated bonds and loans	496,870	287,362
Other issued capital components	-	-
Components recognized in T2 capital issued by subsidiaries	28,000	587
Regulatory capital	**3,951,089**	**3,565,933**
Credit risk capital requirement	1,625,204	1,478,168
Market risk capital requirement	26,000	29,322
Operational risk capital requirement	152,890	124,936
Total requirement regulatory capital	**1,804,094**	**1,632,426**
Surplus capital	**2,146,995**	**1,933,507**
CET 1 ratio	15.20%	16.10%
Tier 1 ratio	15.20%	16.10%
Capital adequacy ratio	**17.50%**	**17.50%**

[1] The dividend amount planned to pay out / paid out is deducted from reserves.

Basel III

The components of the Common Equity Tier 1 capital (CET 1) are the following: Issued capital, Reserves (Retained earnings, Other reserves, Changes in the equity of subsidiaries, Net Profit for the year, Changes due to consolidation) Fair value adjustments, Other capital components, (Revaluation reserves, Share based payments, Cash-flow hedges, Net investment hedge in foreign operations), Non-controlling interest, Treasury shares, Goodwill and other Intangible assets, other adjustments (due to prudential filters, due to deferred tax receivables, due to temporary regulations).

Supplementary capital (Tier 2): Subordinated loan capital, Supplementary loan capital, Other issued capital components, Components recognized in T2 capital issued by subsidiaries.

For regulatory compliance the capital adequacy ratios according to regulatory scope of consolidation are relevant. The Pillar3 Disclosure of OTP Group contains the capital adequacy ratios calculated under regulatory scope of consolidation.

The Group has entirely complied with the regulatory capital requirements in the first half-year ended 30 June 2023 as well as in the year ended 31 December 2022.

NOTE 38: TRANSFER OF FINANCIAL INSTRUMENTS (in HUF mn)

Financial assets transferred but not derecognized

	Transferred assets	Associated liabilities	Transferred assets	Associated liabilities
	Carrying amount		Carrying amount	
	30/06/2023		31/12/2022	
Financial assets at amortized cost				
Debt securities	550,109	650,252	332,082	282,227
Loans and advances	3,461	1,563	3,534	1,647
Total	**553,570**	**651,815**	**335,616**	**283,874**

As at 30 June 2023 and 31 December 2022, the Group had an obligation from repurchase agreements (repo liability) of HUF 564,956 million and HUF 217,264 million respectively. Securities sold temporarily under repurchase agreements will continue to be recognized in the Consolidated Statement of Financial Position of the Group in the appropriate securities category. The related liability is measured at amortized cost in the Consolidated Statement of Financial Position as "Amounts due to the National Governments, to the National Banks and other banks and repo liabilities".

Financial assets transferred, derecognized with continuing involvement

Financial assets which would have been derecognized but would be represented the continuing involvement are not recognized in the Consolidated Statement of Financial Position as at 30 June 2023 or as at 31 December 2022.

NOTE 39: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn)

In the normal course of business, the Group becomes a party to various financial transactions that are not reflected on the Consolidated statement of financial position and are referred to as off-balance sheet financial instruments. The following represent notional amounts of these off-balance sheet financial instruments, unless stated otherwise.

Contingent liabilities	**30/06/2023**	**31/12/2022**
Commitments to extend credit	4,523,521	4,230,289
Guarantees arising from banking activities	1,316,772	1,413,017
Factoring loan commitment	444,944	419,620
Confirmed letters of credit	72,813	53,557
Other	376,797	144,893
Contingent liabilities and commitments total in accordance with IFRS 9	**6,734,847**	**6,261,376**
Legal disputes (disputed value)	80,287	86,137
Underwriting guarantees	11,220	1,397
Other	3,158	5,393
Contingent liabilities and commitments total in accordance with IAS 37	**94,665**	**92,927**
Total	**6,829,512**	**6,354,303**

Legal disputes

At the balance sheet date, the Group was involved in various claims and legal proceedings of a nature considered normal to its business. The amount of these claims and legal proceedings corresponds to the amount of claims and legal proceedings in previous years.

The Group believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash-flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation. Provisions due to legal disputes were HUF 36,172 million as at 30 June 2023 and HUF 37,043 million as at 31 December 2022, respectively. (See Note 24.)

Commitments to extend credit, guarantees and letters of credit

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

Guarantees, irrevocable letters of credit and undrawn loan commitments are subject to similar credit risk monitoring and credit policies as utilised in the extension of loans. The Management of the Group believes the market risk associated with guarantees, irrevocable letters of credit and undrawn loan commitments are minimal.

NOTE 39: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

Guarantees, payment undertakings arising from banking activities

Payment undertaking is a promise by the Group to assume responsibility for the debt obligation of a borrower if that borrower defaults until a determined amount, until a determined date, in case of fulfilling conditions, without checking the underlying transactions. The guarantee's liability is joint and primary with the principal, in case of payment undertaking, while the Group assumes the obligation derived from guarantee independently by the conditions established by the Group. A guarantee is most typically required when the ability of the primary obligor to perform its obligations under a contract is in question, or when there is some public or private interest which requires protection from the consequences of the principal's default or delinquency.

A contract of guarantee is subject to the statute of frauds (or its equivalent local laws) which has maturity and is only enforceable if recorded in writing and signed by the surety and the principal. This means that if the beneficiary has not exercised his rights against the surety or guarantor by the deadline indicated, he automatically forfeits all his claims against the guarantor or surety.
In the case of a simple surety, the beneficiary is obliged to seek recovery of the debt from the debtor, because as long as the debt is recoverable from the debtor, the guarantor can refuse to pay, whereas in the case of a cash surety, the beneficiary can also go to the guarantor immediately, there being no objection to enforcement.

Derivatives

The Group maintains strict control limits on net open derivative positions, that is the difference between purchase and sale contracts, regarding both the amount and the term. At any time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e. assets), which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except for trading with clients, where the Group in most of the cases requires margin deposits.

NOTE 40: SHARE-BASED PAYMENTS AND EMPLOYEE BENEFITS (in HUF mn)

The previously approved option program required a modification due to the introduction of the Bank Group Policy on Payments accepted in resolution of Annual General Meeting regarding to the amendment of CRD III. Directives and Act on Credit Institutions and Financial Enterprises.
Key management personnel affected by the Bank Group Policy receive compensation based on performance assessment generally in the form of cash bonus and equity shares in a ratio of 50-50%. Assignment is based on OTP shares, furthermore performance-based payments are deferred in accordance with the rules of Credit Institutions Act.
The Bank ensures the share-based payment part for the management personnel of the Group members.
During implementation of the Remuneration Policy of the Group appeared that in case of certain foreign subsidiaries it is not possible to ensure the originally determined share-based payment because of legal reasons – incompatible with relevant EU-directives –, therefore a decision was made to cancel the share-based payment in affected countries, and virtual share-based payment – cash payment fixed to share price - was made from 2017. In case of foreign subsidiaries virtual share-based payment was made uniformly from 2021 (in the case of payments related to 2021).
The quantity of usable shares for individuals calculated for settlement of share-based payment shall be determined as the ratio of the amount of share-based payment and share price determined by Supervisory Board (until the end of 2014 by Board of Directors).
The value of the share-based payment at the performance assessment is determined within 10 days by Supervisory Board based on the average of the three previous trade day's middle rate of OTP Bank's equity shares fixed on the Budapest Stock Exchange.
At the same time the conditions of discounted share-based payment are determined, and share-based payment shall contain maximum HUF 6,000 discount at the assessment date, and earnings for the shares at the payment date is maximum HUF 12,000. Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. IAS 19 Employee Benefits shall be applied in accounting for all employee benefits, except those to which IFRS 2 Share-based Payment applies.

The parameters for the share-based payment relating to ongoing years 2018-2020 by the Supervisory Board for periods of each year as follows:

Year	**Share purchasing at a discounted price**		Price of remuneration exchanged to share	**Share purchasing at a discounted price**		Price of remuneration exchanged to share	**Share purchasing at a discounted price**		Price of remuneration exchanged to share
	Exercise price	Maximum earnings		Exercise price	Maximum earnings		Exercise price	Maximum earnings	
					HUF per share				
	for the year 2018			**for the year 2019**			**for the year 2020**		
2019	10,413	4,000	12,413	-	-	-	-	-	-
2020	10,413	4,000	12,413	9,553	4,000	11,553	-	-	-
2021	10,413	4,000	12,413	9,553	4,000	11,553	12,644	9,000	16,644
2022	10,913	4,000	12,413	9,553	4,000	11,553	12,644	8,000	16,644
2023	10,913	4,000	12,413	9,553	4,000	11,553	13,644	8,000	16,644
2024	10,913	4,000	12,413	9,553	4,000	11,553	13,644	8,000	16,644
2025	10,913	4,000	12,413	9,553	4,000	11,553	13,644	8,000	16,644
2026	-	-	-	9,553	4,000	11,553	13,644	8,000	16,644
2027	-	-	-	-	-	-	13,644	8,000	16,644

NOTE 40: SHARE-BASED PAYMENTS AND EMPLOYEE BENEFITS (in HUF mn) [continued]

The parameters for the share-based payment relating to ongoing years 2021-2022 by the Supervisory Board for periods of each year as follows:

Year	Share purchasing at a discounted price		Price of remuneration exchanged to share	Share purchasing at a discounted price		Price of remuneration exchanged to share
	Exercise price	Maximum earnings		Exercise price	Maximum earnings	
	HUF per share					
	for the year 2021			for the year 2022		
2022	5,912	6,000	8,912	-	-	-
2023	6,912	7,000	8,912	7,773	6,000	10,773
2024	6,912	8,000	8,912	8,773	7,000	10,773
2025	6,912	9,000	8,912	8,773	8,000	10,773
2026	6,912	10,000	8,912	8,773	9,000	10,773
2027	6,912	10,000	8,912	8,773	10,000	10,773
2028	6,912	10,000	8,912	8,773	10,000	10,773
2029[1]	-	-	-	8,773	10,000	10,773

[1]Parameters of benefits for year after 2021 due in 2029 only is applicable to foreign companies and for virtual benefits.

Relevant factors considered during measurement of fair value related to share-based payment as follows:

Year	Reference price	Assumed volatility	Risk-free interest rate (HUF)						
			1-year	2-year	3-year	4-year	5-year	6-year	7-year
2017	9,200	21.30%	0.10%	0.50%	0.70%	1.00%	1.30%	1.30%	1.30%
2018	10,064	26.00%	0.20%	0.60%	1.00%	1.30%	1.60%	1.90%	2.10%
2019	12,413	19.20%	0.20%	0.70%	0.90%	1.10%	1.30%	1.40%	1.60%
2020	11,553	33.60%	0.60%	0.40%	0.50%	0.60%	0.80%	0.90%	1.00%
2021	16,644	28.60%	1.00%	1.60%	1.80%	1.90%	2.00%	2.10%	2.10%
2022	8,912	42.60%	7.10%	7.90%	7.60%	7.30%	7.10%	7.00%	6.90%

Year	Expected dividends (HUF/Share)							Pricing model
	1 -year	2-year	3-year	4-year	5-year	6-year	7-year	
2017	219	219	252	290	334	384	442	Binomial
2018	219	219	219	219	219	219	219	Binomial
2019	252	290	333	383	440	507	583	Binomial
2020	219	252	290	333	383	440	507	Binomial
2021	371	321	357	393	432	475	523	Binomial
2022	452	497	547	601	661	728	800	Binomial

NOTE 40: SHARE-BASED PAYMENTS AND EMPLOYEE BENEFITS (in HUF mn) [continued]

Based on parameters accepted by Supervisory Board relating to the year **2018** effective pieces are as follows as at 30 June 2023:

	Approved pieces of shares	Exercised until 30 June 2023	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable as at 30 June 2023
Share purchasing period started in 2019	82,854	82,854	13,843	-	-
Remuneration exchanged to share provided in 2019	17,017	17,017	11,829	-	-
Share purchasing period started in 2020	150,230	150,230	14,294	-	-
Remuneration exchanged to share provided in 2020	33,024	33,024	11,897	-	-
Share purchasing period started in 2021	73,799	73,799	16,314	-	-
Remuneration exchanged to share provided in 2021	14,618	14,618	16,468	-	-
Share purchasing period started in 2022	86,456	-	-	-	86,456
Remuneration exchanged to share provided in 2022	13,858	13,858	8,529	-	-
Share purchasing period started in 2023	45,155	-	-	-	45,155
Remuneration exchanged to share provided in 2023	3,217	3,217	11,820	-	-
Remuneration exchanged to share applying in 2024	-	-	-	-	864
Remuneration exchanged to share applying in 2025	-	-	-	-	432

Based on parameters accepted by Supervisory Board relating to the year **2019** effective pieces are as follows as at 30 June 2023:

	Approved pieces of shares	Exercised until 30 June 2023	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable as at 30 June 2023
Share purchasing period started in 2020	91,403	91,403	12,218	-	-
Remuneration exchanged to share provided in 2020	22,806	22,806	11,897	-	-
Share purchasing period started in 2021	201,273	201,273	16,298	-	-
Remuneration exchanged to share provided in 2021	30,834	30,834	17,618	-	-
Share purchasing period started in 2022	107,760	3,481	11,366	1,344	102,935
Remuneration exchanged to share provided in 2022	10,564	10,564	8,529	-	-
Share purchasing period started in 2023	108,978	511	12,070	-	108,467
Remuneration exchanged to share provided in 2023	13,427	13,170	11,674	-	257
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 30 June 2023:

	Approved pieces of shares	Exercised until 30 June 2023	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable as at 30 June 2023
Share purchasing period started in 2021	41,098	14,142	17,997	26,956	-
Remuneration exchanged to share provided in 2021	17,881	17,881	17,498	-	-
Share purchasing period started in 2022	83,688	-	-	1,288	82,400
Remuneration exchanged to share provided in 2022	15,232	14,743	8,529	-	489
Share purchasing period started in 2023	47,275	-	-	-	47,275
Remuneration exchanged to share provided in 2023	8,562	8,378	11,659	-	184
Share purchasing period starting in 2024	-	-	-	-	51,002
Remuneration exchanged to share applying in 2024	-	-	-	-	9,518
Share purchasing period starting in 2025	-	-	-	-	13,080
Remuneration exchanged to share applying in 2025	-	-	-	-	3,443
Remuneration exchanged to share applying in 2026	-	-	-	-	680
Remuneration exchanged to share applying in 2027	-	-	-	-	680

Based on parameters accepted by Supervisory Board relating to the year **2021** effective pieces are as follows as at 30 June 2023:

	Approved pieces of shares	Exercised until 30 June 2023	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable as at 30 June 2023
Share purchasing period started in 2022	60,018	59,776	10,122	242	-
Remuneration exchanged to share provided in 2022	11,028	10,708	8,537	-	320
Share purchasing period started in 2023	117,276	10,012	12,020	-	107,264
Remuneration exchanged to share provided in 2023	10,824	10,264	11,534	-	560
Share purchasing period starting in 2024	-	-	-	-	50,771
Remuneration exchanged to share applying in 2024	-	-	-	-	4,942
Share purchasing period starting in 2025	-	-	-	-	54,262
Remuneration exchanged to share applying in 2025	-	-	-	-	4,942
Share purchasing period starting in 2026	-	-	-	-	58,155
Remuneration exchanged to share applying in 2026	-	-	-	-	4,942
Share purchasing period starting in 2027	-	-	-	-	25,305
Remuneration exchanged to share applying in 2027	-	-	-	-	631

NOTE 40: SHARE-BASED PAYMENTS AND EMPLOYEE BENEFITS (in HUF mn) [continued]

Based on parameters accepted by Supervisory Board relating to the year **2022** effective pieces are as follows as at 30 June 2023:

	Approved pieces of shares	Exercised until 30 June 2023	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable as at 30 June 2023
Share purchasing period started in 2023	57,412	8,421	11,991	-	48,991
Remuneration exchanged to share provided in 2023	8,726	8,211	11,532	-	515
Share purchasing period starting in 2024	-	-	-	-	103,450
Remuneration exchanged to share applying in 2024	-	-	-	-	8,494
Share purchasing period starting in 2025	-	-	-	-	42,814
Remuneration exchanged to share applying in 2025	-	-	-	-	3,993
Share purchasing period starting in 2026	-	-	-	-	43,714
Remuneration exchanged to share applying in 2026	-	-	-	-	3,993
Share purchasing period starting in 2027	-	-	-	-	44,701
Remuneration exchanged to share applying in 2027	-	-	-	-	3,993
Share purchasing period starting in 2028	-	-	-	-	19,756
Remuneration exchanged to share applying in 2028	-	-	-	-	-

Effective pieces relating to the periods starting in 2024-2028 settled during valuation of performance of year 2019-2022, can be modified based on risk assessment and personal changes.

In connection with the share-based compensation for Board of Directors and connecting compensation, shares given as a part of payments detailed above and for the year 2023 based on performance assessment accounted as equity-settled share-based transactions, HUF 1,394 million and HUF 2,948 million was recognized as expense for the six-month period ended 30 June 2023 and for the year ended 31 December 2022 respectively.

Defined benefit plan

Defined benefit plan is post-employment benefit plans other than defined contribution plan. The Group's net obligation is calculated by estimating the amount of employee's future benefit based on their servicies for the current and prior periods. The future value of benefit is being discounted to present value.

The Group has small number of plans and mainly in Bulgaria, Serbia, Montenegro, Croatia and Slovenia. These plans are providing retirement benefits upon pension age as lump-sum payment based either on fixed amounts or certain months of salary.
These plans are unfunded consequently there are no significant plan assets associated with these plans.

NOTE 40: SHARE-BASED PAYMENTS AND EMPLOYEE BENEFITS (in HUF mn) [continued]

Defined benefit plan [continued]

The movements of defined benefit obligation can be summarized as follows:

	30/06/2023	31/12/2022
Balance as at 1 January	**4,728**	**5,264**
Increase due to acquisition	1,905	-
Current service cost	41	432
Interest cost	-	105
Actuarial gains from changes in demographic assumptions	-	(110)
Actuarial gains from changes in financial assumptions	-	(1,179)
Benefits paid	(52)	(271)
Past service cost	-	47
Other decreases (-) / increases (+)	(80)	(19)
Revaluation difference	(480)	459
Closing balance	**6,062**	**4,728**

Amounts recognized in profit and loss	30/06/2023	31/12/2022
Current service cost	41	432
Net interest expense	-	105
Past service cost	-	47
Actuarial losses	-	(288)
Other cost	-	(129)
Total	**41**	**167**

Maturity analysis of the present value of defined benefit obligations	30/06/2023	31/12/2022
Within one year	522	575
Within 5 years and over one year	1,747	1,285
Within 10 years and over 5 years	1,793	1,470
Over 10 years	2,000	1,398
Total present value	**6,062**	**4,728**

Actuarial assumptions	30/06/2023	31/12/2022
Discount rate	1.80% - 6.00%	1.80% - 6.00%
Future salary increases	0.75% - 8.00%	0.75% - 8.00%

Since plan asset is not recognized in the Consolidated Financial Statements, the effect of the asset ceiling, the effect of changes in foreign exchange rates and the return on plan assets, excluding amounts included in interest accounts are also not recognized and therefore not presented.

OTP Group made an insignificant amount of contribution to the defined benefit plans during the six-month period ended 30 June 2023 and the year ended 31 December 2022.

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	30/06/2023	31/12/2022
Short-term employee benefits	5,049	9,790
Share-based payment	1,309	2,638
Other long-term employee benefits	591	875
Termination benefits	-	293
Post-employment benefits	6	1
Total	**6,955**	**13,597**

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:

	30/06/2023	31/12/2022
Members of Board of Directors	2,399	3,049
Members of Supervisory Board	187	386
Total	**2,586**	**3,435**

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:

	30/06/2023				31/12/2022			
Assets	**Other related parties**	**Associated companies**	**Other companies**	**Total**	**Other related parties**	**Associated companies**	**Other companies**	**Total**
Securities (net value)	610	-	-	610	601	-	-	601
Loans at amortized cost (net value)	87,350	22,030	3,000	112,380	75,704	23,554	4,067	103,325
Finance lease receivable (net value)	-	105	-	105	-	22	-	22
Loans mandatorily at fair value through profit or loss	171	-	-	171	164	-	-	164
Total assets	**88,131**	**22,135**	**3,000**	**113,266**	**76,469**	**23,576**	**4,067**	**104,112**
Liabilities								
Deposits from customers and loan liabilities	83,254	12,130	1,669	97,053	54,002	12,490	2,104	68,596
Fair value adjustment of derivative financial instruments	-	121	-	121	-	46	-	46
Total liabilities	**83,254**	**12,251**	**1,669**	**97,174**	**54,002**	**12,536**	**2,104**	**68,642**

NOTE 41: RELATED PARTY TRANSACTIONS (in HUF mn) [continued]

Connections with related party (key management personnel and their close family member and companies) by which line of the consolidated statement of financial position and off-balance sheet is presented [continued]:

	30/06/2023				31/12/2022			
Off-balance sheet items	**Other related parties**	**Associated companies**	**Other companies**	**Total**	**Other related parties**	**Associated companies**	**Other companies**	**Total**
Undrawn line of credit	48,437	200	2,122	50,759	47,522	322	2,209	50,053
Bank Guarantee	12,204	-	2,151	14,355	8,455	-	2,652	11,107
Commitments and guarantees given	67	-	-	67	24	-	-	24
Total off-balance sheet items	**60,708**	**200**	**4,273**	**65,181**	**56,001**	**322**	**4,861**	**61,184**

Statement of profit or loss (turnover during the current period)	**30/06/2023**	**31/12/2022**
Interest income	1,109	860
Fees and commissions	71	117
Interest expense	(237)	(243)
Fees and commission expenses	(945)	(7)
Loss allowance / Provision on loans, placements, for commitments and guarantees given	(117)	(29)
Operational costs	(2,073)	(1,852)

In the normal course of business, the Bank enters into other transactions with its unconsolidated subsidiaries of the Group, the amounts and volumes of which are not significant to these Consolidated Financial Statements taken as a whole. Related party transactions were made on terms equivalent to those that prevail in arm's length transactions and such terms can be substantiated.

NOTE 42: ACQUISITION (in HUF mn)

Purchase and consolidation of subsidiaries

On 6 December 2021 OTP Bank signed an acquisition agreement with Alpha International Holdings Single Member S.A. on purchasing 100% shareholding of Alpha Bank SH.A., the Albanian subsidiary of the Greek Alpha Bank S.A. The purchase price has been agreed at EUR 55 million. The financial closing of the transaction was completed on 18 July 2022.
The Seller shall, on an after-tax basis, indemnify and keep indemnified OTP Bank (the Purchaser) against all losses suffered or incurred by it arising directly out of two lawsuits. The aggregate liability of the Seller for all indemnity claims shall not exceed three million euros.
The Seller made a strategic decision to dispose of its Albanian subsidiary. Purchasing an entity with negative goodwill is reasoned by altogether the expected cost synergies arising from the market situation in Albania.

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

The integration process of the two Slovenian subsidiaries, SKB banka purchased in 2019 and Nova KBM is expected to be completed in 2024. The new bank will be the largest foreign subsidiary of OTP Group.

In line with the sale and purchase agreement concluded on 12 December 2022 between OTP Bank and the Ministry of Economy and Finance of the Republic of Uzbekistan, the first step of the Ipoteka Bank acquisition was completed on 13 June 2023. Consequently, OTP Bank became the majority shareholder of Ipoteka Bank by acquiring a 73.71% stake and became indirect shareholder of Ipoteka Bank's wholly-owned subsidiaries. In the second step of the transaction, the shares that remained in the ownership of the Ministry will be bought three years after the first step.
As a result of the acquisition, OTP Group entered the Central Asian region, and is the first foreign bank to participate in the privatization of the Uzbek banking sector.

The fair value of the assets and liabilities acquired is as follows:

	JSCMB 'Ipoteka Bank' (June 2023)	**Nova KBM (February 2023)**
Cash amounts and due from banks and balances with the National Banks	(111,286)	(887,441)
Placements with other banks, repo receivables	(39,709)	(11,605)
Financial assets at fair value through profit or loss	(8)	(11,167)
Securities at fair value through other comprehensive income	(149)	(136,612)
Loans at amortized cost	(912,254)	(2,037,656)
Loans mandatorily at fair value through profit or loss	-	-
Associates and other investments	(4,094)	(4,891)
Securities at amortized cost	(128,804)	(788,383)
Property and equipment	(26,954)	(20,199)
Intangible assets	(1,300)	(17,171)
Right-of-use assets	-	(1,941)
Investment properties	-	(9,910)
Derivative financial assets designated as hedge accounting	-	(1,842)
Other assets	(20,414)	(50,941)
Total assets	**(1,244,972)**	**(3,979,759)**

NOTE 42: ACQUISITION (in HUF mn) [continued]

The fair value of the assets and liabilities acquired is as follows [continued]:

	JSCMB 'Ipoteka Bank' (June 2023)	Nova KBM (February 2023)
Amounts due to the banks, the National Governments, deposits from the National Banks and other banks and repo liabilities	589,157	69,398
Financial liabilities designated at fair value through profit or loss	-	-
Deposits from customers	285,183	3,250,141
Liabilities from issued securities	114,876	169,071
Derivative financial liabilities held for trading	-	-
Derivative financial liabilities designated as hedge accounting	-	2,982
Leasing liabilities	-	1,967
Other liabilities	8,697	51,157
Subordinated bonds and loans	13,300	32,916
Total liabilities	**1,011,213**	**3,577,632**
Net assets	**(233,759)**	**(402,127)**

	JSCMB 'Ipoteka Bank' (June 2023)	Nova KBM (February 2023)
Net assets total	(233,759)	(402,127)
Non-controlling interest[1]	4,021	-
Negative goodwill	124,958	104,470
Net cash	**(104,780)**	**(297,657)**
Cash acquired on purchase	111,286	887,441
Net cash paid for acquisition	**6,506**	**589,784**

[1]Non-controlling interest was measured at its proportionate share of net assets of the acquiree.

Breakdown of the acquired entity's income, profit / loss from the date of the acquisition:

	Interest income	Net result	One-off expense[2]
JSCMB 'Ipoteka Bank'	-	-	(40,060)
Nova KBM	62,052	27,146	(10,010)
Total	**62,052**	**27,146**	**(50,070)**

[2]The net result was decreased by the loss allowance on loans in accordance with IFRS 9 after the first day of the acquisition (Day 1).

Breakdown of the acquired entity's income, profit / loss if the Group would have acquired from the beginning of year 2023:

	Interest income	Net result	One-off expense[2]
JSCMB 'Ipoteka Bank'	77,453	(7,402)	(40,060)
Nova KBM	72,510	28,680	(10,010)
Total	**149,963**	**21,278**	**(50,070)**

[2]The net result was decreased by the loss allowance on loans in accordance with IFRS 9 after the first day of the acquisition (Day 1).

NOTE 42: ACQUISITION (in HUF mn) [continued]

With the acquisition the following shares were purchased:

	Number of shares	Type	Voting rights
JSCMB 'Ipoteka Bank'	2,203,591,374,374	Common stock	73.7090%
JSCMB 'Ipoteka Bank'	59,197,658	Preferred dividend	0.0020%
Ipoteka Leasing LLC	60,000,000,000	Common stock	100.00%
IMKON Sugurta JSC	45,000,000,000	Business share	100.00%
Mortgage refinancing Company of Uzbekistan	20,000,000	Common stock	20.00%
Nova Kreditna Banka Maribor d.d.	10,000,000	Common stock	100.00%
Telekom Slovenije, d.d.	11,938	Common stock	0.18%
Elektro Maribor d.d.	76,715	Common stock	0.23%
Pivka Perutninarstvo d.d.	486	Common stock	0.04%
Skupina Prva, Zavarovalniški Holding, d.d.	4,764	Preferred dividend	2.35%
Sava d.d.	496,851	Common stock	1.71%
VISA Inc. C	3,688	Preferred dividend	0.00%
VISA Inc. A	369	Preferred dividend	0.00%
Bodočnost Maribor d.o.o.	1	Business share	1.00%
Sklad Za Reševanje Bank	50,003,264	Business share	26.17%
SWIFT SCRL La Hulpe, Belgija	32	Business share	0.03%
Bankart d.o.o.	584,424	Business share	29.22%
Aleja Finance d.o.o.	500,000	Business share	100.00%

NOTE 43: SIGNIFICANT SUBSIDIARIES AND ASSOCIATES (in HUF mn)

The control is established when the Group has the right and exposure over the variable positive yield of the investee but the same time put up with the consequences of the negative returns and the Group by its decisions is able to influence the extent of the yields.
The Group primarily considering the following factors in the process of determining the existing of the control:
- investigation of the decision-making mechanism of the entity,
- authority of the Board of Directors, Supervisory Board and General meeting based on the deed of association,
- existence of investments with preferential voting rights.

If the control can't be obviously determined, then it should be supposed that the control does not exist.
Significant influence is presumed by the Group to exist – unless the contrary case is proven – when the Group holds 20% or more of the voting power of an investee but does not have a control.

Investments in companies in which the Bank has a controlling interest are detailed below. They are fully consolidated companies and incorporated in Hungary unless otherwise stated. The Group considers a subsidiary significant when it is a financial institution or when the subsidiary contributes to the Groups' total balance sheet with higher amount. The Bank considers the subsidiaries as cash generating units.

NOTE 43: SIGNIFICANT SUBSIDIARIES AND ASSOCIATES (in HUF mn) [continued]

Significant subsidiaries

Name	Ownership (Direct and Indirect)		Activity
	30/06/2023	31/12/2022	
DSK Bank AD (Bulgaria)	99.92%	99.92%	commercial banking services
OTP Bank JSC (Ukraine)	100.00%	100.00%	commercial banking services
JSC “OTP Bank” (Russia)	97.92%	97.92%	commercial banking services
OTP banka d.d. (Croatia)	100.00%	100.00%	commercial banking services
OTP Bank Romania S.A. (Romania)	100.00%	100.00%	commercial banking services
OTP banka Srbija a.d. Novi Sad (Serbia)	100.00%	100.00%	commercial banking services
Crnogorska komercijalna banka a.d. (Montenegro)	100.00%	100.00%	commercial banking services
Banka OTP Albania SH.A. (Albania)	100.00%	100.00%	commercial banking services
OTP Bank S.A. (Moldova)	98.26%	98.26%	commercial banking services
SKB Banka d.d. Ljubljana (Slovenia)	100.00%	100.00%	commercial banking services
Nova Kreditna Banka Maribor d.d. (Slovenia)	100.00%	-	commercial banking services
JSCMB 'Ipoteka Bank' (Uzbekistan)	73.71%	-	commercial banking services
OTP Financing Malta Company Ltd. (Malta)	100.00%	100.00%	refinancing activities
OTP Holding Ltd. (Cyprus)	100.00%	100.00%	refinancing activities
OTP Factoring Ltd.	100.00%	100.00%	work-out
OTP Mortgage Bank Ltd.	100.00%	100.00%	mortgage lending
OTP Real Estate Ltd.	100.00%	100.00%	real estate management and development
Merkantil Bank Ltd.	100.00%	100.00%	finance lease
OTP Building Society Ltd.	100.00%	100.00%	housing savings and loan
OTP Fund Management Ltd.	100.00%	100.00%	fund management
Bank Center No. 1. Ltd.	100.00%	100.00%	real estate lease
Inga Kettő Ltd.	100.00%	100.00%	property management
OTP Funds Servicing and Consulting Ltd.	100.00%	100.00%	fund services
OTP Real Estate Leasing Ltd.	100.00%	100.00%	real estate leasing

NOTE 43: SIGNIFICANT SUBSIDIARIES AND ASSOCIATES (in HUF mn) [continued]

Significant associates and joint ventures

Summarized financial and non-financial information of associates which are accounted according to IAS 28 and in line with IFRS 9 as at 30 June 2023 is as follows:

List of associated entities	Carrying amount	Ownership of OTP Bank	Profit after tax	Country / Headquarter	Activity
Edrone spółka z ograniczoną odpowiedzialnością	803	23.54%	352	Poland / Krakow	Computer programming activities
NovaKid Inc.	1,745	4.07%	(7)	USA / San Francisco	Online kids English learning platform operator
Banzai Cloud Closed Co. Plc	222	17.42%	267	Hungary /Budapest	Computer programming activities
CodeCool Ltd	1,231	7.26%	391	Hungary /Budapest	Other education
Pepita.hu Closed Co. Plc	1,323	40.00%	(97)	Hungary / Szeghalom	Retail sale via mail order houses or via Internet
Seon Holdings Ltd	8,496	19.26%	2,194	UK / London	Computer programming activities
VCC Live Group Closed Co. Plc	1,559	24.72%	(233)	Hungary /Budapest	Computer programming activities
Cursor Insight Ltd	72	6.75%	9	UK / London	Computer programming activities
OneSoil Ag.	338	3.72%	1,123	Switzerland / Zurich	Computer programming activities
Packhelp Spółka Akcyjna	932	3.14%	(4,427)	Poland / Warsaw	Manufacture of corrugated paper and paperboard and of containers of paper and paperboard
Phoenix Play Invest Closed Co. Plc	3,364	21.68%	209	Hungary /Budapest	Activities of holding companies
Algorithmiq Invest Closed Co. Plc	7,992	21.68%	2,583	Hungary /Budapest	Activities of holding companies
Deligo Vision Technologies Ltd	205	2.50%	(41)	Hungary /Budapest	Other information service activities
Shopper Park Plus Closed Co. Plc.[1]	4,454	3.81%	2,753	Hungary /Budapest	Sale and purchase of own real estate
SEH-Partner Ltd	5,836	30.56%	(418)	Hungary /Budapest	Activities of holding companies
New Frontier Technology Invest SARL	3,812	14.00%	411	Luxemburg / Luxembourg	Activities of holding companies
Mindgram sp. z.o.o	195	2.38%	(281)	Poland / Warsaw	Other human health activities
Tine Limited	-	0.00%	(267)	Great Britain / London	Child day-care services
Renewabl Ltd.	100	5.01%	-	Great Britain / London	Other information technology services
Giganci Programowania sp. z.o.o.	478	5.03%	-	Poland / Warsaw	Other education
FlowX.Ai., Inc	2,226	9.50%	1,505	USA / Camano Park	Computer programming activities
Deskbird AG	-	0.00%	(1,113)	St. Gallen / Switzerland	Computer programming activities
Subtotal (Investments through funds)	**45,383**		**4,913**		
OTP Risk Fund I.	955	44.12%	103	Hungary /Budapest	Trusts, funds and similar financial entities
OTP-DayOne Magvető Fund	313	22.00%	1,639	Hungary /Budapest	Trusts, funds and similar financial entities
D-ÉG Thermoset Ltd 'u.l.'	-	46.99%	n.a.	Hungary / Dunaújváros	Wholesale of hardware, plumbing and heating equipment and supplies
Company for Cash Services AD	392	25.00%	1,201	Bulgaria / Sofia	Other financial service activities, except insurance and pension funding
Fabetker Ltd	1	20.48%	119	Hungary / Nádudvar	Manufacture of concrete products for construction purposes
NGY Propertiers Investment SRL	11,735	14.54%	1,199	Romania / Bucharest	Renting and operating of own or leased real estate
Simonyi út 20. Ingatlanhasznosító Ltd	90	47.62%	(3)	Hungary /Debrecen	Renting and operating of own or leased real estate
Fintech CEE Software Invest Ltd	135	20.04%	3	Hungary /Budapest	Activities of holding companies
Bankart Procesiranje Placilnih Instrumentov d.o.o.	7,642	43.06%	(1,733)	Ljubjana / Slovenia	Data processing, web hosting services
Mortgage refinancing Company of Uzbekistan	955	20.00%	(733)	Tashkent / Uzbekistan	Refinancing mortgage loans
Subtotal	**22,218**		**1,795**		
Total	**67,601**		**6,708**		

[1]Previously known as: GRADUW Invest Closed Co. Plc

NOTE 43: SIGNIFICANT SUBSIDIARIES AND ASSOCIATES (in HUF mn) [continued]

Significant associates and joint ventures [continued]

Summarized financial and non-financial information of associates which are accounted according to IAS 28 and in line with IFRS 9 as at 31 December 2022 is as follows:

List of associated entities	Carrying amount	Ownership of OTP Bank	Profit after tax	Country / Headquarter	Activity
Edrone spółka z ograniczoną odpowiedzialnością	822	23.54%	(516)	Poland / Krakow	Computer programming activities
NovaKid Inc.	1,723	4.07%	(5,409)	USA / San Francisco	Online kids English learning platform operator
Banzai Cloud Closed Co. Plc	216	17.42%	267	Hungary /Budapest	Computer programming activities
CodeCool Ltd	1,323	20.15%	1	Hungary /Budapest	Other education
Pepita.hu Closed Co. Plc	1,323	40.00%	(157)	Hungary / Szeghalom	Retail sale via mail order houses or via Internet
Seon Holdings Ltd	8,689	19.26%	(3)	UK / London	Computer programming activities
VCC Live Group Closed Co. Plc	1,308	24.75%	(226)	Hungary /Budapest	Computer programming activities
Cursor Insight Ltd	75	6.75%	n.a.	UK / London	Computer programming activities
OneSoil Ag.	362	3.72%	(514)	Switzerland / Zurich	Computer programming activities
Packhelp Spółka Akcyjna	1,168	3.15%	(3,385)	Poland / Warsaw	Manufacture of corrugated paper and paperboard and of containers of paper and paperboard
Phoenix Play Invest closed Co. Plc	2,350	21.69%	(1)	Hungary /Budapest	Activities of holding companies
Algorithmiq Invest Closed Co. Plc	8,195	21.69%	792	Hungary /Budapest	Activities of holding companies
Deligo Vision Technologies Ltd	205	2.50%	(15)	Hungary /Budapest	Other information service activities
GRADUW Invest Closed Co. Plc	4,803	3.81%	131	Hungary /Budapest	Sale and purchase of own real estate
SEH-Partner Ltd	6,403	30.56%	n.a.	Hungary /Budapest	Activities of holding companies
New Frontier Technology Invest SARL	3,393	14.01%	n.a.	Luxemburg / Luxembourg	Activities of holding companies
Mindgram sp. z.o.o	200	2.38%	(328)	Poland / Warsaw	Other human health activities
Subtotal (Investments through funds)	**42,558**		**(9,363)**		
OTP Risk Fund I.	520	44.12%	(52)	Hungary /Budapest	Trusts, funds and similar financial entities
OTP-DayOne Magvető Fund	683	22.00%	13	Hungary /Budapest	Trusts, funds and similar financial entities
D-ÉG Thermoset Ltd 'u.l.'	-	46.99%	-	Hungary / Dunaújváros	Wholesale of hardware, plumbing and heating equipment and supplies
Company for Cash Services AD	392	25.00%	183	Bulgaria / Sofia	Other financial service activities, except insurance and pension funding
Fabetker Ltd	1	20.48%	135	Hungary / Nádudvar	Manufacture of concrete products for construction purposes
NGY Propertiers Investment SRL	11,735	14.54%	(22,567)	Romania / Bucharest	Renting and operating of own or leased real estate
Simonyi út 20. Ingatlanhasznosító Ltd	90	47.62%	-	Hungary /Debrecen	Renting and operating of own or leased real estate
Fintech CEE Software Invest Ltd	127	20.04%	n.a.	Hungary /Budapest	Activities of holding companies
Subtotal	**13,548**		**(22,288)**		
Total	**56,106**		**(31,651)**		

NOTE 44: TRUST ACTIVITIES (in HUF mn)

The Bank acts as a trustee for certain loans granted by companies or employers to their employees, mainly for housing purposes. The ultimate risk for these loans rests with the party advancing the funds. As these loans and related funds are not considered to be assets or liabilities of the Group, they have been excluded from the accompanying Consolidated Statement of Financial Position.

	30/06/2023	31/12/2022
The amount of loans managed by the Group as a trustee	36,963	37,714

NOTE 45: CONCENTRATION OF ASSETS AND LIABILITIES

	30/06/2023	31/12/2022
In the percentage of the total assets		
Receivables from, or securities issued by the Hungarian Government or the NBH	15.52%	14.75%

There were no other significant concentrations of the assets or liabilities of the Group either as at 30 June 2023 or as at 31 December 2022.

The Group continuously provides the NBH with reports on the extent of dependency on large depositors as well as the exposure of the biggest 50 depositors towards the Group.

Further to this obligatory reporting to the NBH, the Group pays particular attention on the exposure of its largest partners and cares for maintaining a closer relationship with these partners in order to secure the stability of the level of deposits.

The organisational unit of the Bank in charge of partner-risk management analyses the biggest partners on a constant basis and sets limits on the Bank's and the Group's exposure separately partner-by-partner. If necessary, it modifies partner-limits in due course thereby reducing the room for manoeuvring of the Treasury and other business areas.

The Bank's internal regulation (Limit-management regulation) controls risk management related to exposures of clients. The Bank makes a difference between clients or clients who are economically connected with each other, partners, partners operating in the same geographical region or in the same economic sector, exposures from customers. Limit-management regulation includes a specific range provision system used by the Bank to control risk exposures. This regulation has to be used by the Bank for its business (lending) risk-taking activity both in retail and corporate sector.

To specify credit risk limits Group strives their clients get an acceptable margin of risk based on their financial situation. In the Group limit system has to be provided a lower-level decision-making delegation.
If a Group member takes risk against a client or group of clients (either inside the local economy or outside), the client will be qualified as a group level risk and these limits will be specified at group level.
The validity period of this policy is 12 months. The limit shall be reviewed prior to the expiry date but at least once a year - based on the relevant information required to limit calculations.

NOTE 46: EARNINGS PER SHARE

Consolidated Earnings per share attributable to the ordinary shares of the Group are determined by dividing consolidated Net profit for the year attributable to ordinary shareholders, after the deduction of declared preference dividends, by the weighted average number of ordinary shares outstanding during the year. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares.

Earnings per share from continuing and discontinued operations	**30/06/2023**	**31/12/2022**
Consolidated profit after income tax for the period attributable to ordinary shareholders (in HUF mn)	576,186	346,354
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	267,960,140	268,790,272
Basic Earnings per share (in HUF)	**2,150**	**1,289**
Consolidated profit after income tax for the period attributable to ordinary shareholders (in HUF mn)	576,186	346,354
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	268,076,554	268,873,185
Diluted Earnings per share (in HUF)	**2,149**	**1,288**

Earnings per share from continuing operations	**30/06/2023**	**31/12/2022**
Consolidated profit after income tax for the period attributable to ordinary shareholders (in HUF mn)	576,186	334,910
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	267,960,140	268,790,272
Basic Earnings per share (in HUF)	**2,150**	**1,246**
Consolidated profit after income tax for the period attributable to ordinary shareholders (in HUF mn)	576,186	334,910
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	268,076,554	268,873,185
Diluted Earnings per share (in HUF)	**2,149**	**1,246**

Earnings per share from discontinued operations	**30/06/2023**	**31/12/2022**
Consolidated profit after income tax for the period attributable to ordinary shareholders (in HUF mn)	-	11,444
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	267,960,140	268,790,272
Basic Earnings per share (in HUF)	**-**	**43**
Consolidated profit after income tax for the period attributable to ordinary shareholders (in HUF mn)	-	11,444
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	268,076,554	268,873,185
Diluted Earnings per share (in HUF)	**-**	**43**

NOTE 46: EARNINGS PER SHARE [continued]

	30/06/2023	31/12/2022
Weighted average number of ordinary shares	280,000,010	280,000,010
Average number of Treasury shares	12,039,870	11,209,738
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS	**267,960,140**	**268,790,272**
Dilutive effects of options issued in accordance with the remuneration policy and convertible into ordinary shares[1]	116,414	82,913
The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS	**268,076,554**	**268,873,185**

[1] Both in the first-half year of 2023 and in the year 2022 the dilutive effect is in connection with the Remuneration Policy and the Management Option Program.

NOTE 47: NET GAIN OR LOSS REALIZED ON FINANCIAL INSTRUMENTS (in HUF mn)

30/06/2023	Net interest / similar to interest gain and loss	Net non-interest gain and loss	Loss allowance	Other Comprehensive Income
Cash, amounts due from banks and balances with the National Banks	185,052	-	672	-
Placements with other banks	85,511	-	790	-
Repo receivables	7,895	-	(169)	-
Trading securities at fair value through profit or loss	-	18,508	-	-
Non-trading instruments mandatorily at fair value through profit or loss	-	3,150	-	-
Securities at fair value through other comprehensive income[1]	29,656	(290)	568	52,098
Securities at amortized cost	99,660	(7,756)	4,565	-
Loans at amortized cost	647,017	16,980	(70,580)	-
Finance lease receivables	49,885	-	(1,695)	-
Loans mandatorily at fair value through profit or loss	39,415	46,630	(1,501)	-
Other financial assets[2]	2,840	-	6	-
Derivative financial instruments[2]	(142,035)	(41,020)	-	-
Total result on financial assets	**1,004,896**	**36,202**	**(67,344)**	**52,098**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	(27,146)	-	-	-
Repo liabilities	(21,266)	-	-	-
Financial liabilities designated at fair value through profit or loss	(669)	(4,093)	-	-
Deposits from customers	(249,284)	183,290	-	-
Liabilities from issued securities	(41,893)	-	-	-
Leasing liabilities	(1,322)	-	-	-
Subordinated bonds and loans	(14,138)	-	-	-
Total result on financial liabilities	**(355,718)**	**179,197**	**-**	**-**
Total result on financial instruments	**649,178**	**215,399**	**(67,344)**	**52,098**

[1] For the first-half year of 2023 HUF (290) million net non-interest gain on securities at fair value through other comprehensive income was transferred from other comprehensive income to profit or loss.
[2] Gains from other financial assets and derivative financial instruments recognized in net interest income as Income similar to interest income.

NOTE 47: NET GAIN OR LOSS REALIZED ON FINANCIAL INSTRUMENTS (in HUF mn) [continued]

31/12/2022	Net interest / similar to interest gain and loss	Net non-interest gain and loss	Loss allowance	Other Comprehensive Income
Cash, amounts due from banks and balances with the National Banks	62,121	-	(375)	-
Placements with other banks	154,231	-	39	-
Repo receivables	4,261	-	50	-
Trading securities at fair value through profit or loss	-	(3,151)	-	-
Non-trading instruments mandatorily at fair value through profit or loss	54	145	-	-
Securities at fair value through other comprehensive income[1]	54,046	(1,014)	(29,273)	(119,377)
Securities at amortized cost	144,757	(4,636)	(31,501)	-
Loans at amortized cost	978,037	32,572	(167,506)	-
Finance lease receivables	78,262	-	(24,413)	-
Loans mandatorily at fair value through profit or loss	54,036	(5,951)	13,346	-
Other financial assets[2]	4,103	-	(1,204)	-
Derivative financial instruments[2]	(85,909)	10,558	-	-
Total result on financial assets	**1,447,999**	**28,523**	**(240,837)**	**(119,377)**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	(16,315)	-	-	-
Repo liabilities	(31,006)	-	-	-
Financial liabilities designated at fair value through profit or loss	(562)	1,932	-	-
Deposits from customers	(269,592)	342,427	-	-
Liabilities from issued securities	(27,838)	-	-	-
Leasing liabilities	(2,386)	-	-	-
Subordinated bonds and loans	(8,986)	-	-	-
Total result on financial liabilities	**(356,685)**	**344,359**	**-**	**-**
Total result on financial instruments	**1,091,314**	**372,882**	**(240,837)**	**(119,377)**

[1] For the year of 2022 HUF (1,014) million net non-interest gain on securities at fair value through other comprehensive income was transferred from other comprehensive income to profit or loss.
[2] Gains from other financial assets and derivative financial instruments recognized in net interest income as Income similar to interest income.

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn)

In determining the fair value of a financial asset or liability the Group uses the market price in the case of instruments that are quoted on an active market. In most cases market price is not publicly available, so the Group has to make assumptions or use valuation techniques to determine the fair value of a financial instrument. See Note 48.4. for more information about fair value classes applied for financial assets and liabilities measured at fair value in these financial statements.

To provide a reliable estimate of the fair value of those financial instruments that are originally measured at amortized cost, the Group used the discounted cash-flow analyses (loans, placements with other banks, repo receivables, amounts due to banks, repo liabilities, deposits from customers). The fair value of issued securities and subordinated bonds is based on quoted prices (e.g. Reuters). Cash and amounts due from banks and balances with the National Banks represent amounts available immediately thus the fair value equals to the cost.

The assumptions used when calculating the fair value of financial assets and liabilities when using valuation technique are the following:

- the discount rates are the risk-free rates related to the denomination currency adjusted by the appropriate risk premium as of the end of the reporting period,
- the contractual cash-flows are considered for the performing loans and for the non-performing loans, the amortized cost less impairment is considered as fair value,
- the future cash-flows for floating interest rate instruments are estimated from the yield curves as of the end of the reporting period,
- the fair value of the deposit which can be due in demand cannot be lower than the amount payable on demand.

Classes of assets and liabilities not measured at fair value in the Consolidated Statement of Financial Position, the income approach was used to convert future cash-flows to a single current amount. Fair value of current assets is equal to carrying amount, fair value of liabilities from issued securities and other bond-type classes of assets and liabilities not measured at fair value measured based on Reuters market rates, and the fair value of other classes not measured at fair value of the Consolidated Statement of Financial Position is measured at discounted cash-flow method. Fair value of loans, net of loss allowance for loans measured at discount rate adjustment technique, the discount rate is derived from observed rates of return for comparable assets or liabilities that are traded in the market.

Fair value measurements – in relation to instruments measured not at fair value – are mainly categorized in level 3 of the fair value hierarchy.

Use of modified yield curve

During the year ended 31 December 2022 yield curves derived from Hungarian government bonds (“ÁKK curve”) have become distorted due to certain market events, which means that real liquidity has concentrated on certain part of the yield curve. Therefore, a modified yield curve - which is not observable on the market - has been used at the concerning fair value calculations. This yield curve is based on the relevant yield curve points of the original ÁKK curve. Based on Management’s discretion fair value calculated with modified yield curves can represent the perspective of market participants reliable at current market conditions.
For the year ended 31 December 2022 modified yield curve was used for calculating fair value in case of subsidized personal loans represented in “Loans mandatorily measured at fair value through profit or loss” line.
For the six-month period ended 30 June 2023 fair value calculation of subsidized personal loans is based on ÁKK curve.
Modified yield curve was used for calculating fair value in case of subsidized personal loans represented in “Loans mandatorily measured at fair value through profit or loss” line.

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.1. Fair value of financial assets and liabilities

	30/06/2023		31/12/2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash, amounts due from banks and balances with the National Banks	5,582,622	5,582,622	4,221,392	4,221,392
Placements with other banks	1,305,309	1,308,556	1,351,082	1,322,560
Repo receivables	164,830	165,117	41,009	42,993
Securities at amortized cost	5,370,001	4,822,954	4,891,938	4,048,877
Loans at amortized cost	17,973,435	18,150,625	16,094,458	15,557,928
Finance lease receivables	1,300,149	1,303,314	1,298,752	1,320,286
Other financial assets	244,122	244,122	262,981	262,981
Total assets not measured at fair value	**31,940,468**	**31,577,311**	**28,161,612**	**26,777,017**
Financial assets at fair value through profit or loss	474,947	474,947	436,387	436,387
Trading securities at fair value through profit or loss	191,941	191,941	104,750	104,750
Fair value of derivative financial assets held for trading	221,007	221,007	276,482	276,482
Non-trading instruments mandatorily at fair value through profit or loss	61,999	61,999	55,155	55,155
Financial assets designated at fair value through profit or loss	-	-	-	-
Equity instruments at fair value through other comprehensive income	57,096	57,096	40,157	40,157
Securities at fair value through other comprehensive income	1,796,415	1,796,415	1,699,446	1,699,446
Loans mandatorily at fair value through profit or loss	1,302,501	1,302,501	1,247,414	1,247,414
Derivative financial assets designated as hedge accounting	49,758	49,758	48,247	48,247
Total assets measured at fair value	**3,680,717**	**3,680,717**	**3,471,651**	**3,471,651**
Financial assets total	**35,621,185**	**35,258,028**	**31,633,263**	**30,248,668**
Amounts due to the National Governments, to the National Banks and other banks	2,102,778	1,947,332	1,463,158	1,109,924
Repo liabilities	565,949	571,761	217,369	227,669
Deposits from customers	26,903,982	26,955,319	25,188,805	25,056,412
Liabilities from issued securities	1,727,388	1,674,672	870,682	743,907
Leasing liabilities	60,373	60,057	63,778	63,791
Other financial liabilities	692,005	692,005	645,652	645,652
Subordinated bonds and loans	552,883	524,719	301,984	268,911
Total liabilities not measured at fair value	**32,605,358**	**32,425,866**	**28,751,428**	**28,116,266**
Financial liabilities designated at fair value through profit or loss	59,923	59,923	54,191	54,191
Held for trading derivative financial liabilities	269,573	269,573	385,747	385,747
Derivative financial liabilities designated as hedge accounting	21,156	21,156	27,949	27,949
Total liabilities measured at fair value	**350,652**	**350,652**	**467,887**	**467,887**
Financial liabilities total	**32,956,010**	**32,776,518**	**29,219,315**	**28,584,153**

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.2. Fair value of derivative instruments

The Group regularly enters into hedging transactions in order to decrease its financial risks. However some economically hedging transaction do not meet the criteria to qualify as hedge accounting, therefore these transactions were accounted for as derivatives held for trading.
The assessment of the hedge effectiveness (both for fair value hedges and cash flow hedges) to determine the economic relationship between the hedged item and the hedging instrument is accomplished with prospective scenario analysis via different rate shift scenarios of the relevant risk factor(s) of the hedged risk component(s). The fair value change of the hedged item and the hedging instrument is compared in the different scenarios. Economic relationship is justified if the change of the fair value of the hedged item and the hedging instrument are in the opposite direction and the absolute changes are similar amounts. The hedge ratio is determined as the ratio of the notional of the hedged item and the notional of the hedging instrument. The sources of hedge ineffectiveness are the not hedged risk components (e.g. change of cross currency basis spreads in case of interest rate risk hedges), slight differences in maturity dates and interest payment dates in case of fair value hedges, and differences between the carrying amount of the hedged item and the carrying amount of the hedging instrument in case of FX hedges (e.g. caused by interest rate risk components in the fair value of the hedging instrument).

The summary of the derivatives held for trading and derivatives designated as hedge accounting of the Group are as follows:

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.2. Fair value of derivative instruments [continued]

	30/06/2023					31/12/2022				
	Before netting		Netting	After netting		Before netting		Netting	After netting	
	Assets	Liabilities		Assets	Liabilities	Assets	Liabilities		Assets	Liabilities
Held for trading derivative financial instruments										
Interest rate derivatives										
Interest rate swaps	155,761	(136,047)	129,086	26,675	(6,961)	165,478	(171,706)	155,468	10,010	(16,238)
Cross currency interest rate swaps	7,876	(6,689)	-	7,876	(6,689)	11,332	(12,139)	-	11,332	(12,139)
OTC options	2,937	(2,948)	-	2,937	(2,948)	1,074	(1,069)	-	1,074	(1,069)
Forward rate agreement	96	(27)	96	-	69	505	(3)	505	-	502
Total interest rate derivatives (OTC derivatives)	**166,670**	**(145,711)**	**129,182**	**37,488**	**(16,529)**	**178,389**	**(184,917)**	**155,973**	**22,416**	**(28,944)**
Foreign exchange derivatives										
Foreign exchange swaps	63,487	(56,330)	-	63,487	(56,330)	76,881	(72,959)	-	76,881	(72,959)
Foreign exchange forward contracts	13,478	(20,292)	-	13,478	(20,292)	13,085	(13,740)	-	13,085	(13,740)
OTC options	1,566	(1,022)	-	1,566	(1,022)	1,048	(822)	-	1,048	(822)
Foreign exchange spot conversion	225	(285)	-	225	(285)	177	(177)	-	177	(177)
Total foreign exchange derivatives (OTC derivatives)	**78,756**	**(77,929)**	**-**	**78,756**	**(77,929)**	**91,191**	**(87,698)**	**-**	**91,191**	**(87,698)**
Equity stock and index derivatives										
Commodity Swaps	22,841	(19,056)	-	22,841	(19,056)	33,693	(31,632)	-	33,693	(31,632)
Equity swaps	6,740	(291)	-	6,740	(291)	54	(702)	-	54	(702)
OTC derivatives total	**29,581**	**(19,347)**	**-**	**29,581**	**(19,347)**	**33,747**	**(32,334)**	**-**	**33,747**	**(32,334)**
Exchange traded futures and options	317	(1,812)	-	317	(1,812)	214	(1,887)	-	214	(1,887)
Total equity stock and index derivatives	**29,898**	**(21,159)**	**-**	**29,898**	**(21,159)**	**33,961**	**(34,221)**	**-**	**33,961**	**(34,221)**
Derivatives held for risk management not designated in hedge										
Interest rate swaps	69,031	(151,576)	15,525	53,506	(136,051)	136,164	(239,975)	18,944	117,220	(221,031)
Foreign exchange swaps	6,620	(15,412)	-	6,620	(15,412)	2,514	(10,190)	-	2,514	(10,190)
Foreign exchange spot	-	-	-	-	-	-	(43)	-	-	(43)
Forward contracts	-	-	-	-	-	-	-	-	-	-
Cross currency interest rate swaps	14,739	(2,493)	-	14,739	(2,493)	9,180	(3,620)	-	9,180	(3,620)
Total derivatives held for risk management not designated in hedge	**90,390**	**(169,481)**	**15,525**	**74,865**	**(153,956)**	**147,858**	**(253,828)**	**18,944**	**128,914**	**(234,884)**
Total held for trading derivative financial instruments	**365,714**	**(414,280)**	**144,707**	**221,007**	**(269,573)**	**451,399**	**(560,664)**	**174,917**	**276,482**	**(385,747)**

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.2. Fair value of derivative instruments [continued]

	30/06/2023					31/12/2022				
	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	1,802	(1,802)	1,802	-	-	2,651	(2,651)	2,651	-	-
Total derivatives designated in cash flow hedges	**1,802**	**(1,802)**	**1,802**	**-**	**-**	**2,651**	**(2,651)**	**2,651**	**-**	**-**
Derivatives designated in fair value hedges										
Interest rate swaps	58,021	(40,485)	25,672	32,349	(14,813)	56,757	(37,290)	30,938	25,819	(6,352)
Cross currency interest rate swaps	14,000	(6,343)	-	14,000	(6,343)	20,732	(5,398)	-	20,732	(5,398)
Foreign exchange swaps	3,409	-	-	3,409	-	1,696	(16,199)	-	1,696	(16,199)
Total derivatives designated in fair value hedges	**75,430**	**(46,828)**	**25,672**	**49,758**	**(21,156)**	**79,185**	**(58,887)**	**30,938**	**48,247**	**(27,949)**
Total derivatives held for risk management (OTC derivatives)	**77,232**	**(48,630)**	**27,474**	**49,758**	**(21,156)**	**81,836**	**(61,538)**	**33,589**	**48,247**	**(27,949)**

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.3. Types of hedge accounting

Interest rate risk management is centralized at the Group. Interest rate risk exposures in major currencies are managed at OTP Headquarter on a consolidated level. Although risk exposures in local currencies are managed at subsidiary level, the respective decisions are subject to Headquarter ALCO approval. Interest rate risk is measured by simulating NII and EVE under different stress and plan scenarios, the established risk limits are described in „OTP Bank's Group-Level Regulations on the Management of Liquidity Risk and Interest Rate Risk of Banking Book". The interest rate risk management activity aims to stabilize NII within the approved risk limits.

The risk management objective of these hedge relationships is to mitigate the risk of clean fair value (i.e. excluding accrued interest) change of MIRS loans due to the change of interest rate reference indices (BUBOR, EURIBOR, LIBOR, etc.) of the respective currency.

The ineffective part of fair value hedge accounting is presented on Interest income / Interest expense in the Consolidated Statement of Profit or Loss.

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.3. Types of hedge accounting [continued]

Amount, timing and uncertainty of future cash flows – hedging instruments as at 30 June 2023 (in fx million)

Type of hedge	Type of risk	Type of instrument	Within one month	Within three months and over one month	Within one year and over three months	Within five years and over one year	More than five years	Total
Fair Value Hedge	**Interest rate risk**	**Interest rate swap**						
		HUF						
		Notional	-	-	(40,179)	(342,383)	(49,700)	**(432,262)**
		Average Interest Rate (%)	-	-	0.00%	0.00%	0.00%	
		EUR						
		Notional	-	-	43	161	50	**254**
		Average Interest Rate (%)	-	-	0.00%	0.00%	0.00%	
		USD						
		Notional	-	40	75	(1,013)	47	**(851)**
		Average Interest Rate (%)	-	0.00%	0.00%	0.00%	0.00%	
		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	9	10	**22**
		Average Interest Rate (%)	-	(1.68%)	(1.68%)	(1.72%)	(1.82%)	
		Average FX Rate	-	310.17	310.14	309.55	307.71	

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.3. Types of hedge accounting [continued]

Amount, timing and uncertainty of future cash flows – hedging instruments as at 30 June 2023 (in fx million) [continued]

Type of hedge	Type of risk	Type of instrument	Within one month	Within three months and over one month	Within one year and over three months	Within five years and over one year	More than five years	Total
Fair Value Hedge	**Foreign exchange risk**	**Cross currency interest rate swap**						
		EUR/HUF						
		Notional	-	15	464	1,101	-	**1,580**
		Average FX Rate	-	375.46	359.65	383.26	-	
		RON/HUF						
		Notional	-	-	-	3,121	-	**3,121**
		Average FX Rate	-	-	-	75.08	-	
		RUB/HUF						
		Notional	-	-	2,500	11,870	-	**14,370**
		Average FX Rate	-	-	0.00	0.00	-	
		JPY/HUF						
		Notional	-	-	-	4,500	-	**4,500**
		Average FX Rate	-	-	-	2.79	-	
		USD/HUF						
		Notional	-	(13)	151	151	-	**289**
		Average FX Rate	-	323.77	323.77	323.77	-	
	Other	**Interest rate swap**						
		HUF						
		Notional	-	-	241	537	-	**778**

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.3. Types of hedge accounting [continued]

Amount, timing and uncertainty of future cash flows – hedging instruments as at 31 December 2022 (in fx million)

Type of hedge	Type of risk	Type of instrument	Within one month	Within three months and over one month	Within one year and over three months	Within five years and over one year	More than five years	Total
Fair Value Hedge	**Interest rate risk**	**Interest rate swap**						
		HUF						
		Notional	-	-	-	(64,875)	30,300	**(34,575)**
		Average Interest Rate (%)	-	-	-	7.15%	1.40%	
		EUR						
		Notional	-	-	101	10	50	**161**
		Average Interest Rate (%)	-	-	0.24%	0.22%	0.05%	
		USD						
		Notional	-	90	-	29	47	**166**
		Average Interest Rate (%)	-	2.60%	-	2.35%	4.18%	
		JPY						
		Notional	-	-	-	4,500	-	**4,500**
		Average Interest Rate (%)	-	-	-	0.22%	-	
Fair Value Hedge	**Foreign exchange & Interest rate risk**	**Cross currency interest rate swap**						
		EUR/HUF						
		Notional	-	1	2	10	11	**24**
		Average Interest Rate (%)	(1.64%)	(1.68%)	(1.68%)	(1.71%)	(1.82%)	
		Average FX Rate	310.41	310.17	310.20	309.74	307.71	

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.3. Types of hedge accounting [continued]

Amount, timing and uncertainty of future cash flows – hedging instruments as at 31 December 2022 (in fx million) [continued]

Type of hedge	Type of risk	Type of instrument	Within one month	Within three months and over one month	Within one year and over three months	Within five years and over one year	More than five years	Total
Fair Value Hedge	**Foreign exchange risk**	**Cross currency interest rate swap**						
		EUR/HUF						
		Notional	-	(10)	125	878	-	**993**
		Average FX Rate	363.88	407.57	362.11	373.88	-	
		RON/HUF						
		Notional	-	-	400	3,121	-	**3,521**
		Average FX Rate	-	-	72.92	75.08	-	
		JPY/HUF						
		Notional	-	-	-	4,500	-	**4,500**
		Average FX Rate	-	-	-	2.79	-	
		USD/HUF						
		Notional	-	(7)	144	146	-	**283**
		Average FX Rate	-	323.77	323.77	323.77	-	

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.3. Types of hedge accounting [continued]

As at 30 June 2023 is as follows:

Type of hedge	Type of instrument	Type of risk	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument as at 30 June 2023					Line item in the consolidated statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge ineffectiveness for the six-month period ended as at 30 June 2023
				Before netting		Netting	After netting			
				Assets	Liabilities		Assets	Liabilities		
Fair value hedge	IRS	Interest rate risk	1,558,721	57,986	(40,485)	25,672	32,314	(14,813)	Derivative financial instruments designated as hedge accounting	(7,939)
	CCIRS	FX & IR risk	6,860	-	(1,477)	-	-	(1,477)	Derivative financial instruments designated as hedge accounting	3
	CCIRS	FX risk	932,158	14,000	(4,866)	-	14,000	(4,866)	Derivative financial instruments designated as hedge accounting	(1,273)
	FX swap	FX risk	17,814	3,409	-	-	3,409	-	Derivative financial instruments designated as hedge accounting	-
	IRS	Other	778	35	-	-	35	-	Derivative financial instruments designated as hedge accounting	1
Fair value hedges total			**2,516,331**	**75,430**	**(46,828)**	**25,672**	**49,758**	**(21,156)**		**(9,208)**

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.3. Types of hedge accounting [continued]

As at 31 December 2022 is as follows:

Type of hedge	Type of instrument	Type of risk	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument as at 31 December 2022					Line item in the consolidated statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge ineffectiveness for the year ended as at 31 December 2022
				Before netting		Netting	After netting			
				Assets	Liabilities		Assets	Liabilities		
Fair value hedge	IRS	Interest rate risk	444,627	56,636	(37,258)	30,938	25,698	(6,320)	Derivative financial instruments designated as hedge accounting	12,873
	CCIRS	FX & IR risk	7,292	-	(2,679)	-	-	(2,679)	Derivative financial instruments designated as hedge accounting	3
	CCIRS	FX risk	813,430	20,732	(2,719)	-	20,732	(2,719)	Derivative financial instruments designated as hedge accounting	(6,087)
	FX swap	FX risk	290,982	1,696	(16,199)	-	1,696	(16,199)	Derivative financial instruments designated as hedge accounting	-
	IRS	Other	5,584	121	(32)	-	121	(32)	Derivative financial instruments designated as hedge accounting	1
Fair value hedges total			**1,561,915**	**79,185**	**(58,887)**	**30,938**	**48,247**	**(27,949)**		**6,790**

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.3. Types of hedge accounting [continued]

As at 30 June 2023 is as follows:

Type of hedge	Type of risk	Carrying amount of the hedged item as at 30 June 2023		Amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item for the six-month period ended 30 June 2023		Line item in the consolidated statement of financial position in which the hedged item is included
Fair value hedges		**Assets**	**Liabilities**	**Assets**	**Liabilities**	
Loans	Interest rate risk	27,905	-	(4,372)	-	Loans
Loans	Interest rate risk	-	143,491	-	(22,238)	Amounts due to banks, the National Governments, deposits from the National Banks and other banks
Government bonds	Interest rate risk	164,148	-	(176)	-	Securities at amortized cost
Government bonds	Interest rate risk	809,474	-	(28,961)	(60)	Securities at fair value through other comprehensive income
Government bonds	Interest rate risk	-	-	-	-	Financial assets at fair value through profit or loss
Other bonds	Interest rate risk	3,711	-	(327)	-	Securities at fair value through other comprehensive income
Other bonds	Interest rate risk	-	211,132	-	3,516	Liabilities from issued securities
Other bonds	Interest rate risk	-	-	-	3,798	Subordinated bonds and loans
Loans	Foreign exchange & Interest rate risk	13,404	-	102	-	Loans
Loans	Foreign exchange risk	819,473	-	-	-	Loans
Government bonds	Foreign exchange risk	10,653	-	-	-	Securities at fair value through other comprehensive income
Government bonds	Foreign exchange risk	103,724	-	-	-	Securities at amortized cost
Other securities	Other risk	-	(2,688)	-	(99)	Liabilities from issued securities
Fair value hedges total		**1,952,492**	**351,935**	**(33,734)**	**(15,083)**	

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.3. Types of hedge accounting [continued]

As at 31 December 2022 is as follows:

Type of hedge	Type of risk	Carrying amount of the hedged item as at 31 December 2022		Amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item for the year ended 31 December 2022		Line item in the consolidated statement of financial position in which the hedged item is included
Fair value hedges		**Assets**	**Liabilities**	**Assets**	**Liabilities**	
Loans	Interest rate risk	64,596	-	(5,033)	-	Loans
Loans	Interest rate risk	-	143,208	-	(34,149)	Amounts due to banks, the National Governments, deposits from the National Banks and other banks
Government bonds	Interest rate risk	14,814	-	(4,601)	-	Securities at amortized cost
Government bonds	Interest rate risk	151,501	-	(45,319)	-	Securities at fair value through other comprehensive income
Other bonds	Interest rate risk	44,508	-	(638)	-	Securities at fair value through other comprehensive income
Other bonds	Interest rate risk	-	25,563	-	448	Liabilities from issued securities
Loans	Foreign exchange & Interest rate risk	9,099	-	503	-	Loans
Loans	Foreign exchange risk	716,841	-	-	-	Loans
Government bonds	Foreign exchange risk	12,797	-	-	-	Securities at fair value through other comprehensive income
Government bonds	Foreign exchange risk	113,806	-	-	-	Securities at amortized cost
Other securities	Other risk	-	2,299	-	(218)	Liabilities from issued securities
Fair value hedges total		**1,127,962**	**171,070**	**(55,088)**	**(33,919)**	

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.3. Types of hedge accounting [continued]

Change in basis swap spread recognised in the consolidated other comprehensive income related fair value hedges as follows:

Type of risk	Carrying amount of the hedged item		Items recognized in the consolidated other comprehensive income for the first-half year of 2023	Change in the items recognized in other comprehensive income for the first-half year of 2023	Line item in the consolidated statement of financial position in which the hedged item is included
	Assets	Liabilities			
FX risk	819,473	-	582	945	Loans at amortised cost
FX risk	10,653	-	(32)	-	Securities at fair value through other comprehensive income
Total	**830,126**	**-**	**550**	**945**	

Type of risk	Carrying amount of the hedged item		Items recognised in the consolidated other comprehensive income for the year 2022	Change in the items recognized in other comprehensive income for the year 2022	Line item in the consolidated statement of financial position in which the hedged item is included
	Assets	Liabilities			
FX risk	716,841	-	(363)	605	Loans at amortised cost
FX risk	12,797	-	(52)	-	Securities at fair value through other comprehensive income
Total	**729,638**	**-**	**(415)**	**605**	

On Group level there weren’t any cash-flow hedges for the first-half year ended 30 June 2023 and for the year ended as at 31 December 2022.

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.4. Fair value levels

Methods and significant assumptions used to determine fair value of the different levels of financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly. Fair value measurements – in relation with instruments measured not at fair value – are categorized in level 2;
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

30/06/2023	Total	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	**474,947**	**80,841**	**376,085**	**18,021**
Trading securities at fair value through profit or loss	*191,941*	*37,822*	*154,090*	*29*
Positive fair value of derivative financial assets held for trading	*221,007*	*469*	*214,077*	*6,461*
Non-trading instruments mandatorily at fair value through profit or loss[1]	*61,999*	*42,550*	*7,918*	*11,531*
Securities at fair value through other comprehensive income[2]	1,853,511	807,218	957,945	88,348
Loans mandatorily at fair value through profit or loss	1,302,501	-	-	1,302,501
Equity investments measured at fair value[3]	45,383	-	-	45,383
Positive fair value of derivative financial assets designated as fair value hedge	49,758	-	49,758	-
Financial assets measured at fair value total	**3,726,100**	**888,059**	**1,383,788**	**1,454,253**
Financial liabilities designated at fair value through profit or loss	59,923	-	-	59,923
Negative fair value of held-for-trading derivative financial liabilities	269,573	1,812	267,744	17
Negative fair value of derivative financial liabilities designated as fair value hedge	21,156	-	21,156	-
Financial liabilities measured at fair value total	**350,652**	**1,812**	**288,900**	**59,940**

[1] The portfolio in level 3 includes Visa C shares, East West Venture Capital Fund and TCEE Fund III.
[2] The portfolio in level 3 includes HUF 57,528 million Ukrainian and HUF 22,452 million Russian government bonds.
[3] The detailed list of equity investments measured at fair value categorized in level 3 is presented in Note 43.

The fair value of investment properties is presented in Note 14 and they are categorized in level 3.

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.4. Fair value levels [continued]

31/12/2022	Total	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	**436,387**	**85,339**	**339,060**	**11,988**
Trading securities at fair value through profit or loss	*104,750*	*50,131*	*54,619*	-
Positive fair value of derivative financial assets held for trading	*276,482*	*214*	*276,268*	-
Non-trading instruments mandatorily at fair value through profit or loss[1]	*55,155*	*34,994*	*8,173*	*11,988*
Securities at fair value through other comprehensive income[2]	1,739,603	562,081	1,103,082	74,440
Loans mandatorily at fair value through profit or loss	1,247,414	-	-	1,247,414
Equity investments measured at fair value[3]	42,558	-	-	42,558
Positive fair value of derivative financial assets designated as fair value hedge	48,247	-	48,247	-
Financial assets measured at fair value total	**3,514,209**	**647,420**	**1,490,389**	**1,376,400**
Financial liabilities designated at fair value through profit or loss	54,191	-	-	54,191
Negative fair value of held-for-trading derivative financial liabilities	385,747	1,886	383,211	650
Negative fair value of derivative financial liabilities designated as fair value hedge	27,949	-	27,949	-
Financial liabilities measured at fair value total	**467,887**	**1,886**	**411,160**	**54,841**

[1] The portfolio in level 3 includes Visa C shares.
[2] The portfolio in level 3 includes HUF 26,571 million Ukrainian and HUF 27,415 million Russian government bonds.
[3] The detailed list of equity investments measured at fair value categorized in level 3 is presented in Note 43.

The fair value of investment properties is presented in Note 14 and they are categorized in level 3.

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.4. Fair value levels [continued]

Movements in Level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

30/06/2023	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	-	29	-	-	-	-	-	-	-	**29**
Positive fair value of derivative financial assets held for trading	-	-	13	-	-	6,448	-	-	-	**6,461**
Non-trading securities mandatorily at fair value through profit or loss	11,988	1,389	-	-	(3)	(563)	-	(234)	(1,046)	**11,531**
Securities at fair value through other comprehensive income	74,440	57,629	-	(17)	(21,921)	(1,779)	(1,394)	(3,271)	(15,339)	**88,348**
Loans mandatorily at fair value through profit or loss[1]	1,247,414	-	57,817	(52,633)	(892)	44,057	-	(5)	6,743	**1,302,501**
Equity investments measured at fair value	42,558	2,732	-	-	-	1,750	-	(1,657)	-	**45,383**
Financial assets measured at fair value total	**1,376,400**	**61,779**	**57,830**	**(52,650)**	**(22,816)**	**49,913**	**(1,394)**	**(5,167)**	**(9,642)**	**1,454,253**
Financial liabilities designated at fair value through profit or loss	54,191	-	-	(630)	-	4,093	-	-	2,269	**59,923**
Negative fair value of held-for-trading derivative financial liabilities	650	-	16	-	-	(650)	-	-	1	**17**
Financial liabilities designated at fair value total	**54,841**	**-**	**16**	**(630)**	**-**	**3,443**	**-**	**-**	**2,270**	**59,940**

[1] HUF (1,501) million fair value adjustment resulting from risk factors and HUF 45,459 million adjustment resulting from market factors.are included into FVA change for the current period at loans mandatorily measured at fair value through profit or loss.

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.4. Fair value levels [continued]

Movements in Level 3 financial instruments measured at fair value [continued]

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

31/12/2022	Opening balance	Purchase (+)	Issuance /Disbursement (+)	Settlement / Close (-)	Sale (-)	FVA (+/-)	Transfer (+/-)	Fx effect / Revaluation	Other	Closing balance
Trading securities at fair value through profit or loss	6	-	-	-	-	-	-	-	(6)	**-**
Positive fair value of derivative financial assets held for trading	10,170	-	-	-	-	(10,170)	-	-	-	**-**
Non-trading securities mandatorily at fair value through profit or loss	13,191	-	1,171	-	-	(1,745)	-	482	(1,111)	**11,988**
Securities at fair value through other comprehensive income	63,353	981	-	-	(33,288)	15,310	19,678	(1,051)	9,457	**74,440**
Loans mandatorily at fair value through profit or loss[1]	1,067,830	-	258,658	(81,764)	(1,490)	3,885	-	(11)	306	**1,247,414**
Equity investments measured at fair value	40,064	6,144	11,953	(27,360)	-	11,064	-	693	-	**42,558**
Financial assets measured at fair value total	**1,194,614**	**7,125**	**271,782**	**(109,124)**	**(34,778)**	**18,344**	**19,678**	**113**	**8,646**	**1,376,400**
Financial liabilities designated at fair value through profit or loss	41,184	-	-	(1,624)	-	(1,934)	-	-	16,565	**54,191**
Negative fair value of held-for-trading derivative financial liabilities	-	-	-	-	-	650	-	-	-	**650**
Financial liabilities designated fair value total	**41,184**	**-**	**-**	**(1,624)**	**-**	**(1,284)**	**-**	**-**	**16,565**	**54,841**

[1] HUF 13,346 million fair value adjustment resulting from risk factors and HUF (9,991) million adjustment resulting from market factors.are included into FVA change for the previous year at loans mandatorily measured at fair value through profit or loss.

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.4. Fair value levels [continued]

Valuation techniques on Level 2 instruments

The fair value of Level 2 instruments is calculated by discounting their expected interest and capital cash flows. Discounting is done with the respective swap curve of each currency.

Valuation techniques and sensitivity analysis on Level 3 instruments

Sensitivity analysis is performed on products with significant unobservable inputs (Level 3) to generate a range of reasonably possible alternative valuations. The sensitivity methodologies applied take account of the nature of the valuation techniques used, as well as the availability and reliability of observable proxy and historical date and the impact of using alternative models.
The calculation is based on a range or spread data of reliable reference source or a scenario based on relevant market analysis alongside the impact of using alternative models. Sensitivities are calculated without reflecting the impact of any diversification in the portfolio.

Unobservable inputs used in measuring fair value

Type of financial instrument	Valuation technique	Significant unobservable input	Range of estimates for unobservable input
VISA C shares	Market approach combined with expert judgement.	Illiquidity	+ 12% / (12%)
MFB refinancing loans	Discounted cash flow model	Probability of default	+ 20% / (20)%
Subsidized personal loans	Discounted cash flow model	Probability of default	+ 20% / (20)%
Subsidized personal loans	Discounted cash flow model	Operational costs	+20% / (20)%
Subsidized personal loans	Discounted cash flow model	Demography	Change in the cash flow estimation + 5% /(5)%
Ministry of Finance of Russia	Discounted cash flow model	Credit risk	+15% / (15)%
Ministry of Finance of Ukraine	Discounted cash flow model	Credit risk	+1% / (1)%
Loans mandatorily at fair value through profit or loss	Discounted cash flow model	Probability of default	+20% / (20)%
Loans mandatorily at fair value through profit or loss	Discounted cash flow model	Operational costs	+20% / (20)%

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.4. Fair value levels [continued]

The effect of unobservable inputs on fair value measurement

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3 changing the assumptions used to reasonably possible alternative assumptions would have the following effects.

30/06/2023	Presentation in the Statement of Financial Position	Unobservable inputs	Book value	Fair values		Effect on profit and loss	
				Favourable	Unfavourable	Favourable	Unfavourable
VISA C shares	Non-trading instruments mandatorily at fair value through profit or loss	Illiquidity	9,018	10,480	7,556	1,462	(1,462)
MFB refinancing loans	Financial liabilities designated at fair value through profit or loss	Probability of default	18,589	19,008	18,170	419	(419)
Subsidised personal loans	Loans mandatorily at fair value through profit or loss	Probability of default	826,199	827,695	824,709	1,496	(1,490)
Subsidised personal loans	Loans mandatorily at fair value through profit or loss	Operational costs	826,199	834,086	823,965	7,887	(2,234)
Subsidised personal loans	Loans mandatorily at fair value through profit or loss	Demography	826,199	827,602	824,880	1,403	(1,319)
Russian government bonds	Trading securities at fair value through other comprehensive income	Credit risk	22,452	27,909	16,995	5,457	(5,457)
Ukrainian government bonds	Trading securities at fair value through other comprehensive income	Credit risk	57,528	58,451	56,619	923	(909)
Loans mandatorily at fair value through profit or loss	Loans mandatorily at fair value through profit or loss	Probability of default	446,057	446,338	445,776	281	(281)
Loans mandatorily at fair value through profit or loss	Loans mandatorily at fair value through profit or loss	Operational costs	446,057	440,046	452,270	(6,011)	6,213
Total			**3,478,298**	**3,491,614**	**3,470,940**	**13,317**	**(7,358)**

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.4. Fair value levels [continued]

The effect of unobservable inputs on fair value measurement [continued]

31/12/2022	Presentation in the Statement of Financial Position	Unobservable	Book value	Fair values		Effect on profit and loss	
				Favourable	Unfavourable	Favourable	Unfavourable
VISA C shares	Non-trading instruments mandatorily at fair value through profit or loss	Illiquidity	2,951	3,430	2,472	479	(479)
MFB refinancing loans	Financial liabilities designated at fair value through profit or loss	Probability of default	15,483	15,602	15,364	119	(119)
Subsidised personal loans	Loans mandatorily at fair value through profit or loss	Probability of default	772,094	773,281	770,911	1,187	(1,183)
Subsidised personal loans	Loans mandatorily at fair value through profit or loss	Operational costs	772,094	777,898	769,012	5,804	(3,082)
Subsidised personal loans	Loans mandatorily at fair value through profit or loss	Demography	772,094	774,528	769,544	2,434	(2,550)
Russian government bonds	Trading securities at fair value through other comprehensive income	Credit risk	37,580	50,468	24,692	12,888	(12,888)
Ukrainian government bonds	Trading securities at fair value through other comprehensive income	Credit risk	26,571	26,571	26,571	-	-
Loans mandatorily at fair value through profit or loss	Loans mandatorily at fair value through profit or loss	Probability of default	454,164	454,383	453,945	219	(219)
Loans mandatorily at fair value through profit or loss	Loans mandatorily at fair value through profit or loss	Operational costs	454,164	459,950	448,558	5,786	(5,606)
Total			**3,307,195**	**3,336,111**	**3,281,069**	**28,916**	**(26,126)**

NOTE 48: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

48.4. Fair value levels [continued]

The effect of unobservable inputs on fair value measurement [continued]

The favourable and unfavourable effects of using reasonably possible alternative assumptions for the valuation of Visa C shares have been calculated by modifying the discount rate used for the valuation by +/-12% as being the best estimates of the management as at 30 June 2023 and 31 December 2022 respectively.

In the case of Hungarian Development Bank ("MFB") refinancing loans and subsidised personal loans the Bank calculated the favourable and unfavourable effects of using reasonably possible alternative assumptions by modifying the rates of probability of default by +/- 20% as one of the most significant unobservable inputs.
In case of subsidised personal loans operational cost and factors related to demography are considered as unobservable inputs to the applied fair value calculation model in addition to credit risk.
The Bank calculated the favourable and unfavourable effects of using reasonably possible alternative assumptions by modifying the rates of operational costs by +/- 20% as one of the most significant unobservable inputs.

In case of subsidised personal loans cash flow estimation are based on assumption related to the future number of childbirths performed by the debtors both in the current and the comparative period. According to the assumptions used in comparative period 15% of the debtors will not fulfill the conditions of the subsidy determined by the government after 5 years ("breach of conditions"), thereby debtors will be obliged to pay back the interest subsidy given in advance. Furthermore, in this case subsidised loans are converted to loans provided based on market conditions. Loans are prepaid by the government as part of the subsidy after the second and the third childbirth following the signatory of the loan contract. The Bank calculated the favourable and unfavourable effects of using reasonably possible alternative assumptions by modifying the demographical assumption of breach of conditions by +/- 5% as the most significant unobservable input in the cash flow estimation.

For the year ended 31 December 2022 the Bank used a new and more detailed model for cash flow calculations of the subsidised personal loans. The new model uses more scenarios compared to the previous one. These scenarios based on the above-mentioned events (child births after signatory and breach of conditions) and also the event of divorce. The model uses public statistical information for these events to estimate. The Bank calculated the favourable and unfavourable effects of using reasonably possible alternative assumptions by modifying the demographical assumption of future child births by +/-5% as one of the most significant unobservable inputs in the cash flow estimation.

The favourable and unfavourable effects of using reasonably possible alternative assumptions for the valuation of FVOCI securities have been calculated by modifying the discount rate used for the valuation by +/-15% and +/-1% as being the best estimates of the management as at 30 June 2023 and 31 December 2022 respectively.

NOTE 49: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn)

The Group distinguishes business and geographical segments. The report on the base of the business and geographical segments is reported below.

The reportable segments of the Group on the base of IFRS 8 are as the follows:
OTP Core Hungary, Russia, Ukraine, Bulgaria, Romania, Serbia, Croatia, Montenegro, Albania, Moldova, Slovenia, Uzbekistan, Merkantil Group, Asset Management subsidiaries and Other subsidiaries.

OTP Core is an economic unit for measuring the result of core business activity of the Group in Hungary. Financials for OTP Core are calculated from the partially Consolidated Financial Statements of the companies engaged in the Group's underlying banking operation in Hungary. These companies include OTP Bank Hungary Plc, OTP Mortgage Bank Ltd., OTP Building Society Ltd., OTP Factoring Ltd., OTP Financial Point Ltd., and companies providing intragroup financing. The Bank Employee Stock Ownership Plan Organization was included from the fourth quarter of 2016; OTP Card Factory Ltd., OTP Facility Management Llc., Monicomp Ltd. and OTP Real Estate Lease Ltd. were included from the first quarter of 2017 (from the first quarter of 2019 OTP Real Estate Lease Ltd. was eliminated from OTP Core); OTP Mobile Service Llc., OTP Ingatlanpont Llc. were included from the first quarter of 2019, OTP Ecosystem Ltd. (previous name: OTP eBIZ Ltd. it was eliminated from the first quarter of 2023) from the first quarter of 2020 and OTP Home Solutions Ltd. was included from the second quarter of 2021. The consolidated results of these companies were segmented into OTP Core and Corporate Centre until the end of 2022. According to the new methodology applied from the first quarter of 2023, Corporate Centre is no longer carved out of OTP Core. In the tables of Note 49, the 2022 base periods were presented under the new segment definitions.

Until the end of 2022 Corporate Centre acted as a virtual entity established by the equity investment of OTP Core for managing the wholesale financing activity for all the subsidiaries within the Group but outside OTP Core. Therefore, the balance sheet of the Corporate Centre is funded by the equity and intragroup lending received from OTP Core, the intragroup lending received from other subsidiaries, and the subordinated debt and senior notes issued by OTP Bank. From this funding pool, the Corporate Centre is to provide intragroup lending to, and hold equity stakes in OTP subsidiaries outside OTP Core. Main subsidiaries financed by Corporate Centre are as follows: Hungarians: Merkantil Bank Ltd, OTP Real Estate Lease Ltd, OTP Fund Management Ltd, OTP Real Estate Investment Fund Management Ltd, OTP Life Annuity Ltd; foreigners: banks, leasing companies, factoring companies.

The balance sheet of Ipoteka Bank in Uzbekistan was consolidated from June 2023; its subsidiaries were consolidated as investments. The adjusted profit of Ipoteka Bank will be recognized in the consolidated P&L from the third quarter of 2023.

The results of foreign factoring companies (OTP Factoring Ukraine LLC, OTP Factoring SRL, OTP Factoring Bulgaria LLC (it was merged into DSK Bank EAD in the second quarter of 2023), OTP Factoring Serbia d.o.o., and OTP Debt Collection d.o.o. (formerly known as: OTP Factoring Montenegro d.o.o.)), as well as the foreign leasing companies are included into the relevant foreign bank's segment.

The Other subsidiaries include, among others: OTP Real Estate Ltd., OTP Life Annuity Ltd, OTP Funds Servicing and Consulting Ltd.

The reportable business and geographical segments of the Group are those components where:
- separated income and expenses, assets and liabilities can be identified and assignable to the segments,
- transactions between the different segments were eliminated,
- the main decisive board of the Group regularly controls the operating results,
- separated financial information is available.

NOTE 49: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

Adjustments

Effect of acquisitions (after income tax):

In the first half altogether HUF 168.9 billion positive amount appeared on this line (after tax), mainly relating to the badwill realized on the two acquisitions closed during the first six months of 2023. The badwill impact of the Slovenian Nova KBM acquisition completed in February comprised HUF 100 billion, and the initial risk cost represented HUF (12.6) billion (after tax). Then in June the first step of the Ipoteka Bank transaction was finalized in Uzbekistan, entailing a one-off consolidation impact of HUF 90.8 billion (after tax) through two major items: the badwill amounted to HUF 125 billion, whereas the initial risk cost represented HUF (34) billion after tax. The remaining amount presented on this line comprised integration costs and other direct effects related to acquisitions (such as customer base value amortisation).

Special taxes on financial institutions (after income tax):

In the first half of 2023 HUF (62.5) billion special taxes on financial institutions weighed on earnings (after tax) which incorporates both the old banking tax (HUF (25.2) billion after tax) and the windfall tax on extra profits (HUF (37.4) billion after tax).

Interest rate cap in Hungary:

In the first half of 2023 altogether HUF (17.6) billion (after tax) effect was recognized in relation to the rate cap scheme in Hungary, mostly in the second quarter as an expected negative effect of the extension of the interest rate caps on the affected Hungarian mortgage and SME exposures by 6 months, until 31 December 2023.

Effect of the liquidation of Sberbank Hungary:

In the first half of 2023 HUF 10.4 billion recovery was accounted for in the wake of the winding up of Sberbank Hungary, as the National Bank of Hungary and the Hungarian Deposit Insurance Fund professionally managed the issue. In 2022 a similar negative amount was booked.

Result of the treasury share swap agreement (after tax):

In the second quarter of 2023 HUF 6.5 billion was recorded as the NPV effect of the OTP-MOL treasury share swap agreement, since dividends were paid in different quarters: while OTP paid its dividend in June, MOL did so only in July. In the third quarter the realization of the dividend paid by MOL will be offset by the reversal of the positive NPV impact booked in the second quarter.

Explanation to the segments in the following table below:

3; 4; 6: The segments distinguished by geographical basis contain banks in that country and sometimes other financial institutions (like leasing or factoring companies) or other companies. The incomes mainly arise from providing financial services like: collecting deposits, granting loans, leasing and treasury activities, payment and investment services and other financial services.
7: Merkantil Group conducts leasing activities in Hungary, originates its income from providing leasing services (financing cars and production equipment).
8: Incomes arising in this segment is mainly fee income of fund management companies in Hungary, Bulgaria, Romania, Ukraine based on capital in investment funds or assets in funds.
9: The activities of other Hungarian and foreign subsidiaries are very divergent, so their income also originates from different sources. The main part of the income in the Other subsidiaries segment comes from the activities of OTP Funds Servicing and Consulting, OTP Real Estate, OTP Real Estate Investment Fund Management and PortfoLion Funds.

NOTE 49: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

Information regarding the Group's reportable segments is presented below:

As at 30 June 2023

Main components of the consolidated statement of profit or loss in HUF million	**OTP Group - in the consolidated statement of profit or loss - structure of accounting reports** **a**	Adjustments on the accounting in Recognized Income b	**OTP Group - in the consolidated statement of profit or loss - structure of management reports** **1=a+b**
Profit after income tax for the year from continued and discontinued operations	**576,811**		**576,811**
Profit after income tax for the year from discontinued operations	**-**		**-**
Profit after income tax for the year from continued operations	**576,811**		**576,811**
Adjustments (total)		**105,753**	**105,753**
Dividends and net cash transfers (after income tax)		600	600
Goodwill /investment impairment (after income tax)		(518)	(518)
Special tax on financial institutions (after income tax)		(62,535)	(62,535)
Effect of acquisition (after income tax)		168,914	168,914
Result of the treasury share swap agreement at OTP Core (after income tax)		6,459	6,459
Effect of the winding up of Sberbank Hungary (after income tax)		10,389	10,389
Expected one-off effect of the extension of the interest rate cap for certain retail loans in Hungary (after income tax)		(17,556)	(17,556)

( ) used at: provisions, impairment and expenses

NOTE 49: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

Information regarding the Group’s reportable segments is presented below [continued]:

As at 30 June 2023 [continued]

Main components of the consolidated statement of profit or loss in HUF million	**OTP Group - in the consolidated statement of profit or loss - structure of accounting reports**	Adjustments on the accounting in Recognized Income	**OTP Group - in the consolidated statement of profit or loss - structure of management reports**	Hungarian segment and other foreign subsidiaries not reported in "Foreign bank segment" subtotal (without adjustments)	Foreign banks in EU subtotal (without adjustments)	Foreign banks not in EU subtotal (without adjustments)	Eliminations and adjustments
	a	b	**1=a+b; 1=2+3+4+5**	2	3	4	5
Consolidated adjusted profit after income tax for the year	**576,811**	**(105,753)**	**471,058**	**147,104**	**186,940**	**137,938**	**(924)**
Profit before income tax	**647,737**	**(90,395)**	**557,342**	**178,950**	**211,403**	**168,006**	**(1,017)**
Adjusted operating profit	**730,994**	**(165,947)**	**565,047**	**193,173**	**195,993**	**175,873**	**8**
Adjusted total income	**1,285,335**	**(272,771)**	**1,012,564**	**415,856**	**332,631**	**271,134**	**(7,057)**
Adjusted net interest income	649,178	3,694	652,872	209,044	251,786	192,342	(300)
Adjusted net profit					-	-	
from fees and commissions	324,744	(103,836)	220,908	111,439	70,097	39,857	(485)
Adjusted other net non-interest income	311,413	(172,629)	138,784	95,373	10,748	38,935	(6,272)
Adjusted other administrative expenses	**(554,341)**	**106,824**	**(447,517)**	**(222,683)**	**(136,638)**	**(95,261)**	**7,065**
Personnel expenses	(228,969)	1,242	(227,727)	(106,250)	(68,532)	(53,346)	401
Depreciation and amortization	(57,185)	11,138	(46,047)	(24,880)	(10,666)	(10,110)	(391)
Other general expenses	(268,187)	94,444	(173,743)	(91,553)	(57,440)	(31,805)	7,055
Gains from derecognition of							
financial assets at amortized cost	**568**	**-**	**568**	**(9,421)**	**8,191**	**1,813**	**(15)**
Modification loss	**(19,286)**	**19,368**	**82**	**-**	**-**	**82**	**-**
Total risk costs	**(64,539)**	**56,184**	**(8,355)**	**(4,802)**	**7,219**	**(9,762)**	**(1,010)**
Adjusted loss allowance on							
financial assets and liabilities							
(without the effect of revaluation of FX)	(57,089)	45,442	(11,647)	(14,590)	9,355	(6,437)	25
Goodwill impairment	-	-	-	-	-	-	-
Other impairment (adjustment)	(7,450)	10,742	3,292	9,788	(2,136)	(3,325)	(1,035)
from this: Adjusted impairment under IAS 36	(4,155)	3,283	(872)	(234)	(629)	-	(9)
Income tax	**(70,926)**	**(15,358)**	**(86,284)**	**(31,846)**	**(24,463)**	**(30,068)**	**93**
				-	-	-	
Total Assets	**36,866,660**	**-**	**36,866,660**	**20,095,406**	**15,846,163**	**7,455,475**	**(6,530,384)**
Total Liabilities	**33,271,160**	**-**	**33,271,160**	**17,472,025**	**13,937,326**	**6,277,747**	**(4,415,938)**

( ) used at: provisions, impairment and expenses

NOTE 49: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

Information regarding the Group's reportable segments is presented below [continued]:

As at 30 June 2023 [continued]

Main components of the consolidated statement of profit or loss in HUF million [continued]	Hungarian segment and other foreign subsidiaries not reported in "Foreign bank segment" subtotal (without adjustments) 2=6+…+9	OTP CORE (Hungary) 6	Merkantil Group (Hungary) 7	Asset Management subsidiaries 8	Other subsidiaries 9
Consolidated adjusted profit after income tax for the year	**147,104**	**116,653**	**6,280**	**6,610**	**17,561**
Profit before income tax	**178,950**	**144,792**	**7,085**	**7,391**	**19,682**
Adjusted operating profit	**193,173**	**160,059**	**7,834**	**7,388**	**17,892**
Adjusted total income	**415,856**	**356,526**	**14,117**	**9,931**	**35,282**
Adjusted net interest income	209,044	187,177	13,086	27	8,754
Adjusted net profit from fees and commissions	111,439	93,559	433	9,384	8,063
Adjusted other net non-interest income	95,373	75,790	598	520	18,465
Adjusted other administrative expenses	**(222,683)**	**(196,467)**	**(6,283)**	**(2,543)**	**(17,390)**
Personnel expenses	(106,250)	(96,136)	(3,125)	(1,554)	(5,435)
Depreciation and amortization	(24,880)	(21,178)	(1,106)	(103)	(2,493)
Other general expenses	(91,553)	(79,153)	(2,052)	(886)	(9,462)
Gains from derecognition of financial assets at amortized cost	**(9,421)**	**(9,374)**	**(47)**	**-**	**-**
Modification loss	**-**	**-**	**-**	**-**	**-**
Total risk costs	**(4,802)**	**(5,893)**	**(702)**	**3**	**1,790**
Adjusted loss allowance on financial assets and liabilities (without the effect of revaluation of FX)	(14,590)	(13,937)	(653)	-	-
Goodwill impairment	-	-	-	-	-
Other impairment (adjustment)	9,788	8,044	(49)	3	1,790
from this: Adjusted impairment under IAS 36	(234)	(236)	(4)	-	6
Income tax	**(31,846)**	**(28,139)**	**(805)**	**(781)**	**(2,121)**
Total Assets	**20,095,406**	**18,427,187**	**931,037**	**29,081**	**708,101**
Total Liabilities	**17,472,025**	**16,306,038**	**874,032**	**11,928**	**280,027**

( ) used at: provisions, impairment and expenses

NOTE 49: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

Information regarding the Group's reportable segments is presented below [continued]:

As at 30 June 2023 [continued]

Main components of the consolidated statement of profit or loss in HUF million [continued]	Foreign banks in EU subtotal (without adjustments) 3=10+…+13	DSK Bank AD (Bulgaria) 10	OTP banka d.d. (Croatia) 11	SKB Banka d.d. (Slovenia) 12	OTP Bank Romania S.A. (Romania) 13
Consolidated adjusted profit after income tax for the year	**186,940**	**88,812**	**29,705**	**54,474**	**13,949**
Profit before income tax	**211,403**	**98,315**	**35,718**	**60,971**	**16,399**
Adjusted operating profit	**195,993**	**95,442**	**29,696**	**61,557**	**9,298**
Adjusted total income	**332,631**	**146,470**	**56,426**	**96,888**	**32,847**
Adjusted net interest income	251,786	104,188	41,323	72,636	33,639
Adjusted net profit from fees and commissions	70,097	34,860	11,622	20,841	2,774
Adjusted other net non-interest income	10,748	7,422	3,481	3,411	(3,566)
Adjusted other administrative expenses	**(136,638)**	**(51,028)**	**(26,730)**	**(35,331)**	**(23,549)**
Personnel expenses	(68,532)	(21,252)	(13,842)	(20,738)	(12,700)
Depreciation and amortization	(10,666)	(3,842)	(2,258)	(2,477)	(2,089)
Other general expenses	(57,440)	(25,934)	(10,630)	(12,116)	(8,760)
Gains from derecognition of financial assets at amortized cost	**8,191**	**1,400**	**-**	**-**	**6,791**
Modification loss	**-**	**-**	**-**	**-**	**-**
Total risk costs	**7,219**	**1,473**	**6,022**	**(586)**	**310**
Adjusted loss allowance on financial assets and liabilities (without the effect of revaluation of FX)	9,355	550	7,386	678	741
Goodwill impairment	-	-	-	-	-
Other impairment (adjustment)	(2,136)	923	(1,364)	(1,264)	(431)
from this: Adjusted impairment under IAS 36	(629)	(630)	1	-	-
Income tax	**(24,463)**	**(9,503)**	**(6,013)**	**(6,497)**	**(2,450)**
Total Assets	**15,846,163**	**5,827,663**	**2,891,965**	**5,589,664**	**1,536,871**
Total Liabilities	**13,937,326**	**5,069,551**	**2,526,240**	**4,986,476**	**1,355,059**

( ) used at: provisions, impairment and expenses

NOTE 49: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

Information regarding the Group's reportable segments is presented below [continued]:

As at 30 June 2023 [continued]

Main components of the consolidated statement of profit or loss in HUF million [continued]	**Foreign banks not in EU subtotal (without adjustments)** 4=14+…+20	OTP banka Srbija a.d. (Serbia) 14	OTP Bank JSC (Ukraine) 15	JSC "OTP Bank" (Russia) and Touch Bank 16	Crnogorska komercijalna banka a.d. (Montenegro) 17	Banka OTP Albania SHA (Albania) 18	OTP Bank S.A. (Moldova) 19	JSCMB Ipoteka Bank (Uzbekistan) 20
Consolidated adjusted profit after income tax for the year	**137,938**	**30,612**	**30,403**	**51,299**	**8,953**	**8,084**	**8,587**	**-**
Profit before income tax	**168,006**	**35,263**	**37,613**	**65,390**	**10,491**	**9,484**	**9,765**	**-**
Adjusted operating profit	**175,873**	**39,141**	**40,515**	**68,846**	**10,732**	**8,713**	**7,926**	**-**
Adjusted total income	**271,134**	**62,822**	**54,856**	**106,526**	**17,544**	**15,934**	**13,452**	**-**
Adjusted net interest income	192,342	49,235	46,438	59,774	13,709	13,226	9,960	-
Adjusted net profit from fees and commissions	39,857	8,591	5,893	18,980	3,488	1,792	1,113	-
Adjusted other net non-interest income	38,935	4,996	2,525	27,772	347	916	2,379	-
Adjusted other administrative expenses	**(95,261)**	**(23,681)**	**(14,341)**	**(37,680)**	**(6,812)**	**(7,221)**	**(5,526)**	**-**
Personnel expenses	(53,346)	(12,236)	(8,345)	(23,589)	(3,175)	(2,649)	(3,352)	-
Depreciation and amortization	(10,110)	(1,656)	(1,183)	(5,110)	(823)	(721)	(617)	-
Other general expenses	(31,805)	(9,789)	(4,813)	(8,981)	(2,814)	(3,851)	(1,557)	-
Gains from derecognition of financial assets at amortized cost	**1,813**	**80**	**154**	**1,302**	**945**	**(121)**	**(547)**	**-**
Modification loss	**82**	**-**	**84**	**-**	**(2)**	**-**	**-**	**-**
Total risk costs	**(9,762)**	**(3,958)**	**(3,140)**	**(4,758)**	**(1,184)**	**892**	**2,386**	**-**
Adjusted loss allowance on financial assets and liabilities (without the effect of revaluation of FX)	(6,437)	(4,411)	(840)	(2,726)	(1,262)	760	2,042	-
Goodwill impairment	-	-	-	-	-	-	-	-
Other impairment (adjustment)	(3,325)	453	(2,300)	(2,032)	78	132	344	-
from this: Adjusted impairment under IAS 36	-	-	-	-	-	-	-	-
Income tax	**(30,068)**	**(4,651)**	**(7,210)**	**(14,091)**	**(1,538)**	**(1,400)**	**(1,178)**	**-**
Total Assets	**7,455,475**	**2,571,939**	**973,988**	**1,127,788**	**591,498**	**636,835**	**352,452**	**1,200,975**
Total Liabilities	**6,277,747**	**2,241,447**	**831,199**	**849,419**	**491,055**	**564,227**	**298,546**	**1,001,854**

( ) used at: provisions, impairment and expenses

NOTE 49: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

Information regarding the Group's reportable segments is presented below [continued]:

As at 31 December 2022

Main components of the consolidated statement of profit or loss in HUF million	**OTP Group - in the consolidated statement of profit or loss - structure of accounting reports a**	Adjustments on the accounting in Recognized Income b	**OTP Group - in the consolidated statement of profit or loss - structure of management reports 1=a+b**
Profit after income tax for the year from continued and discontinued operations	**347,081**		**347,081**
Profit after income tax for the year from discontinued operations	**11,444**		**11,444**
Profit after income tax for the year from continued operations	**335,637**		**335,637**
Adjustments (total)		**(245,468)**	**(245,468)**
Dividends and net cash transfers (after income tax)		1,927	1,927
Goodwill /investment impairment (after income tax)		(59,254)	(59,254)
Special tax on financial institutions (after income tax)		(91,353)	(91,353)
Effect of acquisition (after income tax)		(15,594)	(15,594)
Expected one-off negative effect of the debt repayment moratorium in Hungary (after income tax)		(2,473)	(2,473)
Result of the treasury share swap agreement at OTP Core (after income tax)		3,028	3,028
Loss allowance on Russian government bonds at OTP Core and DSK Bank (after income tax)		(34,775)	(34,775)
Effect of the winding up of Sberbank Hungary (after income tax)		(10,389)	(10,389)
Expected one-off effect of the extension of the interest rate cap for certain retail loans in Hungary (after income tax)		(36,585)	(36,585)

( ) used at: provisions, impairment and expenses

NOTE 49: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

Information regarding the Group's reportable segments is presented below [continued]:

As at 31 December 2022 [continued]

Main components of the consolidated statement of profit or loss in HUF million	**OTP Group - in the consolidated statement of profit or loss - structure of accounting reports**	Adjustments on the accounting in Recognized Income	**OTP Group - in the consolidated statement of profit or loss - structure of management reports**	Hungarian segment and other foreign subsidiaries not reported in "Foreign bank segment" subtotal (without adjustments)	Foreign banks in EU subtotal (without adjustments)	Foreign banks not in EU subtotal (without adjustments)	Eliminations and adjustments
	a	b	**1=a+b; 1=2+3+4+5**	2	3	4	5
Consolidated adjusted profit after income tax for the year	**335,637**	**256,911**	**592,548**	**304,293**	**189,617**	**92,869**	**5,769**
Profit before income tax	**394,888**	**295,134**	**690,022**	**353,561**	**217,950**	**110,918**	**7,593**
Adjusted operating profit	**734,658**	**138,957**	**873,615**	**361,426**	**232,797**	**278,563**	**829**
Adjusted total income	**1,709,806**	**(48,107)**	**1,661,699**	**759,142**	**446,844**	**470,700**	**(14,987)**
Adjusted net interest income	1,091,314	2,265	1,093,579	448,001	303,256	341,577	745
Adjusted net profit from fees and commissions	600,360	(203,242)	397,118	207,941	113,606	78,675	(3,104)
Adjusted other net non-interest income	18,132	152,870	171,002	103,200	29,982	50,448	(12,628)
Adjusted other administrative expenses	**(975,148)**	**187,064**	**(788,084)**	**(397,716)**	**(214,047)**	**(192,137)**	**15,816**
Personnel expenses	(402,563)	6,259	(396,304)	(179,651)	(108,850)	(108,716)	913
Depreciation and amortization	(107,588)	22,925	(84,663)	(46,891)	(18,928)	(18,482)	(362)
Other general expenses	(464,997)	157,880	(307,117)	(171,174)	(86,269)	(64,939)	15,265
Gains from derecognition of financial assets at amortized cost	**(1,655)**	**-**	**(1,655)**	**(7,342)**	**1,746**	**3,933**	**8**
Modification loss	**(39,997)**	**40,822**	**825**	**-**	**20**	**805**	**-**
Total risk costs	**(298,118)**	**115,355**	**(182,763)**	**(523)**	**(16,613)**	**(172,383)**	**6,756**
Adjusted loss allowance on financial assets and liabilities (without the effect of revaluation of FX)	(210,458)	70,929	(139,529)	34,015	(9,672)	(163,792)	(80)
Goodwill impairment	(67,715)	67,715	-	-	-	-	-
Other impairment (adjustment)	(19,945)	(23,289)	(43,234)	(34,538)	(6,941)	(8,591)	6,836
from this: adjusted impairment under IAS 36	(4,185)	888	(3,297)	(1,356)	(774)	(1,166)	(1)
Income tax	**(59,251)**	**(38,223)**	**(97,474)**	**(49,268)**	**(28,333)**	**(18,049)**	**(1,824)**
Total Assets	**32,804,210**	**-**	**32,804,210**	**19,265,918**	**12,650,295**	**6,452,844**	**(5,564,847)**
Total Liabilities	**29,481,898**	**-**	**29,481,898**	**16,775,703**	**11,104,567**	**5,452,540**	**(3,850,912)**

( ) used at: provisions, impairment and expenses

NOTE 49: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

Information regarding the Group's reportable segments is presented below [continued]:

As at 31 December 2022 [continued]

Main components of the consolidated statement of profit or loss in HUF million [continued]	**Hungarian segment and other foreign subsidiaries not reported in "Foreign bank segment" subtotal (without adjustments)**	OTP CORE (Hungary)	Merkantil Group (Hungary)	Asset Management subsidiaries	Other subsidiaries
	2=6+…+9	6	7	8	9
Consolidated adjusted profit after income tax for the year	**304,293**	**256,198**	**10,971**	**9,619**	**27,505**
Profit before income tax	**353,561**	**300,093**	**12,616**	**10,870**	**29,982**
Adjusted operating profit	**361,426**	**302,801**	**13,945**	**10,955**	**33,725**
Adjusted total income	**759,142**	**647,642**	**24,780**	**15,799**	**70,921**
Adjusted net interest income	448,001	417,662	22,537	32	7,770
Adjusted net profit from fees and commissions	207,941	176,830	921	15,242	14,948
Adjusted other net non-interest income	103,200	53,150	1,322	525	48,203
Adjusted other administrative expenses	**(397,716)**	**(344,841)**	**(10,835)**	**(4,844)**	**(37,196)**
Personnel expenses	(179,651)	(157,623)	(5,371)	(2,905)	(13,752)
Depreciation and amortization	(46,891)	(40,538)	(1,462)	(251)	(4,640)
Other general expenses	(171,174)	(146,680)	(4,002)	(1,688)	(18,804)
Gains from derecognition of financial assets at amortized cost	**(7,342)**	**(7,198)**	**(144)**	**-**	**-**
Modification loss	**-**	**-**	**-**	**-**	**-**
Total risk costs	**(523)**	**4,490**	**(1,185)**	**(85)**	**(3,743)**
Adjusted loss allowance on financial assets and liabilities (without the effect of revaluation of FX)	34,015	34,925	(939)	-	29
Goodwill impairment	-	-	-	-	-
Other impairment (adjustment)	(34,538)	(30,435)	(246)	(85)	(3,772)
from this: adjusted impairment under IAS 36	(1,356)	(58)	(18)	14	(1,294)
Income tax	**(49,268)**	**(43,895)**	**(1,645)**	**(1,251)**	**(2,477)**
Total Assets	**19,265,918**	**17,596,639**	**948,735**	**29,916**	**690,628**
Total Liabilities	**16,775,703**	**15,580,210**	**891,144**	**11,180**	**293,169**

( ) used at: provisions, impairment and expenses

NOTE 49: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

Information regarding the Group's reportable segments is presented below [continued]:

As at 31 December 2022 [continued]

Main components of the consolidated statement of profit or loss in HUF million [continued]	**Foreign banks in EU subtotal (without adjustments) 3=10+…+13**	DSK Bank AD (Bulgaria) 10	OTP banka d.d. (Croatia) 11	SKB Banka d.d. (Slovenia) 12	OTP Bank Romania S.A. (Romania) 13
Consolidated adjusted profit after income tax for the year	**189,617**	**119,884**	**42,801**	**23,859**	**3,073**
Profit before income tax	**217,950**	**132,564**	**52,095**	**29,569**	**3,722**
Adjusted operating profit	**232,797**	**142,393**	**48,973**	**24,046**	**17,385**
Adjusted total income	**446,844**	**230,844**	**102,001**	**51,403**	**62,596**
Adjusted net interest income	303,256	145,461	70,547	33,688	53,560
Adjusted net profit from fees and commissions	113,606	68,755	24,692	15,416	4,743
Adjusted other net non-interest income	29,982	16,628	6,762	2,299	4,293
Adjusted other administrative expenses	**(214,047)**	**(88,451)**	**(53,028)**	**(27,357)**	**(45,211)**
Personnel expenses	(108,850)	(41,946)	(27,020)	(15,278)	(24,606)
Depreciation and amortization	(18,928)	(7,831)	(4,845)	(1,671)	(4,581)
Other general expenses	(86,269)	(38,674)	(21,163)	(10,408)	(16,024)
Gains from derecognition of financial assets at amortized cost	**1,746**	**1,249**	**578**	**-**	**(81)**
Modification loss	**20**	**-**	**-**	**20**	**-**
Total risk costs	**(16,613)**	**(11,078)**	**2,544**	**5,503**	**(13,582)**
Adjusted loss allowance on financial assets and liabilities (without the effect of revaluation of FX)	(9,672)	(12,251)	6,564	7,028	(11,013)
Goodwill impairment	-	-	-	-	-
Other impairment (adjustment)	(6,941)	1,173	(4,020)	(1,525)	(2,569)
from this: adjusted impairment under IAS 36	(774)	(367)	122	(53)	(476)
Income tax	**(28,333)**	**(12,680)**	**(9,294)**	**(5,710)**	**(649)**
Total Assets	**12,650,295**	**5,946,815**	**3,224,955**	**1,790,944**	**1,687,581**
Total Liabilities	**11,104,567**	**5,167,720**	**2,834,372**	**1,596,100**	**1,506,375**

( ) used at: provisions, impairment and expenses

NOTE 49: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

Information regarding the Group's reportable segments is presented below [continued]:

As at 31 December 2022 [continued]

Main components of the consolidated statement of profit or loss in HUF million [continued]	Foreign banks not in EU subtotal (without adjustments) 4=14+…+19	OTP banka Srbija a.d. (Serbia) 14	OTP Bank JSC (Ukraine) 15	JSC "OTP Bank" (Russia) and Touch Bank 16	Crnogorska komercijalna banka a.d. (Montenegro) 17	Banka OTP Albania SHA (Albania) 18	OTP Bank S.A. (Moldova) 19
Consolidated adjusted profit after income tax for the year	**92,869**	**36,873**	**(15,923)**	**42,548**	**9,792**	**10,174**	**9,405**
Profit before income tax	**110,918**	**42,991**	**(13,205)**	**46,180**	**11,976**	**12,187**	**10,789**
Adjusted operating profit	**278,563**	**58,543**	**79,862**	**98,137**	**15,134**	**9,335**	**17,552**
Adjusted total income	**470,700**	**104,523**	**110,805**	**178,494**	**28,816**	**20,232**	**27,830**
Adjusted net interest income	341,577	76,635	90,007	118,004	20,832	16,927	19,172
Adjusted net profit from fees and commissions	78,675	17,954	12,673	35,251	7,106	3,067	2,624
Adjusted other net non-interest income	50,448	9,934	8,125	25,239	878	238	6,034
Adjusted other administrative expenses	**(192,137)**	**(45,980)**	**(30,943)**	**(80,357)**	**(13,682)**	**(10,897)**	**(10,278)**
Personnel expenses	(108,716)	(23,342)	(18,170)	(50,404)	(6,529)	(4,318)	(5,953)
Depreciation and amortization	(18,482)	(3,342)	(2,570)	(8,712)	(1,711)	(1,023)	(1,124)
Other general expenses	(64,939)	(19,296)	(10,203)	(21,241)	(5,442)	(5,556)	(3,201)
Gains from derecognition of financial assets at amortized cost	**3,933**	**1,300**	**286**	**3,284**	**(80)**	**(671)**	**(186)**
Modification loss	**805**	**2,062**	**(1,245)**	**-**	**(12)**	**-**	**-**
Total risk costs	**(172,383)**	**(18,914)**	**(92,108)**	**(55,241)**	**(3,066)**	**3,523**	**(6,577)**
Adjusted loss allowance on financial assets and liabilities (without the effect of revaluation of FX)	(163,792)	(17,783)	(89,877)	(54,330)	731	3,176	(5,709)
Goodwill impairment	-	-	-	-	-	-	-
Other impairment (adjustment)	(8,591)	(1,131)	(2,231)	(911)	(3,797)	347	(868)
from this: adjusted impairment under IAS 36	(1,166)	(151)	(33)	(263)	(677)	-	(42)
Income tax	**(18,049)**	**(6,118)**	**(2,718)**	**(3,632)**	**(2,184)**	**(2,013)**	**(1,384)**
Total Assets	**6,452,844**	**2,708,993**	**1,048,713**	**1,029,721**	**664,395**	**635,364**	**365,658**
Total Liabilities	**5,452,540**	**2,350,873**	**926,221**	**723,417**	**565,264**	**574,537**	**312,228**

( ) used at: provisions, impairment and expenses

NOTE 50: ASSET CLASSIFIED AS HELD-FOR-SALE AND DISCONTINUED OPERATIONS (in HUF mn)

Discontinued operation

The Serbian Pevec d.o.o. Beograd company as the investment of OTP Factoring Ltd. was classified as asset held-for-sale by the Group as at 31 December, 2021. This investment was not revalued in the Consolidated Financial Statements. Classification as asset held-for-sale was needed due to the purchase agreement had been concluded already in 2021 for the real estates in the ownership of Pevec. In the first half year of 2022, the purchase price was paid out and the transfer of ownership happened. The purchase price of the sold real estate was EUR 9,918,995. the estimated value of those real estates which weren’t sold was defined in the amount of EUR 300,000 by a value assessment in January 2021. These assets which were classified as held-for-sale in the amount of HUF 2,046 million at the end of 31 December 2021 were eliminated during the first half year of 2022 from these Consolidated Financial Statements.

During the first half-year of 2023 there wasn’t any discontinued operation in the Group.

Asset classified as held-for-sale

On 2 November 2022, the Group sold its share in the associated company Szállás.hu Zrt. to the Polish Wirtualna Polska Media S.A. The whole company was sold for EUR 83 million. The Group's gain recognized in the year under review related to the transaction was HUF 10,458 million, which is presented in the Other income.

During the first half-year of 2023 there wasn’t any asset classified as held-for-sale in the Group.

NOTE 51: SIGNIFICANT EVENTS DURING THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

1) Term Note Program

See details in Note 21.

2) Purchase of the majority stake in the Uzbek Ipoteka Bank

See details in Note 42 Acquisition.

3) Termination of financial closing of Nova KBM

See details in Note 42 Acquisition.

4) Significant regulatory changes in Hungary

About the prolongation of deadline of interest rate cap, amending the previously laid down methodology of windfall tax calculation, the changes in savings and government bond markets, family support schemes, capital regulation and mandatory minimum reserve requirements please see details in Note 4.

5) Interest benchmark reform

The Group was actively involved in industry efforts supporting transition to IBOR alternatives. The Group has taken extensive steps to prepare for the discontinuation of IBORs and worked closely with clients to ensure awareness and support transition activities. As the transition is complex, time-consuming process and relevant for the whole Group, the management of Group has evaluated the impacts of the interest rate benchmarks reform, preparing itself for the transition through a dedicated internal group-wide project. As LIBOR's five currencies (USD, GBP, EUR, JPY and CHF) and EONIA will be replaced by Risk-Free Rates – which are different in nature compared to IBOR rates – OTP Group has implemented the relevant rates into the IT systems and reached out the clients. The Group's priority was to ensure that the Group can continue to offer clients the products and services they need, while also supporting them in the transition to the new alternative Risk-Free Rates.

During the IBOR reform the Group identified several risks at the beginning of 2021, which the project had to manage and monitor closely. These risks include but are not limited to the following:

- The abolution of LIBOR affected several transactions that may require automated IT solutions,
- The new reference rates are different in nature from LIBOR that cause difficulties to settle the value differences with the customers,
- It was necessary to implement new processes not to develop LIBOR based products, and to develop a strategy for removing or modifying the affected products handled by the Group,
- After the termination of LIBOR, the Group has to act under the "Fallback clauses", the clauses that regulate the replacement of the reference interest rates in the contract and the use of an alternative interest as a reference. The content of these clauses needs to be clearly defined and checked from a business point of view, ie which reference interest rate will be applied instead of LIBOR for the given contract and whether it is commercially appropriate. In defining the fallback clauses, efforts had to be made to provide a viable alternative to the termination of LIBOR that would not result in a business loss for the Group.
- Legal risks related to the termination of LIBOR. Such risks can arise when Fallback clauses are not included in the contracts, or the law governing the contract doesn't contain a statutory reference rate. In these cases, the contracts can be cancelled due to impossibility or the termination by either party.
- Missing of contractual interest rates can result in settlement disputes, compensation cases or litigation.
- Business risks of the termination of LIBOR. The most significant of these are:
    - the law governing the contract can set the applicable interest rate that can be result in a business loss for the Group,
    - business loss due to negative customer experience,
    - operational risk, when several unique contracts must be handled in a short time.

NOTE 51: SIGNIFICANT EVENTS DURING THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 [continued]

5) Interest benchmark reform [continued]

Terminating interest rates	Alternative Reference Rates
LIBOR USD[1] (1 week and 2 months settings), FedFund Rate	SOFR
LIBOR GBP	SONIA
LIBOR JPY	TONA
LIBOR EUR	EURIBOR
LIBOR CHF[2]	SARON
EONIA	€STR

[1] The following USD LIBOR settings were terminated: overnight and 1, 3, 6 and 12 Months. The affected USD LIBOR contracts are handled on an ongoing basis until the remaining USD LIBOR settings' cessation date.
[2] In the case of CHF LIBOR, OTP Bank acts in accordance with the implementing regulation of the European Commission (https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=PI_COM:C(2021)7488&from=EN).

Amounts effected by IBOR reform as at 30 June 2023

Reference rate	Type of the contract	Nominal value of the contract	Pieces of contracts
USD LIBOR	Loan	93,866	1,814
USD LIBOR	Deposit	9,002	28
USD LIBOR	Derivatives	362,821	105
Other LIBOR	Loan	13,748	1,193
Other LIBOR	Derivatives	21,306	4
Other LIBOR	Bonds (assets)	4,719	1
Total		**505,462**	**3,145**

The above LIBOR-based amounts outstanding as at 30 June 2023 will be managed at the next first interest period therefore they do not cause a risk to the Group or to the customers.

6) Risk relating to the Russian-Ukrainian armed conflict

On 24 February 2022 Russia launched a military operation against Ukraine which is still ongoing at the date of these Consolidated Financial Statements. Until now many countries, as well as the European Union imposed sanctions due to the armed conflict on Russia and Russian businesses and citizens. Russia responded to these sanctions with similar measures.

The armed conflict and the international sanctions influence the business and economic activities significantly all around the world. There are a number of factors associated with the Russian-Ukrainian armed conflict and the international sanctions as well as their impact on global economies that could have a material adverse effect on (among other things) the profitability, capital and liquidity of financial institutions such as the OTP Group.

The armed conflict and the international sanctions cause significant economic damage to the affected parties and in addition they cause disruptions in the global economic processes, of which the precise consequences (inter alia the effects on energy and grain markets, the global transport routes and international trade as well as tourism) are difficult to be estimated at the moment.

It remains unclear how this will evolve going forward and the OTP Group continues to monitor the situation closely. However, the OTP Group's ability to conduct business may be adversely affected by disruptions to its infrastructure, business processes and technology services. This may cause significant customer detriment, costs to reimburse losses incurred by the OTP Group's customers, and reputational damage.

Furthermore, the OTP Group relies on models to support a broad range of business and risk management activities, including informing business decisions and strategies, measuring and limiting risk, valuing exposures, conducting stress testing and assessing capital adequacy. Models are, by their nature, imperfect and incomplete representations of reality because they rely on assumptions and inputs, and as such assumptions may later potentially prove to be incorrect, this can affect the accuracy of their outputs. This may be exacerbated when dealing with unprecedented scenarios, such as the Russian-Ukrainian armed conflict and the international sanctions, due to the lack of reliable historical reference points and data.

Any and all such events mentioned above could have a material adverse effect on the OTP Group's business, financial condition, results of operations, prospects, liquidity, capital position and credit ratings, as well as on the OTP Group's customers, employees and suppliers.

NOTE 52: POST BALANCE SHEET EVENTS

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

In the section below, the measures and developments which have been made since the balance sheet date, and – in OTP Bank's view – are relevant and have materially influenced / can materially influence the operation of the Group members.
OTP Bank excludes any liability for the completeness and accuracy of the measures presented herein. Post-balance sheet events cover the period until 29 August 2023.

Hungary

- On 7 July 2023 S&P confirmed the Hungarian sovereign rating at 'BBB', the outlook remained stable.
- On 7 July OTP Bank's ESG risk rating by Sustainalytics improved by 2.8 points, as a result the actual risk rating is 14.6 (consistent with Low-Risk category).
- On 25 July the National Bank of Hungary announced the reduction of the overnight collateralized lending rate by 100 bps to 17.5%, as well as the one-day deposit rate to 15%.
- After 2021, in 2023 the European Banking Authority and the European Central Bank conducted again an EU-wide stress test using consistent methodology. This time the test assessed 70 banks instead of 50 being stress tested in 2021. Out of Hungary, it was only OTP Group participating in the stress test. The aim of the of the EU-wide stress test was to assess the resilience of EU banks to a common set of adverse economic developments. According to the results published on 28 July 2023 OTP Group finished in the top 25% by all major indicators.
- On 16 August 2023 the Central Statistical Office revealed its preliminary estimate on the second-quarter GDP numbers. Accordingly, the economy contracted by 2.3% y-o-y, whereas it declined by 0.3% compared to the previous quarter.
- On 18 August 2023 the Ministry for Economic Development said a statement that the phasing out of interest rate cap schemes for households and companies becomes possible once the central bank key policy rate drops to the single digit territory.
- On 29 August the National Bank of Hungary announced the reduction of the overnight collateralized lending rate by 100 bps to 16.5%, as well as the one-day deposit rate to 14%.

Slovenia

- On 27 July 2023 the ECB hiked its key policy rate by 25 bps to 3.75%.

Serbia

- On 13 July 2023, the National Bank of Serbia hiked the key policy rate by 25 bps to 6.5%.

Montenegro

- Effective from 1 July 2023 the base rate was hiked from 10.50% to 12.00%.

Russia

- On 21 July 2023 CBR hiked the base rate by 100 bps to 8.5%.
- On 15 August 2023 CBR hiked the base rate by 350 bps to 12.0%.

Ukraine

- Effective from 28 July 2023 the Ukrainian National Bank cut the base rate from 25% to 22%.

Moldova

- On 20 July 2023 the National Bank of Moldova cut the base rate by 400 bps from 10% to 6%. Also, one day deposit rate was cut from 8% to 4%, as well as the one-day lending rate from 12% to 8%.