OTP Bank Plc.

Half-year Financial Report
First half 2023 result

(English translation of the original report submitted to the Budapest Stock Exchange)

Budapest, 10 August 2023

CONSOLIDATED FINANCIAL HIGHLIGHTS[1] AND SHARE DATA

Main components of the adjusted Statement of recognised income, in HUF million	1H 2022	1H 2023	Y-o-Y	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
Consolidated profit after tax	**42,652**	**576,812**		**76,057**	**194,762**	**382,050**	**96%**	**402%**
Adjustments (total)	-208,100	105,753		-86,071	7,643	98,110		
Consolidated adjusted profit after tax	**250,752**	**471,059**	**88%**	**162,128**	**187,119**	**283,940**	**52%**	**75%**
Pre-tax profit	293,452	557,343	90%	175,374	222,663	334,680	50%	91%
Operating profit	398,178	557,067	40%	207,209	231,861	325,207	40%	57%
Total income	755,139	1,004,583	33%	393,939	457,129	547,454	20%	39%
Net interest income	506,196	652,872	29%	266,417	312,064	340,808	9%	28%
Net fees and commissions	181,517	220,908	22%	95,792	103,227	117,681	14%	23%
Other net non-interest income	67,426	130,804	94%	31,730	41,839	88,965	113%	180%
Operating expenses	-356,961	-447,516	25%	-186,730	-225,269	-222,248	-1%	19%
Total risk costs	-104,726	275		-31,836	-9,198	9,473		
Corporate taxes	-42,700	-86,284	102%	-13,246	-35,544	-50,740	43%	283%
Main components of the adjusted balance sheet, closing balances in HUF million	2022	1H 2023	YTD	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
Total assets	32,804,210	36,866,660	12%	30,822,224	36,175,001	36,866,660	2%	20%
Total customer loans (net, FX adjusted)	**17,566,893**	**20,576,085**	**17%**	**16,673,484**	**19,421,701**	**20,576,085**	**6%**	**23%**
Total customer loans (gross, FX adjusted)	**18,481,850**	**21,563,617**	**17%**	**17,599,582**	**20,384,028**	**21,563,617**	**6%**	**23%**
Performing (Stage 1+2) customer loans (gross, FX-adjusted)	17,582,460	20,667,224	18%	16,708,895	19,434,422	20,667,224	6%	24%
Allowances for possible loan losses (FX adjusted)	-914,958	-987,532	8%	-926,098	-962,327	-987,532	3%	7%
Total customer deposits (FX-adjusted)	**23,865,148**	**26,903,983**	**13%**	**22,255,397**	**26,850,403**	**26,903,983**	**0%**	**21%**
Issued securities	870,682	1,727,388	98%	405,398	1,098,612	1,727,388	57%	326%
Subordinated loans	301,984	552,883	83%	302,379	551,492	552,883	0%	83%
Total shareholders' equity	3,322,312	3,595,500	8%	3,168,305	3,378,194	3,595,500	6%	13%
Indicators based on adjusted earnings	1H 2022	1H 2023	Y-o-Y	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
ROE (from profit after tax)	2.9%	34.7%	31.9%p	10.2%	24.0%	45.1%	21.1%p	34.9%p
ROE (from adjusted profit after tax)	17.0%	28.4%	11.4%p	21.7%	23.0%	33.5%	10.5%p	11.8%p
ROA (from adjusted profit after tax)	1.7%	2.7%	0.9%p	2.2%	2.2%	3.1%	0.9%p	1.0%p
Operating profit margin	2.75%	3.17%	0.42%p	2.77%	2.72%	3.60%	0.88%p	0.82%p
Total income margin	5.22%	5.72%	0.50%p	5.27%	5.37%	6.06%	0.69%p	0.78%p
Net interest margin	3.50%	3.72%	0.22%p	3.57%	3.66%	3.77%	0.11%p	0.20%p
Cost-to-asset ratio	2.47%	2.55%	0.08%p	2.50%	2.65%	2.46%	-0.19%p	-0.04%p
Cost/income ratio	47.3%	44.5%	-2.7%p	47.4%	49.3%	40.6%	-8.7%p	-6.8%p
Provision for impairment on loan losses-to-average gross loans ratio	0.86%	0.03%	-0.83%p	0.36%	0.12%	-0.06%	-0.18%p	-0.42%p
Total risk cost-to-asset ratio	0.72%	0.00%	-0.73%p	0.43%	0.11%	-0.10%	-0.21%p	-0.53%p
Effective tax rate	14.6%	15.5%	0.9%p	7.6%	16.0%	15.2%	-0.8%p	7.6%p
Net loan/(deposit+retail bond) ratio (FX-adjusted)	75%	76%	1%p	75%	72%	76%	4%p	1%p
Capital adequacy ratio (consolidated, IFRS) - Basel3	17.9%	17.5%	-0.4%p	17.9%	16.8%	17.5%	0.7%p	-0.4%p
Tier 1 ratio - Basel3	16.4%	15.2%	-1.2%p	16.4%	14.4%	15.2%	0.8%p	-1.2%p
Common Equity Tier 1 ('CET1') ratio - Basel3	16.4%	15.2%	-1.2%p	16.4%	14.4%	15.2%	0.8%p	-1.2%p
Share Data	1H 2022	1H 2023	Y-o-Y	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
EPS diluted (HUF) (from profit after tax)	160	2,149		282	723	1,428	97%	406%
EPS diluted (HUF) (from adjusted profit after tax)	932	1,757	89%	603	696	1,062	52%	76%
Closing price (HUF)	8,422	12,130	44%	8,422	9,982	12,130	22%	44%
Highest closing price (HUF)	18,600	12,175	-35%	12,330	11,550	12,175	5%	-1%
Lowest closing price (HUF)	8,354	9,482	14%	8,354	9,482	9,664	2%	16%
Market Capitalization (EUR billion)	5.9	9.2	54%	5.9	7.3	9.2	25%	54%
Book Value Per Share (HUF)	12,557	13,412	7%	11,781	12,571	13,445	7%	14%
Tangible Book Value Per Share (HUF)	11,986	12,751	6%	11,209	11,917	12,782	7%	14%
Price/Book Value	0.7	0.9	35%	0.7	0.8	0.9	14%	26%
Price/Tangible Book Value	0.7	1.0	35%	0.8	0.8	0.9	13%	26%
P/E (trailing, from profit after tax)	8.3	3.9	-54%	8.3	4.9	3.9	-21%	-54%
P/E (trailing, from adjusted profit after tax)	4.7	4.2	-11%	4.7	4.0	4.2	3%	-11%
Average daily turnover (EUR million)	35	13	-62%	25	14	13	-10%	-49%
Average daily turnover (million share)	1.1	0.5	-58%	1.0	0.5	0.4	-18%	-57%

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

ACTUAL CREDIT RATINGS

S&P GLOBAL	
OTP Bank and OTP Mortgage Bank – FX long-term issuer credit rating	BBB-
OTP Bank – Dated subordinated FX debt	BB
MOODY'S	
OTP Bank – FX long term deposits	Baa1
OTP Bank – Dated subordinated FX debt	Ba2
OTP Mortgage Bank – Covered bonds	A1
SCOPE	
OTP Bank – Issuer rating	BBB+
OTP Bank – Dated subordinated FX debt	BB+
LIANHE	
OTP Bank – Issuer rating (China national scale)	AAA

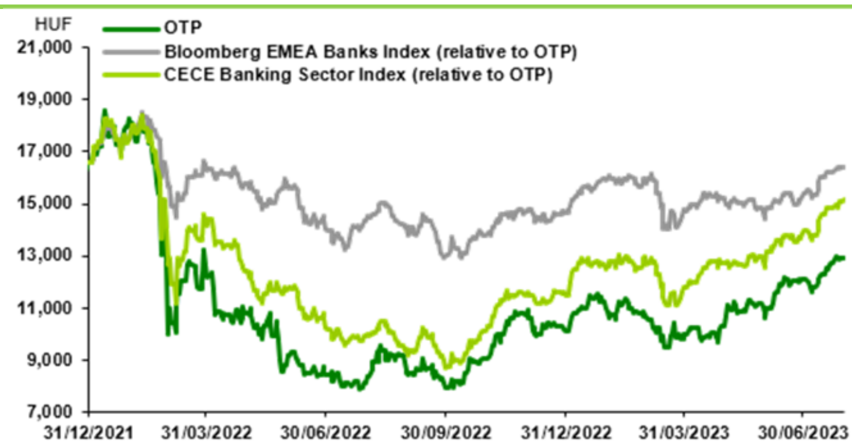
ACTUAL ESG RATINGS

AWARDS

In 2023 Global Finance magazine chose OTP Bank as the best bank in Hungary again, as it did every year since 2012. The OTP Group also received the regional recognition of “Best Bank of Central and Eastern Europe", and the Montenegrin, Slovenian, Croatian and Romanian subsidiary banks of the OTP Group also proved to be the best at the local level. At the **Euromoney** 2023 award ceremony, as in previous years, OTP Bank won the ”Best Bank of Hungary” award. In addition, the Slovenian and Albanian members of the OTP Group were also recognized as the country's best bank. In the annual ranking of **The Banker** magazine, which belongs to the Financial Times group, OTP Group became the "best bank in Central and Eastern Europe". In addition, the OTP Group's Hungarian, Montenegrin, Croatian and Slovenian subsidiary banks received the "Bank of the Year" award.

BEST BANK AWARD 2023 GLOBAL FINANCE OTP Bank Hungary
BEST BANK AWARD 2023 GLOBAL FINANCE OTP Bank Central & Eastern Europe
EUROMONEY AWARDS FOR EXCELLENCE HUNGARY BEST BANK 2023
EUROMONEY AWARDS FOR EXCELLENCE SLOVENIA BEST BANK 2023
EUROMONEY AWARDS FOR EXCELLENCE ALBANIA BEST BANK 2023
The Banker Bank of the Year 2022 CENTRAL & EASTERN EUROPE
The Banker Bank of the Year 2022 HUNGARY

SHARE PRICE PERFORMANCE



HALF-YEAR FINANCIAL REPORT – OTP BANK'S RESULTS FOR FIRST HALF 2023

The Summary of the first half 2023 results of OTP Bank Plc. has been prepared on the basis of its non-audited separate and consolidated IFRS financial statements for 30 June 2023 or derived from that. However, for the purpose of including the group level consolidated profit of the quarter in the regulatory capital and to comply with the provisions of Article 26 (2) of CRR, OTP Bank provides the documents specifically prepared for this purpose as predefined in the legislation (OTP Group management representation letter, special purpose review report) to the Supervisory Authority in due time (until the pre-determined deadline).

EXECUTIVE SUMMARY: SUMMARY OF THE FIRST HALF AND SECOND QUARTER 2023

Major trends already experienced in the previous quarter in Hungary continued in 2Q 2023: the headline inflation in June moderated to 20.1% and from May the NBH started cutting the overnight deposit rate, by 100 bps both in May and June, as well as in July. At the same time nominal lending rates are still high, as a result the loan demand remained subdued.

On the Group level overall lending activity moderated, FX-adjusted performing volumes grew by 3% ytd, adjusted for the acquisition impact of Nova KBM and Ipoteka Bank.

The net interest margin improved q-o-q for most of the Group members on the back of the euro rate hikes, whereas in Hungary one-off and technical factors drove the increase in net interest margin. The consolidated portfolio quality demonstrated a stable picture, the unemployment rate stagnated or declined because of the tight labour market in most of the countries, whereas in Hungary the interest rate caps were extended until 31 December 2023, which prevented the floater-based mortgage and SME loan delinquency rates from increasing.

The financial closure of the first step of the transaction related to the purchase of the Uzbek Ipoteka Bank happened on 13 June 2023. Consequently, OTP Bank became the majority shareholder of Ipoteka Bank by acquiring a 73.71% shareholding and became indirect shareholder of Ipoteka Bank's wholly owned subsidiaries. The consolidated 2Q figures already incorporated the bank's balance sheet, however the P&L will be consolidated only from 2H 2023.

Consolidated earnings: with HUF 382 billion profit after tax in 2Q the 1H net results reached HUF 577 billion; q-o-q improving NIM, cost efficiency and credit quality, without the acquisition impact 2% increase in performing loan volumes q-o-q (FX-adjusted), stable liquidity position

OTP Group posted HUF 382 billion profit after tax in 2Q 2023. The q-o-q 96% improvement to a great extent was due to the increasing positive balance of adjustment items (1Q 2023: +HUF 7.6 billion, 2Q: +98.1 billion), the expanding total income supported also by one-off items, as well as positive risk costs. Furthermore, in 2Q the Slovenian Nova KBM contributed an entire quarter of net earnings versus its 2 months profit contribution included in 1Q.

In 2Q 2023 adjustment items improved the consolidated profit after tax by HUF 98.1 billion. The major items were as follows:

- +HUF 84 billion effect of acquisitions (after tax). Within that the consolidation impact of Ipoteka Bank comprised HUF 90.8 billion (approximately EUR 245 million) through two major items: the badwill amounted to HUF 125 billion, whereas the initial risk cost represented -HUF 40 billion (-HUF 34 billion after tax). The remaining amount presented on the effect of acquisitions line (-HUF 6.9 billion) was mainly related to Slovenia;
- +HUF 25.6 billion windfall tax write-back (after tax). In 1Q OTP booked the whole amount of the windfall tax due in 2023 in accordance with the then prevailing regulation. Pursuant to a government decree published on 24 April 2023 the windfall tax payment obligation was reduced from HUF 69 billion booked in 1Q to HUF 41 billion and so the HUF 28.1 billion difference was written back in 2Q;
- +HUF 6.5 billion (after tax) related to 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 3Q the realization of the dividend paid by MOL will be offset by the reversal of the positive NPV impact booked in 2Q;
- -HUF 17.9 billion (after tax) 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.

Thus, in 1H OTP Group posted HUF 576.8 billion profit after tax (y-o-y more than 13-fold increase), thus exceeding the whole 2022 net earnings by HUF 230 billion.

The quarterly profit after tax, as well as the balance sheet items were distorted by the currency moves: in 2Q the Hungarian Forint remained one of the best performing currencies, its quarterly average rate against EUR, UAH and RUB appreciated by 4, 6 and 15% q-o-q.

The weight of exposures towards Russia and Ukraine in the Group was shaped partially by FX moves, but also by deliberate business policy measures.

The weight of Russian assets in the consolidated total assets comprised 3.1% at the end of 2Q 2023, while net loans represented 2.4%, respectively. The performing consumer loan portfolio advanced by 4% q-o-q (FX-adjusted). The 2Q Russian profit after tax was RUB 7.9 billion. Under an unexpected and extremely negative scenario of deconsolidating the Russian entity and writing down the outstanding gross intragroup exposure as well, the effect for the consolidated CET1 ratio would be -46 bps.

In Ukraine the lending activity suffered a major setback since the outbreak of the war, the performing loan volumes dropped by 11% q-o-q, whereas the deposit book eroded by 5% on an FX-adjusted basis. The weight of the Ukrainian assets within the Group comprised 2.6%, while net loans represented 1.5% of the consolidated net loan book. The volume of gross intragroup funding towards Ukraine represented HUF 79 billion equivalent. In 2Q 2023 the Ukrainian operation posted HUF 17.8 billion profit after tax (+41% q-o-q), thus the subsidiary managed to achieve positive earnings in each quarter since 2Q 2022. The Ukrainian ROE was the highest across the whole OTP Group. The total provision coverage of the gross loan book increased to 24.8% from almost 22% at the end of 2022. Under an unexpected and extremely negative scenario of deconsolidating the Ukrainian entity and writing down the outstanding gross intragroup funding as well, the effect for the consolidated CET1 ratio would be -14 bps.

In the case of the Ukrainian and Russian banks 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.

In 2Q 2023 the consolidated adjusted profit after tax reached HUF 284 billion (+52% q-o-q), as a result OTP Group posted HUF 471 billion adjusted profit in the first six months (+88% y-o-y). The 2Q adjusted ROE jumped to 33.5% (+10.5 pps q-o-q) and 1H adjusted ROE was 28.4%.

Apart from the already mentioned factors, i.e. an additional 1-month profit contribution from the Slovenian Nova KBM, the positive balance of total risk costs and improving Russian and Ukrainian contributions, the quarterly adjusted profit after tax was also shaped by several one-offs which will be detailed when discussing particular earnings lines.

In 2Q the consolidated operating result advanced by 40% q-o-q, and by the same magnitude in 1H y-o-y.

During the first six months all geographies were profitable. Foreign subsidiaries' profit contribution reached 69% in 1H. Out of the individual performances the Bulgarian, Croatian and Romanian subsidiaries excelled themselves. The quarterly profit in Slovenia jumped to HUF 34.2 billion in 2Q, after HUF 20.3 billion posted in 1Q including only 2 months contribution from Nova KBM. The Ukrainian and Russian operations added HUF 17.8 billion and 33.3 billion net earnings to the consolidated 2Q profit after tax. While OTP Core also demonstrated a substantial profit increase q-o-q, it was mainly shaped by the surge in other income, while operating expenses and risk costs grew q-o-q.

Total income increased by 20% q-o-q on the Group level, within that the NII improved by 9%. The net fee and commission income advanced by 14% q-o-q: countries with a significant weight of tourism within their economies already demonstrated substantial increase, while in Hungary certain fees were increased by the previous year's average inflation; in Russia the stronger consumer loan origination was behind the higher fee generation.

In 2Q the other net non-interest income more than doubled q-o-q. The HUF 47 billion q-o-q surge to a smaller extent was related to the improving securities results, but more so to the positive fair value adjustment of baby loans and subsidized housing (CSOK) loans measured at fair value: as a result of the massive drop of the yield curve a substantial positive fair value adjustment occurred in 2Q, explaining HUF 34 billion q-o-q improvement in the other income line.

The consolidated 2Q NIM improved by 11 bps q-o-q (reaching 3.77%). Across the Group the highest underlying 2Q policy rate still prevailed in Ukraine (25%, but from 28 July it dropped to 22%), followed by the Hungarian overnight deposit rate (16%, but from 25 July it went down to 15%). During the quarter the ECB hiked the rates by 50 bps (and by another 25 bps on 27 July) which directly affected four Group members: Slovenia, Croatia, Bulgaria and Montenegro. The underlying rate environment to a large extent influenced the lending activity and loan rates and to a lesser extent deposit pricing. Consequently, the NIM significantly improved q-o-q in countries directly or indirectly affected by ECB monetary policy. At OTP Core the net interest margin increased 10 bps q-o-q in 2Q on the back of positive one-off items, but the Ukrainian NIM declined substantially (-55 bps q-o-q).

Quarterly operating expenses declined by 1% q-o-q, within that wage inflation put pressure on personnel expenses (+11% q-o-q) across the whole Group. Amortization declined by 4%. Administrative expenses dropped by 11% due to base effect, since in 1Q the full annual amount of supervisory charges were booked in one lump sum at several subsidiaries. The consolidated 2Q cost-to-income ratio improved by 8.7 pps q-o-q to below 41%.

The amount of consolidated total risk costs had a positive balance of HUF 9.5 billion in 2Q. Within that, the provisions for impairment on loan losses saw a release of HUF 3 billion, despite credit risk costs in

Hungary and Serbia increasing q-o-q. However, those were offset by a decline in Bulgaria, Croatia, Romania, Russia and Ukraine. The volume of credit risk costs was positively affected by the revision of IFRS 9 model parameters that resulted in releases in several countries. Furthermore, in Romania the sale of exposures held by the local work-out unit resulted in HUF 6.6 billion provision release. The deteriorating macro-outlook in Hungary, however, necessitated additional impairments on loan exposures.

The FX-adjusted consolidated performing (Stage 1+2) loan volumes increased by HUF 1,233 billion or 6% q-o-q and got close to HUF 20,700 billion. However, adjusted for the acquisition, the organic q-o-q increase was 2% (FX-adjusted), thus in the first six months the loan portfolio grew by 3% organically. The acquisition of Ipoteka Bank in June added HUF 885 billion to the performing loan volumes.

As for the FX-adjusted performing loan growth rates across the geographies, the Bulgarian operation continued to post a decent q-o-q increase (+7%), whereas Croatia grew by 2%. The Hungarian, Slovenian and Serbian exposures stagnated q-o-q. In 2Q it was the Ukrainian subsidiary again that suffered the most significant loan volume drop (-11% q-o-q and -38% y-o-y, FX-adjusted), while in Russia the consumer loan portfolio increased by 4% q-o-q.

As for the major segments, adjusted for the acquisition of Ipoteka Bank, the FX-adjusted performing leasing book grew by 4%, the consumer by 3%, the mortgage by 2%, and the total SME + corporate exposures by 1% q-o-q.

The FX-adjusted deposits declined marginally q-o-q and their volumes were close to HUF 26,900 billion. Out of the consolidated total deposit base the newly consolidated Ipoteka Bank's deposits comprised HUF 284 billion.

In case of OTP Core and Ukraine deposit volumes declined by 5% q-o-q, adjusted for FX. The most significant increase was witnessed in Russia (+23%), Moldova (+3%) and Serbia (+3%), whereas in Bulgaria, Croatia and Slovenia volumes remained flat. In case of OTP Core both the retail and corporate sight deposits declined, at the same time the volume of retail bonds increased. As a result, in 2Q the overall retail bond + deposit volumes eroded by 2% q-o-q. The market share of OTP Bank has been demonstrating a steadily improving trend in the retail deposit segment and by 2Q it reached 41.8%. The consolidated net loan/(deposit + retail bond) ratio increased to 76% (+4 pps q-o-q).

In 1Q 2023 OTP Bank issued USD 650 million Tier2 bonds followed by an USD 500 million MREL-eligible Senior Preferred transaction and an EUR 110 million Senior Non-Preferred bond issuance. As a result, the total amount of MREL-eligible transaction reached EUR 1.18 billion equivalent in 1H 2023.

For the remaining part of the year the Bank is expected to issue one more MREL-eligible benchmark size Senior Preferred bond.

The risk profile of the consolidated loan book kept further improving in 2023, the major indicators shaped favourably. The Stage 3 ratio under IFRS 9 comprised 4.2% of the gross loans at the end of 2Q 2023, underpinning a 0.5 pp q-o-q improvement mainly due to the healing following the expiry of the payment moratorium in Hungary at the end of 2022.

On the Group level the Ukrainian and Russian operations had the highest Stage 3 ratios (24.8% and 15.8%, respectively). During 2Q only the Ukrainian one grew (+2.3 pps), elsewhere it either stagnated or declined. The own provision coverage of Stage 3 exposures still exceeded 60%. In Ukraine the total provision coverage of the gross loan portfolio increased to 24.8%.

Updated Management Guidance for 2023

The organic performing loan volume growth may reach 5% y-o-y (FX-adjusted).

Based on the 1H 2023 trends, management forecasts y-o-y lower credit risk cost rate and cost-to-income ratio for the whole year, therefore adjusted ROE in 2023 may substantially exceed the level of 18.8% seen in 2022.

Consolidated capital adequacy ratio (in accordance with BASEL III)

At the end of June 2023, the consolidated CET1 ratio under the accounting scope of consolidation according to IFRS was 15.2% (+0.8 pp q-o-q). This equals to the Tier 1 ratio. Consolidated CAR stood at 17.5%.

At the end of 2Q 2023, the effective regulatory minimum requirement for the consolidated Tier 1 capital adequacy ratio was 11.3% which also incorporated the effective SREP rate, whereas the minimum CET1 requirement was 9.4%.

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

- According to the decision of NBH, the effective SREP rate remained unchanged at 125% for 2023, inducing an additional 2% capital requirement in terms of the consolidated CAR ratio.
- Effective from 1 July 2020 the original level of O-SII capital buffer (2%) was modified to 0% by the NBH until 31 December 2021. The gradual rebuilding started on 1 January 2022, its level was 1% in 2023 and on 1 January 2024 it will reach the original 2%.
- The NBH postponed the increase of the countercyclical capital buffer by one year, consequently the 50 bps buffer requirement will be effective only from 1 July 2024.

- The effective rate of the countercyclical capital buffer was 0% in Hungary in 2Q 2023. However, in Bulgaria the local central bank prescribed a 1.5% buffer from January 2023, in Croatia 0.5% from 31 March 2023, whereas in Romania the local central bank still requires a 0.5% buffer, thus on the consolidated level the institution-specific countercyclical capital buffer was 0.28%. However, during 2H 2023, the consolidated institution-specific countercyclical capital buffer requirements are expected to increase further: in Bulgaria the relevant buffer will increase to 2.0% (in 3Q 2023), in Romania to 1% (in 4Q 2023), as well as in Croatia to 1% (in 4Q 2023), while in Slovenia to 0.5% (in 4Q 2023), respectively. With all these changes taking effect, on consolidated level the countercyclical capital buffer is expected to increase to 0.49%.

The risk weighted assets (RWA) under the accounting scope of consolidation grew by HUF 756 billion q-o-q. The increase can mainly be explained by the inclusion of the Uzbek Ipoteka Bank in the consolidated balance sheet, however the effect was mitigated by the stronger HUF and the lower credit risk related RWA.

The consolidated common equity Tier 1 (CET1) capital grew by HUF 289 billion q-o-q, mainly as a result of incorporating the 2Q eligible profit of HUF 355.5 billion after the deduction of HUF 69.9 billion dividend. This dividend amount, however, shall not be considered as an indication from the management for the proposed dividend amount after 2023. The deducted dividend was determined in accordance with the Commission Delegated Regulation (EU) No. 241/2014. Article 2. (7) Paragraph.

Credit rating, shareholder structure

On 7 July 2023 S&P confirmed the rating of the Hungarian sovereign, as a result the relevant rating of OTP Bank remained unchanged. Accordingly, OTP Bank's long-term issuer credit rating is 'BBB-', the outlook is stable; the credit rating of the dated Tier2 instrument issued in February 2023 is 'BB'.

There has been no change in Moody's ratings, as a result the dated subordinated FX debt rating is 'Ba2', while the Senior Preferred bond rating issued in May is 'Baa3'. OTP Mortgage Bank's long term issuer rating is 'Baa3', whereas the mortgage bond rating is 'A1'. The long-term FX deposit rating of OTP Bank Plc. remained unchanged at 'Baa1'. The outlook is stable for all ratings.

OTP Bank Plc' issuer rating at Scope Ratings was 'BBB+' and the subordinated debt rating 'BB+', respectively; the outlook is negative since December 2022.

On 28 June 2023 the Chinese Lianhe Credit Rating Co., Ltd. has assigned a Long-Term Issuer Credit Rating (China national scale) of 'AAA' to OTP Bank Plc. The Outlook is stable.

Regarding the ownership structure of the Bank, on 30 June 2023 the following investors had more than 5% influence (voting rights) in the Company: MOL (the Hungarian Oil and Gas Company, 8.59%), and Groupama Group (5.10%). T. Rowe Price Group's influence dropped below 5% on 7 June 2023.

DISCLAIMER – RISKS RELATING TO THE RUSSIAN-UKRAINIAN ARMED CONFLICT

On 24 February 2022 Russia launched a military operation against Ukraine which is still ongoing at the date of this Report. Until now many countries, as well as the European Union imposed sanctions due to the armed conflict on Russia and Russian businesses and citizens. Russia responded to these sanctions with similar measures.

The armed conflict and the international sanctions influence the business and economic activities significantly all around the world. There are a number of factors associated with the Russian-Ukrainian armed conflict and the international sanctions as well as their impact on global economies that could have a material adverse effect on (among other things) the profitability, capital and liquidity of financial institutions such as the OTP Group.

The armed conflict and the international sanctions cause significant economic damage to the affected parties and in addition they cause disruptions in the global economic processes, of which the precise consequences (inter alia the effects on energy and grain markets, the global transport routes and international trade as well as tourism) are difficult to be estimated at the moment.

It remains unclear how this will evolve going forward and the OTP Group continues to monitor the situation closely. However, the OTP Group's ability to conduct business may be adversely affected by disruptions to its infrastructure, business processes and technology services. This may cause significant customer detriment, costs to reimburse losses incurred by the OTP Group’s customers, and reputational damage.

Furthermore, the OTP Group relies on models to support a broad range of business and risk management activities, including informing business decisions and strategies, measuring and limiting risk, valuing exposures, conducting stress testing and assessing capital adequacy. Models are, by their nature, imperfect and incomplete representations of reality because they rely on assumptions and inputs, and as such assumptions may later potentially prove to be incorrect, this can affect the accuracy of their outputs. This may be exacerbated when dealing with unprecedented scenarios, such as the Russian-Ukrainian armed conflict and the international sanctions, due to the lack of reliable historical reference points and data.

Any and all such events mentioned above could have a material adverse effect on the OTP Group’s business, financial condition, results of operations, prospects, liquidity, capital position and credit ratings, as well as on the OTP Group’s customers, employees and suppliers.

POST-BALANCE SHEET EVENTS

Post-balance sheet events cover the period until 2 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 cut by 100 bps the O/N collateralized lending rate 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.

Bulgaria

- Effective from 1 July 2023 the base rate was hiked from 2.96% to 3.12%.

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%.

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%.

CONSOLIDATED PROFIT AFTER TAX BREAKDOWN BY SUBSIDIARIES (IFRS)[2]

Methodological note: starting from 1Q 2023 the segmentation of the Hungarian operation has been changed: in contrast to the previous practice, starting from 1Q 2023 Corporate Centre is no longer carved out of the OTP Core segment. In the affected tables of this report, the 2022 base periods were presented both under the old and the new segment definitions. The q-o-q and y-o-y changes presented in the affected tables are calculated from the restated figures.

in HUF million	1H 2022 as previously reported	1H 2022 restated	1H 2023	Y-o-Y	2Q 2022 as previously reported	2Q 2022 restated	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
Consolidated profit after tax	**42,652**	**42,652**	**576,812**		**76,057**	**76,057**	**194,762**	**382,050**	**96%**	**402%**
Adjustments (total)	**-208,100**	**-208,100**	**105,753**		**-86,071**	**-86,071**	**7,643**	**98,110**		
Consolidated adjusted profit after tax	**250,752**	**250,752**	**471,059**	**88%**	**162,128**	**162,128**	**187,119**	**283,940**	**52%**	**75%**
Banks total[1]	230,080	233,020	441,534	89%	151,003	152,674	172,698	268,836	56%	76%
OTP Core (Hungary)[2]	168,887	171,828	116,654	-32%	74,850	76,521	43,055	73,598	71%	-4%
DSK Group (Bulgaria)[3]	49,585	49,585	88,813	79%	28,521	28,521	35,601	53,211	49%	87%
OTP Bank Slovenia[4]	9,683	9,683	54,474	463%	4,746	4,746	20,265	34,209	69%	621%
OBH (Croatia)[5]	22,889	22,889	29,705	30%	11,815	11,815	12,801	16,904	32%	43%
OTP Bank Serbia[6]	21,780	21,780	30,613	41%	10,921	10,921	16,429	14,185	-14%	30%
OTP Bank Albania[7]	4,745	4,745	8,084	70%	2,485	2,485	3,812	4,272	12%	72%
CKB Group (Montenegro)[8]	292	292	8,952		1,521	1,521	4,393	4,559	4%	200%
Ipoteka Bank (Uzbekistan)[9]	-	-	-		-	-	-	-		
OTP Bank Russia[10]	-14,751	-14,751	51,301		12,470	12,470	17,956	33,345	86%	167%
OTP Bank Ukraine[11]	-34,254	-34,254	30,404		146	146	12,640	17,764	41%	
OTP Bank Romania[12]	-992	-992	13,948		768	768	1,250	12,698	916%	
OTP Bank Moldova	2,215	2,215	8,587	288%	2,760	2,760	4,497	4,090	-9%	48%
Leasing	5,810	5,810	6,279	8%	1,438	1,438	4,524	1,756	-61%	22%
Merkantil Group (Hungary)[13]	5,810	5,810	6,279	8%	1,438	1,438	4,524	1,756	-61%	22%
Asset Management	2,583	2,583	6,610	156%	1,344	1,344	2,530	4,079	61%	203%
OTP Asset Management (Hungary)	2,436	2,436	6,448	165%	1,280	1,280	2,439	4,009	64%	213%
Foreign Asset Management Companies (Ukraine, Romania, Bulgaria)[14]	147	147	162	10%	64	64	92	70	-24%	9%
Other Hungarian Subsidiaries	7,022	7,022	17,983	156%	5,607	5,607	7,409	10,574	43%	89%
Other Foreign Subsidiaries[15]	30	30	-422		41	41	-138	-284	106%	
Corporate Centre[16]	2,940	-	-		1,672	-	-	-		
Eliminations	2,287	2,287	-925		1,022	1,022	95	-1,021		
Profit after tax of the Hungarian operation[17]	25,166	25,166	200,313	696%	5,912	5,912	56,820	143,493	153%	
Adjusted profit after tax of the Hungarian operation[17]	187,523	187,523	147,044	-22%	85,254	85,254	57,603	89,441	55%	5%
Profit after tax of the Foreign operation[18]	17,486	17,486	376,499		70,145	70,145	137,942	238,557	73%	240%
Adjusted profit after tax of the Foreign operation[18]	63,229	63,229	324,015	412%	76,874	76,874	129,516	194,499	50%	153%
Share of Hungarian contribution to the adjusted profit after tax	75%	75%	31%	-44%p	53%	53%	31%	32%	1%p	-21%p
Share of Foreign contribution to the adjusted profit after tax	25%	25%	69%	44%p	47%	47%	69%	68%	-1%p	21%p

[2] Relevant footnotes are in the Supplementary data section of the Report.

CONSOLIDATED, UNAUDITED IFRS REPORTS OF OTP BANK PLC.

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME

Main components of the adjusted Statement of recognized income in HUF million	1H 2022	1H 2023	Y-o-Y	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
Consolidated profit after tax	**42,652**	**576,812**		**76,057**	**194,762**	**382,050**	**96%**	**402%**
Adjustments (total, after corporate income tax)	**-208,100**	**105,753**		**-86,071**	**7,643**	**98,110**		
Dividends and net cash transfers (after tax)	190	600	215%	159	157	443	182%	179%
Goodwill/investment impairment charges (after tax)	-56,279	-518	-99%	0	0	-518		
Special tax on financial institutions (after tax)	-88,102	-62,535	-29%	-67,875	-88,131	25,595		
Expected one-off negative effect of the debt repayment moratorium in Hungary (after tax)	-1,790	0	-100%	-1,793	0	0		-100%
Expected one-off effect of the interest rate cap for certain loans in Hungary (after tax)	-10,141	-17,556	73%	-10,141	318	-17,874		76%
Effect of the winding up of Sberbank Hungary (after tax)	-2,508	10,389		-2,508	10,389	0	-100%	-100%
Effect of acquisitions (after tax)	-5,906	168,914		-3,375	84,929	83,985	-1%	
Result of the treasury share swap agreement (after tax)	-8,526	6,459	-176%	-23	-20	6,479		
Impairments on Russian government bonds at OTP Core and DSK Bank booked from 2022 (after tax)	-35,039	0	-100%	-514	0	0		-100%
Consolidated adjusted profit after tax	**250,752**	**471,059**	**88%**	**162,128**	**187,119**	**283,940**	**52%**	**75%**
Profit before tax	**293,452**	**557,343**	**90%**	**175,374**	**222,663**	**334,680**	**50%**	**91%**
Operating profit	**398,178**	**557,067**	**40%**	**207,209**	**231,861**	**325,207**	**40%**	**57%**
Total income	**755,139**	**1,004,583**	**33%**	**393,939**	**457,129**	**547,454**	**20%**	**39%**
Net interest income	**506,196**	**652,872**	**29%**	**266,417**	**312,064**	**340,808**	**9%**	**28%**
Net fees and commissions	**181,517**	**220,908**	**22%**	**95,792**	**103,227**	**117,681**	**14%**	**23%**
Other net non-interest income	**67,426**	**130,804**	**94%**	**31,730**	**41,839**	**88,965**	**113%**	**180%**
Foreign exchange result, net	44,809	94,969	112%	18,067	50,905	44,064	-13%	144%
Gain/loss on securities, net	1,276	7,372	478%	-2,855	1,466	5,906	303%	
Net other non-interest result	21,340	28,462	33%	16,518	-10,533	38,995		136%
Operating expenses	**-356,961**	**-447,516**	**25%**	**-186,730**	**-225,269**	**-222,248**	**-1%**	**19%**
Personnel expenses	-174,301	-227,727	31%	-90,471	-107,708	-120,019	11%	33%
Depreciation	-39,416	-46,047	17%	-21,119	-23,475	-22,571	-4%	7%
Other expenses	-143,244	-173,743	21%	-75,140	-94,085	-79,658	-15%	6%
Total risk costs	**-104,726**	**275**		**-31,836**	**-9,198**	**9,473**		
Provision for impairment on loan losses	-74,224	-3,016	-96%	-16,060	-6,044	3,027		
Other provision	-30,501	3,292		-15,776	-3,154	6,446		
Corporate taxes	**-42,700**	**-86,284**	**102%**	**-13,246**	**-35,544**	**-50,740**	**43%**	**283%**
INDICATORS	1H 2022	1H 2023	Y-o-Y	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
ROE (from profit after tax)	2.9%	34.7%	31.9%p	10.2%	24.0%	45.1%	21.1%p	34.9%p
ROE (from adjusted profit after tax)	17.0%	28.4%	11.4%p	21.7%	23.0%	33.5%	10.5%p	11.8%p
ROA (from adjusted profit after tax)	1.7%	2.7%	0.9%p	2.2%	2.2%	3.1%	0.9%p	1.0%p
Operating profit margin	2.75%	3.17%	0.42%p	2.77%	2.72%	3.60%	0.88%p	0.82%p
Total income margin	5.22%	5.72%	0.50%p	5.27%	5.37%	6.06%	0.69%p	0.78%p
Net interest margin	3.50%	3.72%	0.22%p	3.57%	3.66%	3.77%	0.11%p	0.20%p
Net fee and commission margin	1.26%	1.26%	0.00%p	1.28%	1.21%	1.30%	0.09%p	0.02%p
Net other non-interest income margin	0.47%	0.75%	0.28%p	0.42%	0.49%	0.98%	0.49%p	0.56%p
Cost-to-asset ratio	2.47%	2.55%	0.08%p	2.50%	2.65%	2.46%	-0.19%p	-0.04%p
Cost/income ratio	47.3%	44.5%	-2.7%p	47.4%	49.3%	40.6%	-8.7%p	-6.8%p
Provision for impairment on loan losses-to-average gross loans ratio	0.86%	0.03%	-0.83%p	0.36%	0.12%	-0.06%	-0.18%p	-0.42%p
Total risk cost-to-asset ratio	0.72%	0.00%	-0.73%p	0.43%	0.11%	-0.10%	-0.21%p	-0.53%p
Effective tax rate	14.6%	15.5%	0.9%p	7.6%	16.0%	15.2%	-0.8%p	7.6%p
Non-interest income/total income	33%	35%	2%p	32%	32%	38%	6%p	5%p
EPS base (HUF) (from profit after tax)	160	2,150		282	723	1,429	97%	406%
EPS diluted (HUF) (from profit after tax)	160	2,149		282	723	1,428	97%	406%
EPS base (HUF) (from adjusted profit after tax)	932	1,758	89%	603	697	1,062	53%	76%
EPS diluted (HUF) (from adjusted profit after tax)	932	1,757	89%	603	696	1,062	52%	76%
Comprehensive Income Statement	1H 2022	1H 2023	Y-o-Y	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
Consolidated profit after tax	42,652	576,811		76,057	194,762	382,049	96%	402%
Fair value changes of financial instruments measured at fair value through other comprehensive income	-102,453	52,098		-22,101	27,880	24,218	-13%	-210%
Foreign currency translation difference	316,500	-268,829		315,416	-162,245	-106,584	-34%	
Change of actuarial costs (IAS 19)	-37	-105	184%	-37	-43	-62	44%	68%
Net comprehensive income	**256,662**	**368,918**	**44%**	**369,336**	**62,389**	**306,529**	**391%**	**-17%**
o/w Net comprehensive income attributable to equity holders	255,530	369,505	45%	367,080	62,633	306,872	390%	-16%
Net comprehensive income attributable to non-controlling interest	1,132	-587		2,256	-244	-343	41%	
Average exchange rate[1] of the HUF (in HUF)	1H 2022	1H 2023	Y-o-Y	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
HUF/EUR	375	381	2%	386	389	373	-4%	-3%
HUF/CHF	364	386	6%	376	392	381	-3%	1%
HUF/USD	344	353	3%	362	362	343	-5%	-6%

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

CONSOLIDATED BALANCE SHEET

Main components of the adjusted balance sheet, in HUF million	2Q 2022	4Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y	YTD
TOTAL ASSETS	**30,822,224**	**32,804,210**	**36,175,001**	**36,866,660**	**2%**	**20%**	**12%**
Cash, amounts due from Banks and balances with the National Banks	2,312,422	4,221,392	5,745,644	5,582,622	-3%	141%	32%
Placements with other banks, net of allowance for placement losses	1,765,735	1,351,081	1,132,875	1,305,309	15%	-26%	-3%
Securities at fair value through profit or loss	462,603	436,387	381,704	474,949	24%	3%	9%
Securities at fair value through other comprehensive income	2,103,518	1,739,603	1,800,172	1,853,513	3%	-12%	7%
Net customer loans	17,886,074	18,640,624	19,852,496	20,576,085	4%	15%	10%
Net customer loans (FX-adjusted[1])	**16,673,484**	**17,566,893**	**19,421,701**	**20,576,085**	**6%**	**23%**	**17%**
Gross customer loans	18,988,181	19,643,558	20,850,594	21,563,617	3%	14%	10%
Gross customer loans (FX-adjusted[1])	**17,599,582**	**18,481,850**	**20,384,028**	**21,563,617**	**6%**	**23%**	**17%**
Gross performing (Stage 1+2) customer loans (FX-adjusted[1])	**16,708,895**	**17,582,460**	**19,434,422**	**20,667,224**	**6%**	**24%**	**18%**
o/w Retail loans	8,875,030	9,136,118	10,132,186	10,853,970	7%	22%	19%
Retail mortgage loans (incl. home equity)	4,375,128	4,563,282	5,035,770	5,453,288	8%	25%	20%
Retail consumer loans	3,724,262	3,787,586	4,077,663	4,318,237	6%	16%	14%
SME loans	775,639	785,250	1,018,754	1,082,445	6%	40%	38%
Corporate loans	6,608,341	7,226,015	8,070,623	8,528,438	6%	29%	18%
Leasing	1,225,525	1,220,327	1,231,612	1,284,816	4%	5%	5%
Allowances for loan losses	-1,102,107	-1,002,933	-998,098	-987,532	-1%	-10%	-2%
Allowances for loan losses (FX-adjusted[1])	-926,098	-914,958	-962,327	-987,532	3%	7%	8%
Associates and other investments	78,838	73,849	80,870	88,140	9%	12%	19%
Securities at amortized costs	4,802,056	4,891,938	5,433,407	5,370,001	-1%	12%	10%
Tangible and intangible assets, net	690,193	738,105	752,517	774,704	3%	12%	5%
o/w Goodwill, net	67,976	68,319	66,428	65,460	-1%	-4%	-4%
Tangible and other intangible assets, net	622,218	669,786	686,088	709,244	3%	14%	6%
Other assets	720,784	711,230	995,315	841,338	-15%	17%	18%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**30,822,224**	**32,804,210**	**36,175,001**	**36,866,660**	**2%**	**20%**	**12%**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks, and Financial liabilities designated at fair value through profit or loss	1,700,991	1,517,349	1,675,310	2,162,700	29%	27%	43%
Deposits from customers	23,552,123	25,188,805	27,390,195	26,903,983	-2%	14%	7%
Deposits from customers (FX-adjusted[1])	**22,255,397**	**23,865,148**	**26,850,403**	**26,903,983**	**0%**	**21%**	**13%**
o/w Retail deposits	14,703,113	15,448,365	18,132,636	18,871,574	4%	28%	22%
Household deposits	12,242,175	12,895,849	15,100,187	15,216,278	1%	24%	18%
SME deposits	2,460,938	2,552,516	3,032,449	3,655,297	21%	49%	43%
Corporate deposits	7,534,661	8,386,535	8,680,585	7,990,377	-8%	6%	-5%
Accrued interest payable related to customer deposits	17,622	30,247	37,182	42,032	13%	139%	39%
Liabilities from issued securities	405,398	870,682	1,098,612	1,727,388	57%	326%	98%
o/w Retail bonds	0	35,766	98,959	173,695	76%		386%
Liabilities from issued securities without retail bonds	405,398	834,916	999,652	1,553,693	55%	283%	86%
Other liabilities	1,693,028	1,603,078	2,081,198	1,924,207	-8%	14%	20%
Subordinated bonds and loans	302,379	301,984	551,492	552,883	0%	83%	83%
Total shareholders' equity	**3,168,305**	**3,322,312**	**3,378,194**	**3,595,500**	**6%**	**13%**	**8%**
Indicators	2Q 2022	4Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y	YTD
Loan/deposit ratio (FX-adjusted[1])	79%	78%	76%	80%	4%p	1%p	3%p
Net loan/(deposit + retail bond) ratio (FX-adjusted[1])	75%	74%	72%	76%	4%p	1%p	3%p
Stage 1 loan volume under IFRS 9	15,757,527	16,387,792	17,705,285	18,354,451	4%	16%	12%
Stage 1 loans under IFRS 9/gross customer loans	83.0%	83.4%	84.9%	85.1%	0.2%p	2.1%p	1.7%p
Own coverage of Stage 1 loans under IFRS 9	1.1%	1.0%	0.9%	1.1%	0.2%p	0.1%p	0.1%p
Stage 2 loan volume under IFRS 9	2,221,787	2,286,597	2,167,805	2,312,773	7%	4%	1%
Stage 2 loans under IFRS 9/gross customer loans	11.7%	11.6%	10.4%	10.7%	0.3%p	-1.0%p	-0.9%p
Own coverage of Stage 2 loans under IFRS 9	12.4%	10.7%	10.4%	10.0%	-0.4%p	-2.4%p	-0.7%p
Stage 3 loan volume under IFRS 9	1,008,866	969,169	977,504	896,393	-8%	-11%	-8%
Stage 3 loans under IFRS 9/gross customer loans	5.3%	4.9%	4.7%	4.2%	-0.5%p	-1.2%p	-0.8%p
Own coverage of Stage 3 loans under IFRS 9	65.4%	61.0%	61.8%	61.4%	-0.5%p	-4.0%p	0.3%p
90+ days past due loan volume	662,967	601,268	628,863	619,767	-1%	-7%	3%
90+ days past due loans/gross customer loans	3.5%	3.1%	3.0%	2.9%	-0.1%p	-0.6%p	-0.2%p
Consolidated capital adequacy - Basel3	2Q 2022	4Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y	YTD
Capital adequacy ratio (consolidated, IFRS)	17.9%	17.5%	16.8%	17.5%	0.7%p	-0.4%p	0.0%p
Tier 1 ratio	16.4%	16.1%	14.4%	15.2%	0.8%p	-1.2%p	-0.9%p
Common Equity Tier 1 ('CET1') capital ratio	16.4%	16.1%	14.4%	15.2%	0.8%p	-1.2%p	-0.9%p
Regulatory capital (consolidated)	3,515,020	3,565,932	3,661,078	3,951,088	8%	12%	11%
o/w Tier1 Capital	3,226,731	3,277,984	3,136,729	3,426,218	9%	6%	5%
o/w Common Equity Tier 1 capital	3,226,731	3,277,984	3,136,729	3,426,218	9%	6%	5%
Tier2 Capital	288,289	287,949	524,349	524,870	0%	82%	82%
Consolidated risk weighted assets (RWA) (Credit&Market&Operational risk)	19,629,309	20,405,328	21,795,586	22,551,166	3%	15%	11%
o/w RWA (Credit risk)	17,737,686	18,477,102	19,746,475	20,315,049	3%	15%	10%
RWA (Market & Operational risk)	1,891,623	1,928,226	2,049,111	2,236,116	9%	18%	16%
Closing exchange rate of the HUF (in HUF)	2Q 2022	4Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y	YTD
HUF/EUR	397	400	381	371	-3%	-6%	-7%
HUF/CHF	398	407	382	380	-1%	-4%	-7%
HUF/USD	380	376	350	342	-2%	-10%	-9%

[1] For the FX-adjustment, the closing cross currency rates for the current period were used in order to calculate the HUF equivalent of loan and deposit volumes in the base periods.

OTP CORE (OTP BANK'S HUNGARIAN CORE BUSINESS)

Methodological note: starting from 1Q 2023 the segmentation of the Hungarian operation has been changed: in contrast to the previous practice, starting from 1Q 2023 Corporate Centre is no longer carved out of the OTP Core segment. In the affected tables of this report, the 2022 base periods were presented both under the old and the new segment definitions. The q-o-q and y-o-y changes presented in the affected tables are calculated from the restated figures.

Starting from 1Q 2023 OTP Ecosystem Ltd. was eliminated from OTP Core.

OTP Core Statement of recognized income:

Main components of the Statement of recognised income in HUF million	1H 2022 as previously reported	1H 2022 restated	1H 2023	Y-o-Y	2Q 2022 as previously reported	2Q 2022 restated	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
Profit after tax without received dividend	**-84,929**	**-81,989**	**56,779**		**-6,583**	**-4,911**	**-36,596**	**93,375**		
Dividend received from subsidiaries	107,907	107,907	129,066	20%	1,758	1,758	92,679	36,387	-61%	
Profit after tax	22,978	**25,918**	**185,845**	**617%**	-4,825	-3,154	56,083	129,761	131%	
Adjustments (total, after tax)	-145,909	-145,909	69,191		-79,675	-79,675	13,028	56,163	331%	
Adjusted profit after tax	**168,887**	**171,828**	**116,654**	**-32%**	**74,850**	**76,521**	**43,055**	**73,598**	**71%**	**-4%**
Profit before tax	192,949	196,240	144,793	-26%	86,665	88,538	54,831	89,962	64%	2%
Operating profit	174,204	177,495	152,096	-14%	83,137	85,009	55,815	96,281	72%	13%
Total income	331,662	335,558	348,563	4%	165,857	168,087	149,705	198,859	33%	18%
Net interest income	215,382	219,278	187,177	-15%	111,736	113,967	89,783	97,394	8%	-15%
Net fees and commissions	85,983	85,983	93,559	9%	44,717	44,717	43,952	49,607	13%	11%
Other net non-interest income	30,298	30,298	67,827	124%	9,404	9,404	15,969	51,858	225%	451%
Operating expenses	-157,458	-158,063	-196,467	24%	-82,720	-83,078	-93,889	-102,578	9%	23%
Total risk costs	18,745	18,745	-7,304		3,529	3,529	-985	-6,319	542%	
Provision for impairment on loan losses	29,856	29,856	-15,348		12,782	12,782	-2,316	-13,032	463%	
Other provisions	-11,111	-11,111	8,044		-9,254	-9,254	1,331	6,713	404%	
Corporate income tax	-24,062	-24,413	-28,139	15%	-11,816	-12,016	-11,775	-16,364	39%	36%

Indicators (adjusted)	1H 2022 as previously reported	1H 2022 restated	1H 2023	Y-o-Y	2Q 2022 as previously reported	2Q 2022 restated	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
ROE	16.9%p	17.2%	11.6%	-5.6%p	14.9%p	15.3%	8.8%	14.3%	5.5%p	-1.0%p
ROA	2.2%p	2.1%	1.2%	-0.9%p	1.9%p	1.8%	0.9%	1.5%	0.6%p	-0.3%p
Operating profit margin	2.3%p	2.2%	1.6%	-0.5%p	2.1%p	2.0%	1.2%	2.0%	0.8%p	0.0%p
Total income margin	4.31%p	4.10%	3.71%	-0.39%p	4.22%p	3.96%	3.24%	4.18%	0.94%p	0.22%p
Net interest margin	2.80%p	2.68%	1.99%	-0.69%p	2.84%p	2.69%	1.94%	2.05%	0.10%p	-0.64%p
Net fee and commission margin	1.12%p	1.05%	1.00%	-0.05%p	1.14%p	1.05%	0.95%	1.04%	0.09%p	-0.01%p
Net other non-interest income margin	0.39%p	0.37%	0.72%	0.35%p	0.24%p	0.22%	0.35%	1.09%	0.74%p	0.87%p
Operating costs to total assets ratio	2.0%p	1.9%	2.1%	0.2%p	2.1%p	2.0%	2.0%	2.2%	0.1%p	0.2%p
Cost/income ratio	47.5%p	47.1%	56.4%	9.3%p	49.9%p	49.4%	62.7%	51.6%	-11.1%p	2.2%p
Provision for impairment on loan losses / average gross loans[1]	-1.06%p	-1.06%	0.47%	1.54%p	-0.89%p	-0.89%	0.14%	0.80%	0.65%p	1.69%p
Effective tax rate	12.5%p	12.4%	19.4%	7.0%p	13.6%p	13.6%	21.5%	18.2%	-3.3%p	4.6%p

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

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

Main components of balance sheet closing balances in HUF million	1Q 2022 as previously reported	2Q 2022 restated	4Q 2022 as previously reported	4Q 2022 restated	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y	YTD
Total Assets	15,780,401	16,931,074	15,758,292	17,596,229	18,726,491	18,427,187	-2%	9%	5%
Net customer loans	5,736,304	5,736,304	6,278,620	6,278,620	6,276,681	6,233,586	-1%	9%	-1%
Net customer loans (FX adjusted)	5,665,517	5,665,517	6,171,160	6,171,160	6,237,217	6,233,586	0%	10%	1%
Gross customer loans	5,963,029	5,963,029	6,528,001	6,528,001	6,548,251	6,515,300	-1%	9%	0%
Gross customer loans (FX adjusted)	5,888,037	5,888,037	6,416,170	6,416,170	6,507,583	6,515,300	0%	11%	2%
Stage 1+2 customer loans (FX-adjusted)	**5,619,681**	**5,619,681**	**6,095,776**	**6,095,776**	**6,172,557**	**6,245,426**	**1%**	**11%**	**2%**
Retail loans	3,432,242	3,432,242	3,482,708	3,482,708	3,489,858	3,649,306	5%	6%	5%
Retail mortgage loans (incl. home equity)	1,639,284	1,639,284	1,656,945	1,656,945	1,643,878	1,688,743	3%	3%	2%
Retail consumer loans	1,275,859	1,275,859	1,306,914	1,306,914	1,322,716	1,406,414	6%	10%	8%
SME loans	517,099	517,099	518,849	518,849	523,265	554,150	6%	7%	7%
Corporate loans	2,187,439	2,187,439	2,613,068	2,613,068	2,682,698	2,596,120	-3%	19%	-1%
Provisions	-226,725	-226,725	-249,381	-249,381	-271,570	-281,714	4%	24%	13%
Provisions (FX adjusted)	-222,520	-222,520	-245,010	-245,010	-270,366	-281,714	4%	27%	15%
Deposits from customers + retail bonds	11,121,691	11,121,691	11,246,795	11,246,795	10,981,449	10,488,155	-4%	-6%	-7%
Deposits from customers + retail bonds (FX adjusted)	**10,950,562**	**10,950,562**	**11,015,377**	**11,015,377**	**10,904,348**	**10,488,155**	**-4%**	**-4%**	**-5%**
Retail deposits + retail bonds	6,499,375	6,499,375	6,379,358	6,379,358	6,315,652	6,192,644	-2%	-5%	-3%
Household deposits + retail bonds	5,086,205	5,086,205	4,982,368	4,982,368	4,977,436	4,889,892	-2%	-4%	-2%
o/w: Retail bonds	0	0	35,766	35,766	98,959	173,695	76%		386%
SME deposits	1,413,170	1,413,170	1,396,990	1,396,990	1,338,216	1,302,751	-3%	-8%	-7%
Corporate deposits	4,451,187	4,451,187	4,636,019	4,636,019	4,588,697	4,295,512	-6%	-3%	-7%
Liabilities to credit institutions	1,407,901	2,263,527	1,251,653	2,313,832	3,184,136	3,365,743	6%	49%	45%
Issued securities without retail bonds	504,979	504,979	471,773	949,421	942,188	1,226,063	30%	143%	29%
Subordinated bonds and loans	0	294,683	0	294,186	511,615	500,343	-2%	70%	70%
Total shareholders' equity	1,981,527	1,981,527	2,016,019	2,016,019	2,073,382	2,121,148	2%	7%	5%
Loan Quality	1Q 2022 as previously reported	2Q 2022 restated	4Q 2022 as previously reported	4Q 2022 restated	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y	YTD
Stage 1 loan volume under IFRS 9 (in HUF million)	4,972,140	4,972,140	5,457,140	5,457,140	5,433,019	5,294,537	-3%	6%	-3%
Stage 1 loans under IFRS 9/gross customer loans	83.4%	83.4%	83.6%	83.6%	83.0%	81.3%	-1.7%p	-2.1%p	-2.3%p
Own coverage of Stage 1 loans under IFRS 9	0.7%	0.7%	0.8%	0.8%	0.8%	1.1%	0.3%p	0.4%p	0.3%p
Stage 2 loan volume under IFRS 9 (in HUF million)	720,614	720,614	747,905	747,905	779,646	950,889	22%	32%	27%
Stage 2 loans under IFRS 9/gross customer loans	12.1%	12.1%	11.5%	11.5%	11.9%	14.6%	2.7%p	2.5%p	3.1%p
Own coverage of Stage 2 loans under IFRS 9	8.9%	8.9%	8.6%	8.6%	8.5%	8.9%	0.4%p	0.0%p	0.3%p
Stage 3 loan volume under IFRS 9 (in HUF million)	270,275	270,275	322,956	322,956	335,586	269,874	-20%	0%	-16.4%
Stage 3 loans under IFRS 9/gross customer loans	4.5%	4.5%	4.9%	4.9%	5.1%	4.1%	-1.0%p	-0.4%p	-0.8%p
Own coverage of Stage 3 loans under IFRS 9	46.8%	46.8%	43.2%	43.2%	47.5%	51.4%	3.9%p	4.6%p	8.3%p
90+ days past due loan volume (in HUF million)	158,321	158,321	189,870	189,870	216,665	221,854	2%	40%	16.8%
90+ days past due loans/gross customer loans	2.7%	2.7%	2.9%	2.9%	3.3%	3.4%	0.1%p	0.8%p	0.5%p
Market Share	1Q 2022 as previously reported	2Q 2022 restated	4Q 2022 as previously reported	4Q 2022 restated	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y	YTD
Loans	24.6%	24.6%	25.5%	25.5%	25.2%	25.2%	0.0%p	0.5%p	-0.4%p
Deposits	29.1%	29.1%	29.1%	29.1%	29.0%	28.4%	-0.6%p	-0.6%p	-0.7%p
Total Assets	27.8%	27.8%	27.6%	27.6%	28.2%	27.6%	-0.7%p	-0.3%p	0.0%p
Performance Indicators	1Q 2022 as previously reported	2Q 2022 restated	4Q 2022 as previously reported	4Q 2022 restated	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y	YTD
Net loans to (deposits + retail bonds) (FX adjusted)	52%	52%	56%	56%	57%	59%	2%p	8%p	3%p
Leverage (closing Shareholder's Equity/Total Assets)	12.6%	11.7%	12.8%	11.5%	11.1%	11.5%	0.4%p	-0.2%p	0.1%p
Leverage (closing Total Assets/Shareholder's Equity)	8.0x	8.5x	7.8x	8.7x	9.0x	8.7x	-0.3x	0.1x	0.0x
Capital adequacy ratio (OTP Bank, non-consolidated, Basel3, IFRS)	20.9%	20.9%	19.2%	19.2%	23.1%	24.7%	1.6%p	3.8%p	5.5%p
Common Equity Tier1 ratio (OTP Bank, non-consolidated, Basel3, IFRS)	17.8%	17.8%	16.3%	16.3%	17.7%	19.4%	1.6%p	1.6%p	3.1%p

In the first six months of 2023, **OTP Core** generated HUF 56.8 billion profit after tax without dividends received from subsidiaries, as opposed to the HUF 82 billion loss in the base period.

The reason for the improvement in the profit after tax without dividends received from subsidiaries was the much better balance of adjustment items: neither the impairment on subsidiary investments nor the impairment on Russian bonds (both of which weighed on the base period as a result of the war) occurred in the reporting period; moreover, the total amount of special taxes on financial institutions declined[3].

The half-year adjusted profit contracted by 32% despite an outstanding other income achieved in 2Q 2023, thanks to the positive fair value adjustment of baby loans and subsidized housing loans (CSOK) measured at fair value. Thus, those were the weaker net interest income, the rising operating expenses in a high-inflation environment, and the higher risk costs that explained the drop in adjusted profit.

The half-year operating profit fell 14%, as the 24% increase in operating expenses outpaced the 4% total income growth. Within total income, net interest income dropped by 15% as a result of the 69 bps erosion in net interest margin, while average total assets grew by 15% y-o-y.

In the rising interest rate environment, the decrease in the half-year margin was to a great extent attributable to the fact that the Hungarian operation has a significant fixed rate asset surplus, partly because of the fixed rate Hungarian government bond portfolio, but also due to the high proportion of fixed rate loans – latter can be partly explained by the high market share in fixed rate subsidized loan products. In another negative effect, the mandatory minimum reserve requirement was raised from 1% to 5% starting from October 2022, and from 5% to 10% from April 2023. In addition, the central bank diverted the interest rate paid on mandatory reserves from the 18% overnight deposit rate and paid the 13% base rate on them from October 2022. Then, from April interest rate bands were introduced for the reserves, accordingly the central bank doesn't pay interest on 25% of the required minimum reserves, therefore the effective interest paid on reserves fell to 9.75% in the second quarter. Furthermore, the margin development was adversely affected by changes in the balance sheet structure: on the asset side, the proportion of non-interest-bearing assets (including, for example, subsidiary investments) increased, mainly at the expense of financial assets, while on the liability side the weight of deposits decreased against higher rate liabilities (e.g. MREL-eligible bonds).

As to quarterly processes, in the second quarter the net interest income grew by 8% q-o-q, or by HUF 7.6 billion, thus the quarterly net interest margin improved by 10 bps q-o-q from a nearly all-time low level. The improvement largely stemmed from one-off items and technical factors: firstly, the semi-annual amount of interest subsidies for certain loans, to the tune of HUF 5.4 billion, was recognized in one sum in the second quarter; secondly, an item recognized in the first quarter related to the consolidation of interest income earned on securities transferred within the Group was corrected in the second quarter, causing HUF 3.8 billion q-o-q improvement. Furthermore, the calendar effect explained HUF 1 billion q-o-q growth. Without these items, net interest income would have declined q-o-q, mainly because of the amendments to the mandatory reserve rules taking effect in April, and the unfavourable changes in the balance sheet structure. The growth in the proportion of non-interest-bearing assets on the asset side was accompanied by an increase in the share of liabilities with higher interest rates, largely through subordinated bond issuance in February 2023 and senior bond issuance in May, while the average quarterly weight of customer deposits declined. These negative effects were mitigated by the central bank's interest rate cutting cycle that started at the end of May: in May and June, the overnight deposit rate was reduced by 100 bps each time, to 16%, and then by further 100 bps, to 15% in July. The continued rise of EUR interest rates also helped, through the EUR denominated volumes in OTP Core's balance sheet.

Semi-annual net fees and commissions rose by 9%, mainly supported by stronger income on deposits, transactions, cards and securities, while lending-related fee income declined. In 2Q the 13% q-o-q increase was driven by the increase of certain fees effective from March by the rate of previous year's average inflation, as well as by the negative one-off items emerged in the first quarter; overall, those one-offs improved the q-o-q dynamics of net fees by around HUF 3.3 billion.

Semi-annual other income more than doubled y-o-y, mainly as a result of the outstanding second quarter. The HUF 36 billion q-o-q jump can be attributed to two main items: first, in the second quarter a significant positive fair value adjustment was accounted for the subsidized housing (CSOK) and baby loans which are measured at fair value, which improved this line's q-o-q dynamics by HUF 34 billion. This massive fair value adjustment booked in 2Q can largely be explained by the decline in the discount rates, as a result of the q-o-q decline in long-term yields, based on which the net present value of future cash flows are calculated. The second component that improved

[3] In the first quarter of 2023, OTP Core recognized HUF 67.2 billion windfall tax for full-year 2023. However, Government decree 144/2023 of 24 April 2023 amended the previous method for calculating the extra profit tax for the second half of 2023. Under the new regulation, the gross amount of OTP Core's windfall tax for 2023 changed to HUF 39.8 billion. The difference between the two amounts, HUF 27.4 billion was reversed in the second quarter of 2023 (after tax effect: +HUF 25.0 billion).

the q-o-q dynamics of other income was the higher gain on securities.

Amid high inflationary environment, operating expenses grew by 24% in the half-year. Within that, personnel expenses increased by 40%, mostly because of the wage hikes in 2H 2022 and March 2023, as well as the 4% rise in the average number of employees. Amortization increased by 10%. Other expenses grew by 13%, driven by, among others, utility and real estate-related costs (the new M12 office building was completed in April 2022), as well as by the increase in the deposit and insurance protection fee rates effective from the end of 2022. The 9% q-o-q cost growth was partly related to the wage increase effective from March.

In the first half-year, a total of -HUF 7.3 billion risk cost emerged, as opposed to the HUF 18.7 billion positive amount in the base period. In the period under review, the cumulative provision for impairment on loan losses amounted to -HUF 15.3 billion, including -HUF 13 billion in the second quarter. There were three main components behind this. First, as a result of the revision of IFRS 9 model parameters, additional impairments were created, in line with the less favourable macroeconomic expectations. Second, in 2Q a more advanced methodology for Stage 2 classification and impairment was introduced; as a result, HUF 100 billion worth of loans were shifted into Stage 2 category where the customer's risk rating did not deteriorate. Also, these reclassifications led to additional provision for impairment on loan losses. Third, in accordance with the relevant regulations, provisions were released in the case of retail customers who exited the moratorium more than six months ago and performed according to their contract. In Hungary, the general loan repayment moratorium ended on 31 December 2022. Thus, in the case of customers who exited the moratorium and paid normally, provisions were written back and these loans were shifted into a lower risk category in 2Q 2023. As a result, the Stage 3 volumes shrank by HUF 57 billion, and Stage 2 loan volumes dropped by HUF 23 billion *ceteris paribus*.

The reclassifications caused by the latter two factors explained almost half of the 2.7 pps q-o-q increase in the Stage 2 ratio. The Stage 3 ratio improved by 1.0 pp q-o-q to 4.1%, predominantly because of healed volumes after the end of the moratorium. The Stage 1+2 portfolio's cumulative own provision coverage reached 2.3%, way above the pre-pandemic level of 1.3% at the end of 2019, and the 1.8% level at the end of 2022.

The half-year other risk cost was +HUF 8 billion, explained mainly by the write-back of impairment on the Hungarian government bond portfolio in the second quarter, as forward-looking macroeconomic expectations changed to the better compared to the end of 2022.

Regarding the balance sheet lines, OTP Core's total assets grew by 9% y-o-y; within that, they declined by 2% in the second quarter.

The growth of performing (Stage 1+2) loans substantially slowed in the high interest rate environment: after the 15% dynamics in full-year 2022, in the first six months of 2023 the portfolio grew by an FX-adjusted 2.5%, of which 1 pp was explained by the HUF 57 billion worth of loans reclassified from Stage 3 to either Stage 1 or Stage 2 at the end of June in relation to the expiry of the moratorium at the end of 2022. The 1% q-o-q growth in performing loans was almost entirely caused by the reclassification of loans that were previously subject to the moratorium.

In the retail segment, performing consumer loans grew by 8% ytd (+6% without healing volumes reclassified into performing category after the moratorium). Because of seasonality cash loan disbursements picked up q-o-q in the second quarter, basically matching the level seen in the base period. The volume of baby loans slightly increased further q-o-q, while the semi-annual contracted amount was 58% lower than a year earlier.

Performing mortgage loans grew by 2% ytd but were stable without the healed volumes after the moratorium's expiry. In 2Q, demand for mortgage loans grew q-o-q, as a combined result of declining interest rates, seasonality, and the growing popularity of home equity loans. Still, mortgage loan applications dropped by two-thirds in the first half-year, largely as a result of the outstanding demand for green housing loans available in the base period; however, even market rate housing loan applications fell by 29% y-o-y during the first half-year.

As to corporate lending activity, performing volumes sank by an FX-adjusted 1% ytd in the large corporate segment; the 3% q-o-q decline largely stemmed from intra-group loan transfers. In contrast, volumes in the micro and small enterprise segment rose by 7% ytd. The Széchenyi Card MAX+ and the Baross Gábor Loan Programmes generated significant new loan placements: during the first six months OTP signed agreement for HUF 192 billion worth of loans under the Széchenyi Card MAX+ programme, and until end-June for HUF 115 billion under the Baross Gábor Re-industrialization Loan Programme.

Assets held at the central bank rose on quarterly average q-o-q, as a result of increased minimum reserve requirement from April, while the combined average volume of overnight and longer-term deposits declined.

Customer deposits and retail bonds altogether eroded by 4% q-o-q; the stock shrank by an FX-adjusted 5% in the first six months. Within that, household deposits and retail bonds declined 2% q-o-q. Despite the continued outflow of retail deposits, OTP Bank's market share remained in uptrend. As for the corporate segment, micro and small enterprises deposits melted down by 3% q-o-q and large corporate volumes shrank by 6%. The net loan/deposit ratio grew by 8 pps y-o-y, and by 2 pps q-o-q, to 59%.

There were two international bond issuances in 2Q 2022, and one in 4Q 2022, with total notional of EUR 1,050 million and USD 60 million, respectively. In the middle of February 2023 subordinated bonds with a total notional of USD 650 million were issued; this was followed by a senior bond with total nominal value of USD 500 million, and a Senior Non-Preferred issuance in the amount of EUR 110 million in June.

Relevant **regulatory changes** announced in the second quarter in Hungary:

- **Windfall tax:**
  - o 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.
  - o 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.

  The expected negative effect of the extension (HUF 18 billion after tax) was booked in 2Q 2023.
- **Savings, government bond market:**
  - o 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.
  - o 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.
  - o 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:**
  - o 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.
  - o 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.
- **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**: 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.

OTP FUND MANAGEMENT (HUNGARY)

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

Main components of P&L account in HUF million	1H 2022	1H 2023	Y-o-Y	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
Adjusted profit after tax	2,436	6,448	165%	1,280	2,439	4,009	64%	213%
Income tax	-345	-773	124%	-174	-285	-488	71%	181%
Profit before income tax	2,780	7,221	160%	1,454	2,724	4,497	65%	209%
Operating profit	2,849	7,221	153%	1,447	2,724	4,498	65%	211%
Total income	4,295	9,296	116%	2,299	3,760	5,536	47%	141%
Net fees and commissions	4,258	8,818	107%	2,102	3,583	5,235	46%	149%
Other net non-interest income	37	477		197	176	301	71%	53%
Operating expenses	-1,446	-2,075	44%	-852	-1,037	-1,038	0%	22%
Other provisions	-68	0		7	0	0		
Main components of balance sheet closing balances in HUF million	**2022**	**1H 2023**	**YTD**	**2Q 2022**	**1Q 2023**	**2Q 2023**	**Q-o-Q**	**Y-o-Y**
Total assets	27,718	27,121	-2%	20,147	27,948	27,121	-3%	35%
Total shareholders' equity	16,993	15,515	-9%	10,013	11,506	15,515	35%	55%
Asset under management in HUF billion	**2022**	**1H 2023**	**YTD**	**2Q 2022**	**1Q 2023**	**2Q 2023**	**Q-o-Q**	**Y-o-Y**
Assets under management, total (w/o duplicates)[1]	**1,782**	**2,394**	**34%**	**1,256**	**2,068**	**2,394**	**16%**	**91%**
Volume of investment funds (closing, w/o duplicates)	1,388	1,970	42%	882	1,666	1,970	18%	123%
Volume of managed assets (closing)	393	424	8%	374	403	424	5%	13%
Volume of investment funds (closing, with duplicates)[2]	**1,869**	**2,150**	**15%**	**1,365**	**2,150**	**2,638**	**23%**	**93%**
bond	665	917	38%	425	917	1,269	38%	198%
money market	287	307	7%	25	307	415	35%	
absolute return fund	288	299	4%	274	299	304	2%	11%
equity	296	287	-3%	284	287	295	3%	4%
mixed	285	282	-1%	311	282	285	1%	-9%
commodity market	49	53	8%	46	53	55	4%	20%
guaranteed	0	5		0	5	14	209%	

[1] The cumulative net asset value of investment funds and managed assets of OTP Fund Management, eliminating the volume of own investment funds (duplications) being managed in other investment funds and managed assets of OTP Fund Management.
[2] The cumulative net asset value of investment funds with duplications managed by OTP Fund Management.

In the first half-year of 2023, **OTP Fund Management**'s profit after tax grew by 2.7 times year-on-year, to almost HUF 6.5 billion. Out of the first half-year profit, HUF 4 billion was generated in the second quarter.

In the first half-year, net fees and commissions more than doubled y-o-y, reflecting volume growth dynamics as well as the rise in the rate of average fund management fee over the period (1H 2023: 1.3%, +30 bps y-o-y).

Half-year operating expenses grew by 44% y-o-y; within that, personnel and other expenses increased by the rate of inflation. In the second quarter, the cost level was the same as in the first quarter.

In 1H 2023, Hungary's investment funds saw dynamic inflows and achieved positive yields; within that, strong demand for bond funds persisted. A further impetus for assets under management growth came from a government decree released on 31 May 2023, which laid down that interest earned on publicly traded securities bought after 30 June 2023 are subject to 13% social contribution tax payment.

At OTP Fund Management, too, those were bond funds that expanded at the strongest rate (+38% q-o-q); they made up almost half of the managed fund volumes. Overall, the volume of investment funds managed by OTP Fund Management at the end of June exceeded HUF 2,600 billion (+23% q-o-q, + 93% y-o-y).

The Company maintained its leading position in the securities funds' market; its market share improved further, by 1.8 pps q-o-q to 30.0%.

MERKANTIL GROUP (HUNGARY)

Performance of Merkantil Group:

Main components of P&L account in HUF million	1H 2022	1H 2023	Y-o-Y	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
Adjusted profit after tax	5,810	6,279	8%	1,438	4,524	1,756	-61%	22%
Income tax	-809	-805	-1%	-292	-477	-328	-31%	12%
Profit before income tax	6,619	7,084	7%	1,730	5,001	2,083	-58%	20%
Operating profit	5,996	7,813	30%	3,126	4,398	3,415	-22%	9%
Total income	11,093	14,097	27%	5,809	7,289	6,809	-7%	17%
Net interest income	9,821	13,086	33%	5,011	6,921	6,166	-11%	23%
Net fees and commissions	409	433	6%	267	200	233	16%	-13%
Other net non-interest income	863	578	-33%	531	168	410	145%	-23%
Operating expenses	-5,097	-6,284	23%	-2,684	-2,890	-3,394	17%	26%
Total provisions	622	-730		-1,395	602	-1,332		-5%
Provision for impairment on loan losses	859	-681		-1,190	650	-1,331		12%
Other provision	-237	-49	-79%	-205	-48	-1	-98%	-99%
Main components of balance sheet closing balances in HUF million	**2022**	**1H 2023**	**YTD**	**2Q 2022**	**1Q 2023**	**2Q 2023**	**Q-o-Q**	**Y-o-Y**
Total assets	948,735	931,037	-2%	804,518	934,636	931,037	0%	16%
Gross customer loans	532,054	555,690	4%	513,282	538,589	555,690	3%	8%
Gross customer loans (FX-adjusted)	529,204	555,690	5%	511,521	537,603	555,690	3%	9%
Stage 1+2 customer loans (FX-adjusted)	515,169	541,436	5%	495,541	523,710	541,436	3%	9%
Retail loans	3,143	2,845	-10%	3,878	3,016	2,845	-6%	-27%
Corporate loans	130,533	141,600	8%	102,182	139,644	141,600	1%	39%
Leasing	381,493	396,992	4%	389,482	381,050	396,992	4%	2%
Allowances for possible loan losses	-12,436	-12,796	3%	-11,038	-11,925	-12,796	7%	16%
Allowances for possible loan losses (FX-adjusted)	-12,377	-12,796	3%	-11,002	-11,907	-12,796	7%	16%
Deposits from customers	6,151	5,481	-11%	7,423	5,609	5,481	-2%	-26%
Deposits from customer (FX-adjusted)	6,151	5,481	-11%	7,423	5,609	5,481	-2%	-26%
Retail deposits	3,713	3,023	-19%	4,474	3,290	3,023	-8%	-32%
Corporate deposits	2,438	2,459	1%	2,948	2,319	2,459	6%	-17%
Liabilities to credit institutions	852,738	837,469	-2%	709,467	838,328	837,469	0%	18%
Total shareholders' equity	57,591	57,005	-1%	55,970	56,156	57,005	2%	2%
Loan Quality	**1H 2022**	**1H 2023**	**Y-o-Y**	**2Q 2022**	**1Q 2023**	**2Q 2023**	**Q-o-Q**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	454,530	478,949	5%	454,530	461,965	478,949	4%	5%
Stage 1 loans under IFRS 9/gross customer loans	88.6%	86.2%	-2.4%p	88.6%	85.8%	86.2%	0.4%p	-2.4%p
Own coverage of Stage 1 loans under IFRS 9	0.3%	0.6%	0.3%p	0.3%	0.5%	0.6%	0,2%p	0,3%p
Stage 2 loan volume under IFRS 9 (in HUF million)	42,679	62,487	46%	42,679	62,704	62,487	0%	46%
Stage 2 loans under IFRS 9/gross customer loans	8.3%	11.2%	2.9%p	8.3%	11.6%	11.2%	-0.4%p	2.9%p
Own coverage of Stage 2 loans under IFRS 9	5.4%	5.6%	0.2%p	5.4%	4.3%	5.6%	1.3%p	0.2%p
Stage 3 loan volume under IFRS 9 (in HUF million)	16,074	14,254	-11%	16,074	13,920	14,254	2%	-11%
Stage 3 loans under IFRS 9/gross customer loans	3.1%	2.6%	-0.6%p	3.1%	2.6%	2.6%	0.0%p	-0.6%p
Own coverage of Stage 3 loans under IFRS 9	45.9%	43.5%	-2.4%p	45.9%	51.0%	43.5%	-7.4%p	-2.4%p
Provision for impairment on loan losses/average gross loans	-0.37%	0.25%	0.62%p	0.97%	-0.49%	0.98%	1.47%p	0.01%p
90+ days past due loan volume (in HUF million)	3,563	4,604	29%	3,563	4,118	4,604	12%	29%
90+ days past due loans/gross customer loans	0.7%	0.8%	0.1%p	0.7%	0.8%	0.8%	0.1%p	0.1%p
Performance Indicators	**1H 2022**	**1H 2023**	**Y-o-Y**	**2Q 2022**	**1Q 2023**	**2Q 2023**	**Q-o-Q**	**Y-o-Y**
ROA	1.5%	1.3%	-0.2%p	0.7%	1.9%	0.8%	-1.2%p	0.0%p
ROE	20.4%	22.2%	1.7%p	10.4%	32.3%	12.3%	-20.0%p	1.9%p
Total income margin	2.88%	3.02%	0.14%p	2.97%	3.13%	2.91%	-0.22%p	-0.06%p
Net interest margin	2.55%	2.80%	0.26%p	2.56%	2.97%	2.64%	-0.34%p	0.08%p
Operating costs / Average assets	1.3%	1.3%	0.0%p	1.4%	1.2%	1.5%	0.2%p	0.1%p
Cost/income ratio	45.9%	44.6%	-1.4%p	46.2%	39.7%	49.8%	10.2%p	3.6%p

In the first half-year of 2023, **Merkantil Group** posted HUF 6.3 billion adjusted profit after tax (+8% y-o-y), its ROE was 22.2%. The second-quarter profit amounted to HUF 1.8 billion.

In the first half-year, its operating profit jumped by 30% y-o-y, driven by a 27% surge in total income. Net interest income grew by 33% y-o-y, on the strength of increased volumes and a 26 bps improvement in net interest margin.

In the second quarter, net interest income dropped by 11% q-o-q, partly due to the increase in the average interbank borrowing costs.

Operating expenses increased by 23% y-o-y in the first half-year and by 17% q-o-q in the second quarter. This growth was driven by higher amortization, an increase in marketing and consulting costs, as well as rising wages.

In the first half-year the total risk cost line printed -HUF 0.7 billion, mostly stemming from the provision for impairment on loan losses, owing to the revision of the forward-looking macroeconomic expectations in the IFRS 9 models in the second quarter.

The ratio of Stage 3 loans worsened by 0.6 pp y-o-y, to 2.6%, and the share of Stage 2 loans rose by 2.9 pps y-o-y, to 11.2%.

FX-adjusted performing (Stage 1+2) loans grew by 9% y-o-y, mostly driven by corporate loan volumes' 39% expansion, while leasing exposures saw 2% increase. The performing book grew by 3% q-o-q, including 4% rise in leasing volumes, but corporate loan growth notably slowed down (+1% q-o-q).

Under the Széchenyi Card programme, Merkantil Bank signed loan agreements worth HUF 84 billion in 2022 and HUF 21 billion in 1H 2023.

In the first half-year, the volume of newly disbursed car loans grew by 10%, and the financing of production equipment and machinery rose by 2%.

IFRS REPORTS OF THE MAIN SUBSIDIARIES

In the following parts of the report the foreign subsidiaries' adjusted financial data are presented. The calculation method of performance indices can be found in the Supplementary data annex.

DSK GROUP (BULGARIA)

Performance of DSK Group:

Main components of P&L account in HUF million	1H 2022	1H 2023	Y-o-Y	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
Adjusted profit after tax	49,585	88,813	79%	28,521	35,601	53,211	49%	87%
Income tax	-5,381	-9,503	77%	-3,006	-3,696	-5,807	57%	93%
Profit before income tax	54,967	98,316	79%	31,528	39,298	59,018	50%	87%
Operating profit	60,362	95,442	58%	31,474	39,586	55,856	41%	77%
Total income	101,295	146,470	45%	53,518	70,847	75,623	7%	41%
Net interest income	62,450	104,188	67%	32,558	49,512	54,676	10%	68%
Net fees and commissions	32,491	34,860	7%	17,118	17,224	17,635	2%	3%
Other net non-interest income	6,353	7,422	17%	3,842	4,110	3,312	-19%	-14%
Operating expenses	-40,933	-51,028	25%	-22,044	-31,261	-19,768	-37%	-10%
Total provisions	-5,395	2,874		54	-288	3,162		
Provision for impairment on loan losses	-5,810	1,951		-173	-390	2,341		
Other provision	414	923	123%	226	102	821	705%	263%
Main components of balance sheet closing balances in HUF million	**2022**	**1H 2023**	**YTD**	**2Q 2022**	**1Q 2023**	**2Q 2023**	**Q-o-Q**	**Y-o-Y**
Total assets	5,946,815	5,827,663	-2%	5,131,234	5,934,895	5,827,663	-2%	14%
Gross customer loans	3,584,751	3,734,238	4%	3,440,373	3,598,556	3,734,238	4%	9%
Gross customer loans (FX-adjusted)	3,323,822	3,734,238	12%	3,217,704	3,505,484	3,734,238	7%	16%
Stage 1+2 customer loans (FX-adjusted)	3,206,652	3,623,606	13%	3,042,210	3,391,311	3,623,606	7%	19%
Retail loans	1,857,707	1,981,731	7%	1,740,784	1,904,048	1,981,731	4%	14%
Corporate loans	1,090,400	1,360,887	25%	1,070,690	1,216,043	1,360,887	12%	27%
Leasing	258,545	280,988	9%	230,736	271,221	280,988	4%	22%
Allowances for possible loan losses	-154,361	-139,216	-10%	-205,926	-146,356	-139,216	-5%	-32%
Allowances for possible loan losses (FX-adjusted)	-143,128	-139,216	-3%	-192,620	-142,570	-139,216	-2%	-28%
Deposits from customers	4,893,078	4,695,115	-4%	4,260,004	4,794,097	4,695,115	-2%	10%
Deposits from customers (FX-adjusted)	4,534,288	4,695,115	4%	3,976,671	4,671,949	4,695,115	0%	18%
Retail deposits	3,718,758	3,904,748	5%	3,437,964	3,802,472	3,904,748	3%	14%
Corporate deposits	815,530	790,366	-3%	538,707	869,477	790,366	-9%	47%
Liabilities to credit institutions	152,193	176,264	16%	97,696	183,444	176,264	-4%	80%
Total shareholders' equity	779,095	758,112	-3%	704,528	730,253	758,112	4%	8%
Loan Quality	**1H 2022**	**1H 2023**	**Y-o-Y**	**2Q 2022**	**1Q 2023**	**2Q 2023**	**Q-o-Q**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	2,973,580	3,372,597	13%	2,973,580	3,229,760	3,372,597	4%	13%
Stage 1 loans under IFRS 9/gross customer loans	86.4%	90.3%	3.9%p	86.4%	89.8%	90.3%	0.6%p	3.9%p
Own coverage of Stage 1 loans under IFRS 9	1.0%	1.0%	0.0%p	1.0%	1.1%	1.0%	-0.1%p	0.0%p
Stage 2 loan volume under IFRS 9 (in HUF million)	279,183	251,009	-10%	279,183	251,591	251,009	0%	-10%
Stage 2 loans under IFRS 9/gross customer loans	8.1%	6.7%	-1.4%p	8.1%	7.0%	6.7%	-0.3%p	-1.4%p
Own coverage of Stage 2 loans under IFRS 9	16.7%	15.0%	-1.7%p	16.7%	15.9%	15.0%	-0.9%p	-1.7%p
Stage 3 loan volume under IFRS 9 (in HUF million)	187,610	110,632	-41%	187,610	117,205	110,632	-6%	-41%
Stage 3 loans under IFRS 9/gross customer loans	5.5%	3.0%	-2.5%p	5.5%	3.3%	3.0%	-0.3%p	-2.5%p
Own coverage of Stage 3 loans under IFRS 9	69.0%	61.4%	-7.6%p	69.0%	61.1%	61.4%	0.2%p	-7.6%p
Provision for impairment on loan losses/average gross loans	0.37%	-0.11%	-0.48%p	0.02%	0.04%	-0.26%	-0.30%p	-0.28%p
90+ days past due loan volume (in HUF million)	119,860	59,694	-50%	119,860	63,739	59,694	-6%	-50%
90+ days past due loans/gross customer loans	3.5%	1.6%	-1.9%p	3.5%	1.8%	1.6%	-0.2%p	-1.9%p
Performance Indicators	**1H 2022**	**1H 2023**	**Y-o-Y**	**2Q 2022**	**1Q 2023**	**2Q 2023**	**Q-o-Q**	**Y-o-Y**
ROA	2.1%	3.0%	1.0%p	2.3%	2.5%	3.6%	1.2%p	1.3%p
ROE	14.7%	23.9%	9.3%p	17.0%	19.0%	29.0%	10.0%p	12.0%p
Total income margin	4.25%	5.02%	0.77%p	4.31%	4.88%	5.16%	0.28%p	0.85%p
Net interest margin	2.62%	3.57%	0.95%p	2.62%	3.41%	3.73%	0.32%p	1.11%p
Operating costs / Average assets	1.72%	1.75%	0.03%p	1.78%	2.15%	1.35%	-0.81%p	-0.43%p
Cost/income ratio	40.4%	34.8%	-5.6%p	41.2%	44.1%	26.1%	-18.0%p	-15.1%p
Net loans to deposits (FX-adjusted)	76%	77%	0%p	76%	72%	77%	5%p	0%p
FX rates (in HUF)	**1H 2022**	**1H 2023**	**Y-o-Y**	**2Q 2022**	**1Q 2023**	**2Q 2023**	**Q-o-Q**	**Y-o-Y**
HUF/BGN (closing)	202.9	189.8	-6%	202.9	194.8	189.8	-3%	-6%
HUF/BGN (average)	191.8	194.8	2%	197.1	198.8	190.9	-4%	-3%

In the first half of 2023, **DSK Group** posted HUF 88.8 billion adjusted profit after tax, 79% more than in the base period. Its second quarter profit amounted to HUF 53 billion (+49% q-o-q). Based on average shareholders' equity and 1H profit, ROE was 23.9% (+9.3 pps y-o-y). The bank's profitability was outstanding in the second quarter (ROE: 29.0%), thanks to further improvement of the net interest income, the decline in operating expenses due to base effect, and positive risk costs.

In the first six months, operating profit in Bulgaria grew by 58% y-o-y, propelled by a 45% increase in total income. The income realized in the second quarter was 7% higher than in the previous quarter.

The half-year net interest income surged by 65% y-o-y in local currency, and by 15% q-o-q in the second quarter, which was supported, in addition to volume expansion, by the repricing of corporate loans and leasing exposures, which account for almost half of the performing loan portfolio, and that are typically tied to the EURIBOR reference rate; this helped net interest margin improve (1H: 3.57%, +95 bps y-o-y; 2Q: 3.73%, +32 bps q-o-q).

Net fees and commissions in the first half-year grew by 6% y-o-y in BGN terms, owing to the intensifying business activity, and fees related to loans and accounts.

The 16% y-o-y increase in half-year other income in local currency terms can be attributed to higher securities gain, as well as to the sale of the group's subsidiary providing security and ATM services (Trans Security) in January. The decline in the second quarter was largely caused by the revaluation of swap and repo transactions.

Half-year operating expenses grew by 22% y-o-y in local currency because, unlike in the base period, the total annual supervisory charges were booked in a lump sum in the first quarter of 2023 – excluding this item, the y-o-y growth would have been 7%. In the first half-year, the cost/income ratio improved by 5.6 pps, to below 35%. Out of the 37% q-o-q operating cost decline (-HUF 11.5 billion) in the second quarter, HUF 11.2 billion came from the lump-sum recognition of the annual supervisory charges in the first quarter; without this item, the quarterly increase would have been 2%.

HUF 2.9 billion positive risk costs incurred in the first half-year (of which +HUF 3.2 billion in the second quarter), as provisions were released on large corporate and mortgage loans, as a result of improving portfolio quality. The provision release in the second quarter was largely a result of the quarterly risk parameter update. The positive amount of other risk costs was mostly related to the decrease in the stock of interbank placements.

As a result of the improving portfolio quality, the ratio of Stage 1 loans grew further (+3.9 pps y-o-y, +0.6 pp q-o-q); at the same time, the ratio of Stage 2 and Stage 3 volumes decreased. In the first half-year of 2023, HUF 43 billion worth of non-performing loans were sold/written off (of which HUF 25 billion in 2Q).

The strong lending dynamics on the market were also reflected in DSK Bank's figures: the bank's performing (Stage 1+2) loans grew by a total of 13% y-o-y and increased by 7% q-o-q in FX-adjusted terms, mainly driven by the 25% y-o-y and 12% q-o-q growth in corporate volumes. In the first half-year, new corporate loan placements were 46% higher than in the base period and grew by 28% q-o-q in the second quarter. Corporate performing loan volume growth also benefited from transactions jointly financed with OTP Bank (Hungary) and transferred into DSK Bank in the course of 2Q, which accounted for almost half of the q-o-q portfolio expansion (+HUF 145 billion q-o-q). Retail lending also picked up: mortgage loan placements expanded by 27% q-o-q (1H: +11% y-o-y), while the disbursement of new cash loans was stable in the first half of the year. The performing retail loan book increased by 7% y-o-y, while leasing grew by 9% (+4% q-o-q in both segments).

The growth of FX-adjusted deposits (+4% y-o-y, stable q-o-q) lagged behind the dynamics experienced in loans, thus the net loan/deposit ratio rose by 5 pps q-o-q to 77%. In the second quarter, retail deposits increased by 3% q-o-q, while corporate deposits contracted by 9%.

OTP BANK SLOVENIA

Performance of OTP Bank Slovenia:

Main components of P&L account in HUF million	1H 2022	1H 2023	Y-o-Y	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
Adjusted profit after tax	9,683	54,474	463%	4,746	20,265	34,209	69%	621%
Income tax	-2,274	-6,497	186%	-1,028	-2,382	-4,115	73%	300%
Profit before income tax	11,957	60,970	410%	5,774	22,647	38,324	69%	564%
Operating profit	9,817	61,557	527%	5,672	22,247	39,309	77%	593%
Total income	23,274	96,888	316%	12,214	38,955	57,933	49%	374%
Net interest income	14,405	72,636	404%	7,475	29,611	43,025	45%	476%
Net fees and commissions	7,893	20,841	164%	4,203	8,416	12,425	48%	196%
Other net non-interest income	976	3,411	249%	537	928	2,483	168%	363%
Operating expenses	-13,457	-35,331	163%	-6,543	-16,708	-18,623	11%	185%
Total provisions	2,140	-586		102	400	-986		
Provision for impairment on loan losses	2,293	678	-70%	199	883	-206		
Other provision	-152	-1,264	730%	-97	-484	-780	61%	704%
Main components of balance sheet closing balances in HUF million	**2022**	**1H 2023**	**YTD**	**2Q 2022**	**1Q 2023**	**2Q 2023**	**Q-o-Q**	**Y-o-Y**
Total assets	1,790,944	5,589,664	212%	1,570,887	5,531,731	5,589,664	1%	256%
Gross customer loans	1,204,641	2,788,586	131%	1,162,360	2,867,528	2,788,586	-3%	140%
Gross customer loans (FX-adjusted)	1,117,024	2,788,586	150%	1,087,391	2,793,600	2,788,586	0%	156%
Stage 1+2 customer loans (FX-adjusted)	1,103,867	2,758,891	150%	1,075,291	2,765,907	2,758,891	0%	157%
Retail loans	512,552	1,262,243	146%	501,967	1,473,802	1,262,243	-14%	151%
Corporate loans	418,684	1,319,279	215%	401,712	1,118,430	1,319,279	18%	228%
Leasing	172,631	177,369	3%	171,612	173,675	177,369	2%	3%
Allowances for possible loan losses	-14,637	-27,100	85%	-16,839	-24,933	-27,100	9%	61%
Allowances for possible loan losses (FX-adjusted)	-13,573	-27,100	100%	-15,755	-24,299	-27,100	12%	72%
Deposits from customers	1,466,625	4,392,600	200%	1,342,965	4,481,966	4,392,600	-2%	227%
Deposits from customers (FX-adjusted)	1,359,666	4,392,600	223%	1,255,636	4,367,057	4,392,600	1%	250%
Retail deposits	977,054	3,476,120	256%	936,446	3,710,861	3,476,120	-6%	271%
Corporate deposits	382,612	916,480	140%	319,190	656,197	916,480	40%	187%
Liabilities to credit institutions	68,172	133,709	96%	1,986	142,024	133,709	-6%	
Total shareholders' equity	194,843	603,189	210%	185,640	588,896	603,189	2%	225%
Loan Quality	**1H 2022**	**1H 2023**	**Y-o-Y**	**2Q 2022**	**1Q 2023**	**2Q 2023**	**Q-o-Q**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	1,029,769	2,600,070	152%	1,029,769	2,707,407	2,600,070	-4%	152%
Stage 1 loans under IFRS 9/gross customer loans	88.6%	93.2%	4.6%p	88.6%	94.4%	93.2%	-1.2%p	4.6%p
Own coverage of Stage 1 loans under IFRS 9	0.3%	0.4%	0.1%p	0.3%	0.4%	0.4%	0.0%p	0.1%p
Stage 2 loan volume under IFRS 9 (in HUF million)	119,662	158,821	33%	119,662	131,706	158,821	21%	33%
Stage 2 loans under IFRS 9/gross customer loans	10.3%	5.7%	-4.6%p	10.3%	4.6%	5.7%	1.1%p	-4.6%p
Own coverage of Stage 2 loans under IFRS 9	4.8%	2.7%	-2.2%p	4.8%	2.7%	2.7%	-0.1%p	-2.2%p
Stage 3 loan volume under IFRS 9 (in HUF million)	12,929	29,695	130%	12,929	28,414	29,695	5%	130%
Stage 3 loans under IFRS 9/gross customer loans	1.1%	1.1%	0.0%p	1.1%	1.0%	1.1%	0.1%p	0.0%p
Own coverage of Stage 3 loans under IFRS 9	62.9%	45.2%	-17.7%p	62.9%	38.8%	45.2%	6.4%p	-17.7%p
Provision for impairment on loan losses/average gross loans	-0.44%	-0.06%	0.38%p	-0.07%	-0.18%	0.03%	0.20%p	0.10%p
90+ days past due loan volume (in HUF million)	4,938	11,790	139%	4,938	10,413	11,790	13%	139%
90+ days past due loans/gross customer loans	0.4%	0.4%	0.0%p	0.4%	0.4%	0.4%	0.1%p	0.0%p
Performance Indicators	**1H 2022**	**1H 2023**	**Y-o-Y**	**2Q 2022**	**1Q 2023**	**2Q 2023**	**Q-o-Q**	**Y-o-Y**
ROA	1.3%	2.4%	1.1%p	1.3%	2.2%	2.5%	0.3%p	1.3%p
ROE	10.9%	22.4%	11.5%p	10.5%	21.2%	23.2%	1.9%p	12.7%p
Total income margin	3.22%	4.28%	1.07%p	3.25%	4.32%	4.26%	-0.06%p	1.01%p
Net interest margin	1.99%	3.21%	1.22%p	1.99%	3.28%	3.16%	-0.12%p	1.17%p
Operating costs / Average assets	1.86%	1.56%	-0.30%p	1.74%	1.85%	1.37%	-0.48%p	-0.37%p
Cost/income ratio	57.8%	36.5%	-21.4%p	53.6%	42.9%	32.1%	-10.7%p	-21.4%p
Net loans to deposits (FX-adjusted)	85%	63%	-22%p	85%	63%	63%	-1%p	-22%p
FX rates (in HUF)	**1H 2022**	**1H 2023**	**Y-o-Y**	**2Q 2022**	**1Q 2023**	**2Q 2023**	**Q-o-Q**	**Y-o-Y**
HUF/EUR (closing)	396.8	371.1	-6%	396.8	381.0	371.1	-3%	-6%
HUF/EUR (average)	375.1	380.9	2%	385.5	388.7	373.3	-4%	-3%

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

The Slovenian P&L account was adjusted for the one-off items directly related to the acquisition; these items are shown on consolidated level among the adjustments. The balance sheet lines were not adjusted for the acquisition effects.

OTP's **Slovenian subsidiaries** realized HUF 34.2 billion total adjusted profit after tax in the second quarter of 2023, including Nova KBM's HUF 26 billion and SKB's HUF 8.2 billion quarterly profits. This brought the Slovenian operation's half-year *pro forma* aggregated profit to HUF 54.5 billion, which ranks Slovenia second among foreign subsidiary banks, following DSK Bank Bulgaria. What distorted the q-o-q profit dynamics was that in the first quarter, the Slovenian operation's profit included only two months' contribution from Nova KBM, and the average exchange rate of the HUF appreciated by 4% q-o-q versus the EUR.

The quarterly ROE was more than 23%. The strong profitability mostly stemmed from dynamic revenue growth: of the HUF 58 billion total income, net interest income (which has almost 75% weight) jumped by 45% q-o-q, predominantly owing to Nova KBM's extra one month contribution. Moreover, the ECB's steady interest rate hikes had a benign effect on net interest income, through assets' repricing. The improving trend in net interest margin continued; the q-o-q decline was caused by the technical effect of consolidating Nova KBM in the first quarter, which skewed the February margin upwards, in line with the margin calculation methodology. The dynamics of net fee and commission income (+48% q-o-q) was largely determined by Nova KBM's full quarterly contribution, but also boosted by the intensified business activity.

The HUF 18.6 billion volume of quarterly operating expenses rose much slower q-o-q than income dynamics (+11% q-o-q); accordingly, the Slovenian operation's cost/income ratio was just 32% in the second quarter, and showed a substantial improvement q-o-q.

Credit risk costs remained in positive territory in 1H. Loan portfolio quality was stable: the ratio of Stage 3 loans marginally exceeded 1%, and that of Stage 2 loans was above 5.7%. The own provision coverage of Stage 3 loans was 45.2%, lower than the Group average.

In the first half-year, performing loan volumes remained practically flat q-o-q: in the retail segment the marginal decline in mortgages was offset by a slight rise in consumer loans. In the second quarter, a roughly EUR 500 million volume was reclassified from Nova KBM's MSE portfolio into the corporate segment, in order to harmonize it with the methodology used by the Group.

FX-adjusted deposit volumes grew by 1% q-o-q, owing to a 2% increase in retail deposits. Similarly to the asset side, there was also reclassification between the MSE and the corporate deposits.

The net loan/deposit ratio stood at 63%. A slight q-o-q increase brought the Slovenian operation's FX-adjusted deposit volumes closer to HUF 4,400 billion. Within deposits, the weight of retail volumes was 70%: it increased by 2% in the second quarter, even though there was no meaningful interest rate hike in the rising rate environment.

Unlike SKB, Nova KBM is not yet part of OTP's Resolution Group. Accordingly, it manages independently its issuances to meet MREL requirements. In this context, it successfully issued EUR 400 million MREL-eligible Senior Preferred bonds (3NC2 tenor) at 7.375% yield. The transaction was massively oversubscribed.

The volume of Stage 1+2 loans was near HUF 2,800 billion, which makes up 13.3% of the consolidated volume. The aggregate market share of OTP's Slovenian operation stagnated q-o-q: the decline of retail exposures was offset by expanding corporate volumes.

The aggregated market share of the Slovenian operation remained stable q-o-q, in case of total assets it comprised 28%, within that 30% in consumer loans, 29% in mortgages and 27% in corporate exposure, respectively.

The legal and organizational integration of SKB and Nova KBM began in February 2023, and the management expects it to be completed in the first half of 2024. The management assumes that full integration will result in material cost synergy benefits.

OTP BANK CROATIA

Performance of OTP Bank Croatia:

Main components of P&L account in HUF million	1H 2022	1H 2023	Y-o-Y	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
Adjusted profit after tax	22,889	29,705	30%	11,815	12,801	16,904	32%	43%
Income tax	-5,019	-6,013	20%	-2,669	-2,312	-3,701	60%	39%
Profit before income tax	27,908	35,719	28%	14,484	15,113	20,606	36%	42%
Operating profit	22,419	29,696	32%	12,486	13,809	15,887	15%	27%
Total income	46,670	56,427	21%	24,966	27,278	29,149	7%	17%
Net interest income	32,405	41,323	28%	16,997	20,354	20,969	3%	23%
Net fees and commissions	10,792	11,622	8%	5,970	5,453	6,169	13%	3%
Other net non-interest income	3,474	3,481	0%	1,999	1,471	2,011	37%	1%
Operating expenses	-24,251	-26,730	10%	-12,480	-13,469	-13,261	-2%	6%
Total provisions	5,489	6,022	10%	1,998	1,304	4,718	262%	136%
Provision for impairment on loan losses	6,730	7,386	10%	2,944	2,031	5,355	164%	82%
Other provision	-1,241	-1,364	10%	-945	-728	-636	-13%	-33%
Main components of balance sheet closing balances in HUF million	2022	1H 2023	YTD	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
Total assets	3,224,955	2,891,965	-10%	2,915,357	2,885,799	2,891,965	0%	-1%
Gross customer loans	2,263,825	2,154,765	-5%	2,077,630	2,173,864	2,154,765	-1%	4%
Gross customer loans (FX-adjusted)	2,099,286	2,154,765	3%	1,942,621	2,117,678	2,154,765	2%	11%
Stage 1+2 customer loans (FX-adjusted)	1,995,829	2,063,786	3%	1,812,383	2,016,352	2,063,786	2%	14%
Retail loans	997,182	1,041,361	4%	952,985	1,008,574	1,041,361	3%	9%
Corporate loans	861,282	851,704	-1%	722,735	861,697	851,704	-1%	18%
Leasing	137,365	170,721	24%	136,663	146,082	170,721	17%	25%
Allowances for possible loan losses	-108,490	-89,260	-18%	-111,110	-102,246	-89,260	-13%	-20%
Allowances for possible loan losses (FX-adjusted)	-100,612	-89,259	-11%	-103,892	-99,658	-89,259	-10%	-14%
Deposits from customers	2,381,977	2,067,684	-13%	2,142,403	2,092,531	2,067,684	-1%	-3%
Deposits from customers (FX-adjusted)	2,207,027	2,067,684	-6%	1,998,550	2,038,377	2,067,684	1%	3%
Retail deposits	1,646,145	1,627,819	-1%	1,460,723	1,583,845	1,627,819	3%	11%
Corporate deposits	560,882	439,865	-22%	537,827	454,531	439,865	-3%	-18%
Liabilities to credit institutions	337,047	319,510	-5%	232,795	292,031	319,510	9%	37%
Total shareholders' equity	390,583	365,725	-6%	373,623	356,124	365,725	3%	-2%
Loan Quality	1H 2022	1H 2023	Y-o-Y	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
Stage 1 loan volume under IFRS 9 (in HUF million)	1,693,876	1,874,155	11%	1,693,876	1,839,303	1,874,155	2%	11%
Stage 1 loans under IFRS 9/gross customer loans	81.5%	87.0%	5.4%p	81.5%	84.6%	87.0%	2.4%p	5.4%p
Own coverage of Stage 1 loans under IFRS 9	0.5%	0.5%	0.1%p	0.5%	0.5%	0.5%	0.0%p	0.1%p
Stage 2 loan volume under IFRS 9 (in HUF million)	244,349	189,630	-22%	244,349	230,603	189,630	-18%	-22%
Stage 2 loans under IFRS 9/gross customer loans	11.8%	8.8%	-3.0%p	11.8%	10.6%	8.8%	-1.8%p	-3.0%p
Own coverage of Stage 2 loans under IFRS 9	5.2%	7.8%	2.6%p	5.2%	7.8%	7.8%	0.0%p	2.6%p
Stage 3 loan volume under IFRS 9 (in HUF million)	139,405	90,979	-35%	139,405	103,959	90,979	-12%	-35%
Stage 3 loans under IFRS 9/gross customer loans	6.7%	4.2%	-2.5%p	6.7%	4.8%	4.2%	-0.6%p	-2.5%p
Own coverage of Stage 3 loans under IFRS 9	64.9%	70.9%	6.0%p	64.9%	71.5%	70.9%	-0.6%p	6.0%p
Provision for impairment on loan losses/average gross loans	-0.72%	-0.69%	0.03%p	-0.60%	-0.38%	-1.00%	-0.63%p	-0.40%p
90+ days past due loan volume (in HUF million)	78,791	59,468	-25%	78,791	67,620	59,468	-12%	-25%
90+ days past due loans/gross customer loans	3.8%	2.8%	-1.0%p	3.8%	3.1%	2.8%	-0.4%p	-1.0%p
Performance Indicators	1H 2022	1H 2023	Y-o-Y	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
ROA	1.7%	2.0%	0.3%p	1.7%	1.7%	2.4%	0.7%p	0.7%p
ROE	13.1%	16.3%	3.2%p	13.2%	13.7%	19.0%	5.2%p	5.7%p
Total income margin	3.56%	3.88%	0.33%p	3.64%	3.67%	4.11%	0.44%p	0.47%p
Net interest margin	2.47%	2.84%	0.37%p	2.48%	2.74%	2.96%	0.22%p	0.48%p
Operating costs / Average assets	1.85%	1.84%	-0.01%p	1.82%	1.81%	1.87%	0.06%p	0.05%p
Cost/income ratio	52.0%	47.4%	-4.6%p	50.0%	49.4%	45.5%	-3.9%p	-4.5%p
Net loans to deposits (FX-adjusted)	92%	100%	8%p	92%	99%	100%	1%p	8%p
FX rates (in HUF)	1H 2022	1H 2023	Y-o-Y	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
HUF/HRK (closing)	52.7			52.7				
HUF/HRK (average)	48.3			51.1				
HUF/EUR (closing)	396.8	371.1	-6%	396.8	381.0	371.1	-3%	-6%
HUF/EUR (average)	364.3	388.6	7%	385.5	388.7	373.3	-4%	-3%

The **Croatian bank** realized almost HUF 30 billion profit after tax in the first half-year of 2023, thus its profit surged by 30% y-o-y. Of this, almost HUF 17 billion was generated in the second quarter of 2023 (+32% q-o-q). The half-year profit brought the ROE above 16%.

The half-year profit was boosted by both operating profit's dynamic growth (+32% y-o-y) and positive risk costs. On the income side, net interest income grew by 28% in the first six months. The FX-adjusted increase in performing (Stage 1+2) volumes continued (+2% q-o-q, and +14% y-o-y), but the y-o-y 37 bps rise in half-year net interest margin also helped.

In 1H 2023 net fees and commissions grew by 8%, including 13% q-o-q expansion in the second quarter, as a combined result of higher commission revenue as the tourist season kicked off, and the seasonally higher income from card transactions.

Other income was the same in the first half-year as in the base year, but it grew by 37% q-o-q in the second quarter; the latter can be put down to the positive revaluation result relating to repo deals and to selling real estate.

Half-year operating expenses increased by 11% q-o-q. Additional IT costs related to the euro adoption in 2023, and expert fees led to a high base in the first quarter, which resulted in 2% q-o-q cost saving. The half-year cost/income ratio dropped by 4.6 pps y-o-y, to 47.4%.

In addition to the improving operating profit, a 10% y-o-y higher positive risk cost also supported the half-year profit. Within that, HUF 2 billion positive credit risk cost was recorded in the first quarter, largely relating to the corporate loan segment, owing to the reclassification of Stage 2 loans to Stage 1, and due to the repayment of Stage 3 loans. It was largely the revision of IFRS parameters that led to HUF 3.3 billion positive risk cost in the second quarter of 2023, to a lesser extent for retail mortgage and consumer loans, but also for loans to large corporate clients. The ratio of Stage 3 loans moderated further q-o-q, to 4.2%. This decline was driven by the overall improvement of the loan portfolio, as well as by the write-down and sale of a large corporate loan classified as Stage 3. The own provision coverage of Stage 3 loans continued to improve: at the end of June it was at 70.9% (+0.6 pp q-o-q, +6.0 pps y-o-y).

Performing (Stage 1+2) loans expanded by 14% y-o-y, and by 2% q-o-q (FX-adjusted). The retail segment's y-o-y growth still benefited from the subsidized housing loan scheme for first home buyers, which restarted on 21 March 2022; thus the share of this subsidized product within the 2Q retail loan disbursements reached 48%. The corporate loan book grew by 18% y-o-y.

FX-adjusted deposit volumes grew by 3% y-o-y and by 1% q-o-q. Retail deposits, within that particularly sight deposit volumes increased in the second quarter. As to large corporate deposits, the increase in term deposits was partly offset the withdrawal of institutional customers' demand deposits. The Bank's net loan/deposit ratio rose by 8 pps y-o-y, to 100%.

OTP BANK SERBIA

Performance of OTP Bank Serbia:

Main components of P&L account in HUF million	1H 2022	1H 2023	Y-o-Y	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
Adjusted profit after tax	21,780	30,613	41%	10,921	16,429	14,185	-14%	30%
Income tax	-3,219	-4,651	44%	-1,678	-2,463	-2,188	-11%	30%
Profit before income tax	24,999	35,264	41%	12,598	18,891	16,372	-13%	30%
Operating profit	23,699	39,140	65%	12,745	18,941	20,200	7%	58%
Total income	45,616	62,821	38%	24,137	30,681	32,140	5%	33%
Net interest income	33,318	49,235	48%	17,530	24,221	25,014	3%	43%
Net fees and commissions	8,080	8,591	6%	4,385	4,179	4,411	6%	1%
Other net non-interest income	4,219	4,995	18%	2,222	2,281	2,715	19%	22%
Operating expenses	-21,918	-23,680	8%	-11,392	-11,740	-11,940	2%	5%
Total provisions	1,301	-3,877		-146	-49	-3,827		
Provision for impairment on loan losses	1,481	-4,330		-107	-41	-4,289		
Other provision	-180	453		-39	-8	462		
Main components of balance sheet closing balances in HUF million	2022	1H 2023	YTD	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
Total assets	2,708,993	2,571,939	-5%	2,532,691	2,621,118	2,571,939	-2%	2%
Gross customer loans	2,038,480	1,862,133	-9%	2,012,888	1,907,699	1,862,133	-2%	-7%
Gross customer loans (FX-adjusted)	1,891,641	1,862,133	-2%	1,884,454	1,859,086	1,862,133	0%	-1%
Stage 1+2 customer loans (FX-adjusted)	1,843,709	1,810,978	-2%	1,831,142	1,808,624	1,810,978	0%	-1%
Retail loans	842,140	839,126	0%	830,862	831,943	839,126	1%	1%
Corporate loans	908,905	878,942	-3%	911,161	885,777	878,942	-1%	-4%
Leasing	92,664	92,910	0%	89,119	90,905	92,910	2%	4%
Allowances for possible loan losses	-62,386	-65,493	5%	-48,731	-63,815	-65,493	3%	34%
Allowances for possible loan losses (FX-adjusted)	-57,923	-65,493	13%	-45,655	-62,210	-65,493	5%	43%
Deposits from customers	1,551,143	1,525,397	-2%	1,327,031	1,512,933	1,525,397	1%	15%
Deposits from customers (FX-adjusted)	1,439,640	1,525,397	6%	1,241,743	1,475,600	1,525,397	3%	23%
Retail deposits	805,112	811,850	1%	756,866	803,553	811,850	1%	7%
Corporate deposits	634,528	713,547	12%	484,877	672,047	713,547	6%	47%
Liabilities to credit institutions	682,615	616,370	-10%	762,635	646,834	616,370	-5%	-19%
Total shareholders' equity	358,120	330,492	-8%	341,316	356,819	330,492	-7%	-3%
Loan Quality	1H 2022	1H 2023	Y-o-Y	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
Stage 1 loan volume under IFRS 9 (in HUF million)	1,843,294	1,586,729	-14%	1,843,294	1,632,249	1,586,729	-3%	-14%
Stage 1 loans under IFRS 9/gross customer loans	91.6%	85.2%	-6.4%p	91.6%	85.6%	85.2%	-0.4%p	-6.4%p
Own coverage of Stage 1 loans under IFRS 9	0.6%	1.0%	0.4%p	0.6%	0.9%	1.0%	0.1%p	0.4%p
Stage 2 loan volume under IFRS 9 (in HUF million)	112,699	224,248	99%	112,699	223,702	224,248	0%	99%
Stage 2 loans under IFRS 9/gross customer loans	5.6%	12.0%	6.4%p	5.6%	11.7%	12.0%	0.3%p	6.4%p
Own coverage of Stage 2 loans under IFRS 9	5.7%	7.8%	2.1%p	5.7%	7.4%	7.8%	0.4%p	2.1%p
Stage 3 loan volume under IFRS 9 (in HUF million)	56,895	51,155	-10%	56,895	51,748	51,155	-1%	-10%
Stage 3 loans under IFRS 9/gross customer loans	2.8%	2.7%	-0.1%p	2.8%	2.7%	2.7%	0.0%p	-0.1%p
Own coverage of Stage 3 loans under IFRS 9	55.7%	62.6%	6.9%p	55.7%	63.0%	62.6%	-0.4%p	6.9%p
Provision for impairment on loan losses/average gross loans	-0.16%	0.46%	0.62%p	0.02%	0.01%	0.92%	0.91%p	0.90%p
90+ days past due loan volume (in HUF million)	39,966	35,210	-12%	39,966	36,194	35,210	-3%	-12%
90+ days past due loans/gross customer loans	2.0%	1.9%	-0.1%p	2.0%	1.9%	1.9%	0.0%p	-0.1%p
Performance Indicators	1H 2022	1H 2023	Y-o-Y	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
ROA	1.9%	2.4%	0.5%p	1.8%	2.6%	2.2%	-0.4%p	0.4%p
ROE	13.9%	17.7%	3.8%p	13.4%	18.8%	16.7%	-2.1%p	3.2%p
Total income margin	3.94%	4.85%	0.91%p	3.98%	4.78%	4.93%	0.16%p	0.95%p
Net interest margin	2.88%	3.80%	0.92%p	2.89%	3.77%	3.84%	0.07%p	0.95%p
Operating costs / Average assets	1.90%	1.83%	-0.07%p	1.88%	1.83%	1.83%	0.01%p	-0.05%p
Cost/income ratio	48.0%	37.7%	-10.4%p	47.2%	38.3%	37.2%	-1.1%p	-10.0%p
Net loans to deposits (FX-adjusted)	148%	118%	-30%p	148%	122%	118%	-4%p	-30%p
FX rates (in HUF)	1H 2022	1H 2023	Y-o-Y	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
HUF/RSD (closing)	3.4	3.2	-6%	3.4	3.3	3.2	-2%	-6%
HUF/RSD (average)	3.1	3.3	7%	3.3	3.3	3.2	-4%	-3%

In the first six months of 2023, the **Serbian banking group** generated HUF 30.6 billion adjusted profit after tax. The cumulated profit's 41% y-o-y expansion predominantly stemmed from operating profit growth, along with a substantial improvement in operating cost efficiency indicators.

The second quarter adjusted profit amounted to HUF 14.2 billion; most of the 14% q-o-q decline can be put down to the HUF 3.8 billion risk costs emerged in the second quarter.

In the first half-year of 2023, core banking revenues changed favourably (+38% y-o-y), thanks to the intensifying business activity. Within that, net interest income grew by 53% y-o-y. FX-adjusted performing loan volumes stagnated, but the rising RSD and EUR interest rate environment made its impact, through the gradual repricing of predominantly variable rate loans, and in the deposit growth. The uptrend in net interest margin continued: it widened by 95 bps y-o-y, and by 7 bps q-o-q in the second quarter.

The half-year net fees and commissions rose by 6% y-o-y; the growth seen in the second quarter largely stemmed from stronger card revenues.

Despite the continued strong inflationary pressure, operating expenses rose by 6% y-o-y in local currency terms. Almost 80% of the cost growth came from higher personnel expenses, triggered by wage inflation, while the number of employees remained broadly flat y-o-y (on FTE basis). Overall, cost efficiency indicators improved: in 1H 2023, the cost/income ratio (37.7%) was the fourth lowest among foreign group members.

Beside strengthening core banking revenues, those were risk costs that shaped profit dynamics. In the first half-year of 2022, +HUF 1.3 billion positive risk cost helped profit, but in the first six months of 2023 -HUF 3.9 billion risk cost was set aside. Within that, the additional provision for loan loss impairment, owing to the revision of IFRS 9 impairment model parameters, was decisive in the second quarter of 2023. The ratio of Stage 3 loans remained stable q-o-q at 2.7%; their own provision coverage (62.6%) declined by 0.4 pp.

The performing (Stage 1+2) FX-adjusted loan book contracted by 2% y-o-y, partly as a result of a further rise in the interest rate environment and the stricter lending rules for cash loans. In the rising interest rate environment, corporate performing loan volumes dropped by 3% y-o-y.

Largely driven by deposits from large corporations, the deposit book grew by 23% y-o-y and by 3% q-o-q (FX-adjusted). The bank's net loan/deposit ratio sank by 30 pps y-o-y, to 118%.

OTP BANK ALBANIA

Performance of OTP Bank Albania:

Main components of P&L account in HUF million	1H 2022	1H 2023	Y-o-Y	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
Adjusted profit after tax	4,745	8,084	70%	2,485	3,812	4,272	12%	72%
Income tax	-874	-1,400	60%	-495	-591	-810	37%	64%
Profit before income tax	5,619	9,484	69%	2,979	4,402	5,082	15%	71%
Operating profit	4,266	8,713	104%	2,297	4,261	4,452	4%	94%
Total income	7,781	15,934	105%	4,143	7,759	8,175	5%	97%
Net interest income	6,249	13,226	112%	3,223	6,436	6,790	5%	111%
Net fees and commissions	998	1,792	80%	549	867	925	7%	68%
Other net non-interest income	533	916	72%	370	456	460	1%	24%
Operating expenses	-3,514	-7,221	105%	-1,846	-3,498	-3,723	6%	102%
Total provisions	1,352	771	-43%	682	141	630	346%	-8%
Provision for impairment on loan losses	1,118	640	-43%	452	124	515	315%	14%
Other provision	235	132	-44%	230	17	115	573%	-50%
Main components of balance sheet closing balances in HUF million	**2022**	**1H 2023**	**YTD**	**2Q 2022**	**1Q 2023**	**2Q 2023**	**Q/Q**	**Y/Y**
Total assets	635,364	636,835	0%	391,543	626,333	636,835	2%	63%
Gross customer loans	370,875	352,289	-5%	255,065	351,765	352,289	0%	38%
Gross customer loans (FX-adjusted)	354,127	352,289	-1%	250,772	351,881	352,289	0%	40%
Stage 1+2 customer loans (FX-adjusted)	336,503	332,315	-1%	243,032	332,612	332,315	0%	37%
Retail loans	151,709	151,727	0%	100,245	150,523	151,727	1%	51%
Corporate loans	180,924	176,047	-3%	139,036	177,825	176,047	-1%	27%
Leasing	3,870	4,541	17%	3,750	4,264	4,541	7%	21%
Allowances for possible loan losses	-16,208	-15,065	-7%	-10,123	-15,499	-15,065	-3%	49%
Allowances for possible loan losses (FX-adjusted)	-15,567	-15,065	-3%	-9,975	-15,569	-15,065	-3%	51%
Deposits from customers	516,668	497,763	-4%	280,502	491,362	497,763	1%	77%
Deposits from customers (FX-adjusted)	494,640	497,763	1%	277,068	493,070	497,763	1%	80%
Retail deposits	429,293	434,996	1%	231,266	430,764	434,996	1%	88%
Corporate deposits	65,347	62,766	-4%	45,801	62,306	62,766	1%	37%
Liabilities to credit institutions	30,279	33,328	10%	65,159	37,998	33,328	-12%	-49%
Total shareholders' equity	60,827	72,608	19%	38,537	64,081	72,608	13%	88%
Loan Quality	**1H 2022**	**1H 2023**	**Y-o-Y**	**2Q 2022**	**1Q 2023**	**2Q 2023**	**Q-o-Q**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	230,848	300,650	30%	230,848	302,167	300,650	-1%	30%
Stage 1 loans under IFRS 9/gross customer loans	90.5%	85.3%	-5.2%p	90.5%	85.9%	85.3%	-0.6%p	-5.2%p
Own coverage of Stage 1 loans under IFRS 9	1.1%	0.8%	-0.3%p	1.1%	1.0%	0.8%	-0.1%p	-0.3%p
Stage 2 loan volume under IFRS 9 (in HUF million)	16,422	31,665	93%	16,422	30,498	31,665	4%	93%
Stage 2 loans under IFRS 9/gross customer loans	6.4%	9.0%	2.6%p	6.4%	8.7%	9.0%	0.3%p	2.6%p
Own coverage of Stage 2 loans under IFRS 9	12.7%	7.6%	-5.1%p	12.7%	8.4%	7.6%	-0.8%p	-5.1%p
Stage 3 loan volume under IFRS 9 (in HUF million)	7,796	19,974	156%	7,796	19,099	19,974	5%	156%
Stage 3 loans under IFRS 9/gross customer loans	3.1%	5.7%	2.6%p	3.1%	5.4%	5.7%	0.2%p	2.6%p
Own coverage of Stage 3 loans under IFRS 9	70.1%	51.1%	-19.0%p	70.1%	52.6%	51.1%	-1.4%p	-19.0%p
Provision for impairment on loan losses/average gross loans	-0.97%	-0.37%	0.60%p	-0.74%	-0.14%	-0.60%	-0.45%p	0.15%p
90+ days past due loan volume (in HUF million)	4,019	12,390	208%	4,019	11,476	12,390	8%	208%
90+ days past due loans/gross customer loans	1.6%	3.5%	1.9%p	1.6%	3.3%	3.5%	0.3%p	1.9%p
Performance Indicators	**1H 2022**	**1H 2023**	**Y-o-Y**	**2Q 2022**	**1Q 2023**	**2Q 2023**	**Q-o-Q**	**Y-o-Y**
ROA	2.6%	2.6%	0.0%p	2.7%	2.5%	2.8%	0.2%p	0.1%p
ROE	26.3%	25.6%	-0.7%p	26.5%	25.8%	25.4%	-0.5%p	-1.2%p
Total income margin	4.32%	5.18%	0.86%p	4.45%	5.10%	5.26%	0.17%p	0.81%p
Net interest margin	3.47%	4.30%	0.83%p	3.46%	4.23%	4.37%	0.14%p	0.91%p
Operating costs / Average assets	2.0%	2.3%	0.4%p	2.0%	2.3%	2.4%	0.1%p	0.4%p
Cost/income ratio	45.2%	45.3%	0.2%p	44.6%	45.1%	45.5%	0.5%p	1.0%p
Net loans to deposits (FX-adjusted)	87%	68%	-19%p	87%	68%	68%	0%p	-19%p
FX rates (in HUF)	**1H 2022**	**1H 2023**	**Y-o-Y**	**2Q 2022**	**1Q 2023**	**2Q 2023**	**Q-o-Q**	**Y-o-Y**
HUF/ALL (closing)	3.3	3.5	5%	3.3	3.4	3.5	4%	5%
HUF/ALL (average)	3.1	3.4	9%	3.2	3.4	3.4	1%	6%

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

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

The Albanian P&L account was adjusted for the one-off items directly related to the acquisition; they are presented at consolidated level among the adjustment items. The balance sheet lines were not adjusted for these effects.

In the first half-year of 2023, **OTP Bank Albania** generated HUF 8.1 billion profit after tax, within that the 2Q profit grew by 12% q-o-q. ROE was 25.6% in the first half-year, and 25.4% in the second quarter.

The y-o-y changes in the P&L lines for the first half-year can mostly be attributed to the acquisition.

As a result of the acquisition, the total asset-based market share grew by 3 pps y-o-y, while the Albanian operation retained its fifth place in the market ranking. The combined network in Albania shrunk by a total of 23 branches (-32%) and the number of employees declined by 71 people (-9%) since the end of September 2022.

In the second quarter, operating profit grew by 4% q-o-q, supported by 5% expansion in total income, while operating expenses increased by 6%.

The quarterly net interest income grew by 5% q-o-q, driven by the further improving margin in the rising interest rate environment.

The 6% q-o-q increase in quarterly operating expenses stemmed from higher software-related expenses.

The q-o-q change in credit risk cost was driven by the revision of IFRS 9 parameters in the base period.

The ratio of Stage 3 loans increased by 0.2 pp q-o-q, to 5.7%, and the share of Stage 2 loans rose by 0.3 pp, to 9.0%.

The FX-adjusted performing (Stage 1+2) loan volumes were stable q-o-q, but grew by 37% y-o-y, largely as a result of the acquisition. In year-on-year comparison, retail loans jumped by 51%, and the corporate loan book expanded by 27%.

FX-adjusted deposit volumes rose by 1% q-o-q, and jumped by 80% y-o-y. The net loan/deposit ratio stood at 68% at the end of June 2023 (-19 pps y-o-y, largely as a result of the acquisition).

CKB GROUP (MONTENEGRO)

Performance of OTP Bank CKB Group:

Main components of P&L account in HUF million	1H 2022	1H 2023	Y-o-Y	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
Adjusted profit after tax	292	8,952		1,521	4,393	4,559	4%	200%
Income tax	-522	-1,538	194%	-462	-742	-796	7%	72%
Profit before income tax	814	10,490		1,984	5,134	5,356	4%	170%
Operating profit	5,931	10,731	81%	3,469	5,026	5,704	13%	64%
Total income	12,385	17,543	42%	6,781	8,439	9,104	8%	34%
Net interest income	9,189	13,709	49%	4,884	6,695	7,014	5%	44%
Net fees and commissions	2,954	3,488	18%	1,715	1,500	1,988	33%	16%
Other net non-interest income	241	347	44%	181	245	102	-58%	-44%
Operating expenses	-6,454	-6,812	6%	-3,311	-3,413	-3,400	0%	3%
Total provisions	-5,117	-241	-95%	-1,486	108	-349		-77%
Provision for impairment on loan losses	-1,567	-319	-80%	77	347	-666		
Other provision	-3,550	78		-1,562	-239	317		
Main components of balance sheet closing balances in HUF million	**2022**	**1H 2023**	**YTD**	**2Q 2022**	**1Q 2023**	**2Q 2023**	**Q-o-Q**	**Y-o-Y**
Total assets	664,395	591,498	-11%	589,651	602,747	591,498	-2%	0%
Gross customer loans	447,921	426,871	-5%	425,044	432,986	426,871	-1%	0%
Gross customer loans (FX-adjusted)	415,333	426,871	3%	397,597	421,781	426,871	1%	7%
Stage 1+2 customer loans (FX-adjusted)	394,945	407,166	3%	372,753	401,473	407,166	1%	9%
Retail loans	179,799	190,331	6%	172,388	183,225	190,331	4%	10%
Corporate loans	215,146	216,835	1%	200,365	218,249	216,835	-1%	8%
Allowances for possible loan losses	-21,893	-20,534	-6%	-26,917	-21,109	-20,534	-3%	-24%
Allowances for possible loan losses (FX-adjusted)	-20,300	-20,534	1%	-25,179	-20,563	-20,534	0%	-18%
Deposits from customers	524,479	455,527	-13%	437,011	469,315	455,527	-3%	4%
Deposits from customers (FX-adjusted)	486,117	455,527	-6%	408,282	457,256	455,527	0%	12%
Retail deposits	268,069	273,773	2%	241,323	265,962	273,773	3%	13%
Corporate deposits	218,048	181,753	-17%	166,959	191,293	181,753	-5%	9%
Liabilities to credit institutions	12,443	11,922	-4%	40,611	11,952	11,922	0%	-71%
Total shareholders' equity	99,131	100,444	1%	88,469	98,434	100,444	2%	14%
Loan Quality	**1H 2022**	**1H 2023**	**Y-o-Y**	**2Q 2022**	**1Q 2023**	**2Q 2023**	**Q-o-Q**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	353,677	374,708	6%	353,677	375,531	374,708	0%	6%
Stage 1 loans under IFRS 9/gross customer loans	83.2%	87.8%	4.6%p	83.2%	86.7%	87.8%	1.2%p	4.6%p
Own coverage of Stage 1 loans under IFRS 9	1.2%	1.3%	0.1%p	1.2%	1.2%	1.3%	0.1%p	0.1%p
Stage 2 loan volume under IFRS 9 (in HUF million)	44,808	32,457	-28%	44,808	36,609	32,457	-11%	-28%
Stage 2 loans under IFRS 9/gross customer loans	10.5%	7.6%	-2.9%p	10.5%	8.5%	7.6%	-0.9%p	-2.9%p
Own coverage of Stage 2 loans under IFRS 9	9.5%	9.1%	-0.4%p	9.5%	8.6%	9.1%	0.5%p	-0.4%p
Stage 3 loan volume under IFRS 9 (in HUF million)	26,560	19,705	-26%	26,560	20,847	19,705	-5%	-26%
Stage 3 loans under IFRS 9/gross customer loans	6.2%	4.6%	-1.6%p	6.2%	4.8%	4.6%	-0.2%p	-1.6%p
Own coverage of Stage 3 loans under IFRS 9	69.5%	64.9%	-4.5%p	69.5%	65.3%	64.9%	-0.4%p	-4.5%p
Provision for impairment on loan losses/average gross loans	0.81%	0.15%	-0.66%p	-0.08%	-0.32%	0.62%	0.95%p	0.70%p
90+ days past due loan volume (in HUF million)	17,640	14,752	-16%	17,640	12,835	14,752	15%	-16%
90+ days past due loans/gross customer loans	4.2%	3.5%	-0.7%p	4.2%	3.0%	3.5%	0.5%p	-0.7%p
Performance Indicators	**1H 2022**	**1H 2023**	**Y-o-Y**	**2Q 2022**	**1Q 2023**	**2Q 2023**	**Q-o-Q**	**Y-o-Y**
ROA	0.1%	3.0%	2.8%p	1.1%	2.9%	3.0%	0.2%p	2.0%p
ROE	0.7%	18.4%	17.7%p	7.2%	18.2%	18.5%	0.3%p	11.3%p
Total income margin	4.64%	5.79%	1.15%p	4.83%	5.51%	6.07%	0.56%p	1.24%p
Net interest margin	3.44%	4.52%	1.08%p	3.48%	4.37%	4.68%	0.31%p	1.20%p
Operating costs / Average assets	2.42%	2.25%	-0.17%p	2.36%	2.23%	2.27%	0.04%p	-0.09%p
Cost/income ratio	52.1%	38.8%	-13.3%p	48.8%	40.4%	37.3%	-3.1%p	-11.5%p
Net loans to deposits (FX-adjusted)	91%	89%	-2%p	91%	88%	89%	1%p	-2%p
FX rates (in HUF)	**1H 2022**	**1H 2023**	**Y-o-Y**	**2Q 2022**	**1Q 2023**	**2Q 2023**	**Q-o-Q**	**Y-o-Y**
HUF/EUR (closing)	396.8	371.1	-6%	396.8	381.0	371.1	-3%	-6%
HUF/EUR (average)	375.1	380.9	2%	385.5	388.7	373.3	-4%	-3%

In the first half-year of 2023, the Montenegrin **CKB Group** realized HUF 9 billion adjusted profit after tax, which is consistent with 18.4% half-year ROE. In the second quarter, the Bank's profit grew by 4% q-o-q, to HUF 4.6 billion.

The main reason for the improvement in the half-year profit was the 40% jump in total income in local currency terms, as well as the drop in risk costs mainly owing to base effect.

Within total income, net interest income grew by 47% y-o-y in local currency terms, as a result of the widening margin (+1.07 pps y-o-y, to 4.51%) in the rising EUR interest rate environment, and also due to the increasing loan and deposit volumes. In the first six months of the year, net fees and commissions surged by 17% in EUR terms. In the first half-year, operating expenses rose by 4% in EUR, helping the half-year cost/income ratio improve by 13.4 pps y-o-y, to 38.8%.

The second-quarter adjusted profit grew by 8% q-o-q in local currency terms, thanks to the favourable development in core banking revenues.

In the second quarter of 2023, total income increased by 12% q-o-q in local currency terms, driven by a 9% surge in net interest income, as well as a 38% (partly seasonal) jump in net fees and commissions. Operating profit grew by 18% q-o-q in local currency terms, as costs grew slower than income did. The q-o-q higher level of risk costs partly stemmed from the provisions set aside because of the revision of forward-looking macroeconomic expectations in IFRS 9 models.

The ratio of Stage 3 loans dropped to 4.6% (-1.6 pps y-o-y, -0.2 pp q-o-q). The own provision coverage of Stage 3 loans stood at 64.9% at the end of the second quarter of 2023 (-6 pps y-o-y, -0.4 pp q-o-q).

FX-adjusted performing (Stage 1+2) loan volumes rose by 1% q-o-q (and 9% y-o-y). It was mostly mortgage and consumer loans that supported growth, while corporate loans slightly contracted.

The FX-adjusted deposit book grew by 12% y-o-y and was stable q-o-q. The net loan/deposit ratio stood at 89% at the end of the second quarter (+1 pp q-o-q).

IPOTEKA BANK (UZBEKISTAN)

Performance of Ipoteka Bank (Uzbekistan):

Main components of P&L account in HUF million	2Q 2023
Adjusted profit after tax	-
Income tax	-
Profit before income tax	-
Operating profit	-
Total income	-
Net interest income	-
Net fees and commissions	-
Other net non-interest income	-
Operating expenses	-
Total provisions	-
Provision for impairment on loan losses	-
Other provision	-
Main components of balance sheet closing balances in HUF million	**2Q 2023**
Total assets	1,200,975
Gross customer loans	909,203
Gross customer loans (FX-adjusted)	909,203
Stage 1+2 customer loans (FX-adjusted)	885,108
Retail loans	650,919
Corporate loans	234,188
Leasing	0
Allowances for possible loan losses	-39,847
Allowances for possible loan losses (FX-adjusted)	-39,847
Deposits from customers	283,559
Deposits from customers (FX-adjusted)	283,559
Retail deposits	105,035
Corporate deposits	178,523
Liabilities to credit institutions	577,882
Issued securities	114,492
Subordinated debt	13,256
Total shareholders' equity	199,122
Loan Quality	**2Q 2023**
Stage 1 loan volume under IFRS 9 (in HUF million)	885,108
Stage 1 loans under IFRS 9/gross customer loans	97.3%
Own coverage of Stage 1 loans under IFRS 9	4.5%
Stage 2 loan volume under IFRS 9 (in HUF million)	0
Stage 2 loans under IFRS 9/gross customer loans	0.0%
Own coverage of Stage 2 loans under IFRS 9	0.0%
Stage 3 loan volume under IFRS 9 (in HUF million)	24,096
Stage 3 loans under IFRS 9/gross customer loans	2.7%
Own coverage of Stage 3 loans under IFRS 9	0.0%
Provision for impairment on loan losses/average gross loans	0.00%
90+ days past due loan volume (in HUF million)	20,969
90+ days past due loans/gross customer loans	2.3%
Performance Indicators	**2Q 2023**
ROA	-
ROE	-
Total income margin	-
Net interest margin	-
Operating costs / Average assets	-
Cost/income ratio	-
Net loans to deposits (FX-adjusted)	307%
FX rates (in HUF)	**2Q 2023**
HUF/1.000 UZS (closing)	29.8
HUF/1.000 UZS (average)	30.1

In line with the sale and purchase agreement concluded on 12 December 2022 between OTP Bank and the Ministry of Economy and Finance of the Republic of Uzbekistan, the first step of the transaction was completed on 13 June 2023. Consequently, OTP Bank became the majority shareholder of Ipoteka Bank by acquiring a 73.71% stake and became indirect shareholder of Ipoteka Bank's wholly-owned subsidiaries. In the second step of the transaction, the shares that remained in the ownership of the Ministry will be bought three years after the first step.

The balance sheet of Ipoteka Bank was consolidated in 2Q, but its P&L will be included in OTP Group's adjusted P&L only starting from the third quarter of 2023. Ipoteka Bank's subsidiaries are consolidated as investments.

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

By purchasing **Ipoteka Bank**, OTP Group entered the Central Asian region, and it is the first foreign player to participate in the privatization of Uzbekistan's banking sector. The purchase price was USD 330 million; 75% of that was paid upon the closing of the transaction on 13 June, and OTP will pay the remaining amount to the Uzbek State three years after the first leg of the deal.

Based on the latest available data, as at July 2023 Ipoteka Bank was the fifth largest bank in Uzbekistan, with 7.7% market share by total assets. The Bank had almost 1.5 million retail clients, 39 branches and employed more than 4,000 people.

Ipoteka Bank's total assets amounted to HUF 1,200 billion, including HUF 909 billion gross loans, making up 76% of assets. Within gross performing loans, the weight of mortgage loans represented 35%, consumer loans made up 11%, and corporate loans 51%, respectively.

Ipoteka Bank is the largest player in the mortgage market, with about 25% market share. Major part of the mortgage loan portfolio was disbursed under the subsidized mortgage loan program refinanced by the state.

Deposit volumes amounted to HUF 284 billion, including HUF 105 billion (37%) retail deposits and HUF 179 billion (63%) corporate deposits.

The net loan/deposit ratio stood at 307%, thus the Bank's liability structure heavily relies on largely state funding sources, which typically finance subsidized loans: liabilities to credit institutions stood at HUF 578 billion in the bank's balance sheet. In addition, issued securities amounted to HUF 114 billion, predominantly comprising of a RegS public senior issuance maturing in 2025 with total nominal value of USD 300 million, and a private placement denominated in local currency (UZS), the equivalent of USD 75 million, maturing in 2024.

Regarding loan portfolio quality, the ratio of Stage 3 loans was 4.3%, below the Group's average. This is largely because Stage 3 loans were netted with the provisions allocated behind these exposures when the Bank was consolidated into the Group, thus the own provision coverage of Stage 3 loans stood at 0%. Stage 2 loan volumes amounted to 0 because in the opening balance sheet these volumes were shifted into Stage 1 category.

OTP BANK RUSSIA

Performance of OTP Bank Russia

Main components of P&L account in HUF million	1H 2022	1H 2023	Y-o-Y	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
Adjusted profit after tax	-14,751	51,301		12,470	17,956	33,345	86%	167%
Income tax	2,463	-14,091		9,306	-5,406	-8,684	61%	-193%
Profit before income tax	-17,214	65,392		3,164	23,363	42,029	80%	
Operating profit	26,939	68,848	156%	14,556	28,015	40,833	46%	181%
Total income	59,980	106,527	78%	33,707	48,594	57,934	19%	72%
Net interest income	45,650	59,774	31%	25,083	30,240	29,535	-2%	18%
Net fees and commissions	12,317	18,980	54%	7,232	8,979	10,002	11%	38%
Other net non-interest income	2,013	27,772		1,392	9,375	18,397	96%	
Operating expenses	-33,041	-37,680	14%	-19,151	-20,579	-17,101	-17%	-11%
Total provisions	-44,153	-3,456	-92%	-11,392	-4,652	1,196		
Provision for impairment on loan losses	-35,928	-1,424	-96%	-9,323	-2,560	1,136		
Other provision	-8,225	-2,032	-75%	-2,068	-2,092	61		
Main components of balance sheet closing balances in HUF million	**2022**	**1H 2023**	**YTD**	**2Q 2022**	**1Q 2023**	**2Q 2023**	**Q-o-Q**	**Y-o-Y**
Total assets	1,029,721	1,127,788	10%	1,379,769	1,085,636	1,127,788	4%	-18%
Gross customer loans	784,958	622,811	-21%	1,058,852	696,510	622,811	-11%	-41%
Gross customer loans (FX-adjusted)	595,525	622,811	5%	576,844	600,428	622,811	4%	8%
Stage 1+2 customer loans (FX-adjusted)	501,689	524,540	5%	489,590	505,292	524,540	4%	7%
Retail loans	473,314	505,948	7%	438,648	486,920	505,948	4%	15%
Corporate loans	28,375	18,593	-34%	50,941	18,372	18,593	1%	-64%
Allowances for possible loan losses	-173,105	-129,642	-25%	-255,523	-152,116	-129,642	-15%	-49%
Allowances for possible loan losses (FX-adjusted)	-131,635	-129,642	-2%	-139,422	-131,358	-129,642	-1%	-7%
Deposits from customers	576,865	749,532	30%	751,925	683,491	749,532	10%	0%
Deposits from customers (FX-adjusted)	454,213	749,532	65%	479,613	608,652	749,532	23%	56%
Retail deposits	264,911	324,531	23%	265,911	300,961	324,531	8%	22%
Corporate deposits	189,303	425,001	125%	213,702	307,691	425,001	38%	99%
Liabilities to credit institutions	49,774	33,437	-33%	100,156	29,353	33,437	14%	-67%
Total shareholders' equity	306,304	278,369	-9%	365,923	285,372	278,369	-2%	-24%
Loan Quality	**2022**	**1H 2023**	**YTD**	**2Q 2022**	**1Q 2023**	**2Q 2023**	**Q-o-Q**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	738,689	416,134	-44%	738,689	513,432	416,134	-19%	-44%
Stage 1 loans under IFRS 9/gross customer loans	69.8%	66.8%	-2.9%p	69.8%	73.7%	66.8%	-6.9%p	-2.9%p
Own coverage of Stage 1 loans under IFRS 9	6.4%	3.0%	-3.4%p	6.4%	5.0%	3.0%	-2.0%p	-3.4%p
Stage 2 loan volume under IFRS 9 (in HUF million)	161,791	108,407	-33%	161,791	73,185	108,407	48%	-33%
Stage 2 loans under IFRS 9/gross customer loans	15.3%	17.4%	2.1%p	15.3%	10.5%	17.4%	6.9%p	2.1%p
Own coverage of Stage 2 loans under IFRS 9	35.0%	23.2%	-11.8%p	35.0%	32.3%	23.2%	-9.2%p	-11.8%p
Stage 3 loan volume under IFRS 9 (in HUF mill)	158,372	98,271	-38%	158,372	109,893	98,271	-11%	-38%
Stage 3 loans under IFRS 9/gross customer loans	15.0%	15.8%	0.8%p	15.0%	15.8%	15.8%	0.0%p	0.8%p
Own coverage of Stage 3 loans under IFRS 9	95.8%	93.6%	-2.2%p	95.8%	93.7%	93.6%	-0.1%p	-2.2%p
Provision for impairment on loan losses/average gross loans	9.63%	0.41%	-9.23%p	4.44%	1.39%	-0.68%	-2.08%p	-5.12%p
90+ days past due loan volume (in HUF million)	158,909	97,938	-38%	158,909	109,693	97,938	-11%	-38%
90+ days past due loans/gross customer loans	15.0%	15.7%	0.7%p	15.0%	15.7%	15.7%	0.0%p	0.7%p
Performance Indicators	**2022**	**1H 2023**	**YTD**	**2Q 2022**	**1Q 2023**	**2Q 2023**	**Q-o-Q**	**Y-o-Y**
ROA	-3.3%	9.7%	13.0%p	4.8%	7.1%	12.1%	5.0%p	7.3%p
ROE	-12.5%	35.7%	48.2%p	18.6%	24.2%	47.9%	23.6%p	29.3%p
Total income margin	13.33%	20.10%	6.77%p	12.94%	19.14%	20.98%	1.85%p	8.05%p
Net interest margin	10.15%	11.28%	1.13%p	9.63%	11.91%	10.70%	-1.21%p	1.07%p
Operating costs / Average assets	7.3%	7.1%	-0.2%	7.4%	8.1%	6.2%	-1.9%	-1.2%
Cost/income ratio	55.1%	35.4%	-19.7%p	56.8%	42.3%	29.5%	-12.8%p	-27.3%p
Net loans to deposits (FX-adjusted)	91%	66%	-25%p	91%	77%	66%	-11%p	-25%p
FX rates (in HUF)	**2022**	**1H 2023**	**YTD**	**2Q 2022**	**1Q 2023**	**2Q 2023**	**Q-o-Q**	**Y-o-Y**
HUF/RUB (closing)	7.2	3.9	-46%	7.2	4.5	3.9	-14%	-46%
HUF/RUB (average)	4.7	4.6	-2%	5.6	5.0	4.2	-15%	-24%

OTP Bank Russia's financial figures in HUF terms were strongly affected by the forint/rouble exchange rate moves: the forint's average exchange rate appreciated by 2% y-o-y against the rouble in the first half-year of 2023, and by 15% q-o-q in the second quarter. The RUB closing exchange rate weakened by 14% q-o-q (by 46% y-o-y) against the HUF in the second quarter of 2023. Therefore, changes expressed in local currency paint a more accurate picture of balance sheet and P&L developments.

OTP Bank Russia generated almost RUB 11.8 billion (HUF 51.3 billion) profit in the first half-year of 2023, thanks to stronger revenues and more favourable risk cost levels. In the second quarter, profit after tax doubled q-o-q in RUB terms (nearing RUB 8 billion), and ROE jumped to 48%, the second highest in the Group after Ukraine.

The bank's revenues strengthened on all lines; total income jumped by +83% y-o-y in RUB terms in the first half-year and surged by +36% q-o-q in the second quarter. Net interest income surged by 26% y-o-y in the first half-year in RUB terms and increased by 6% q-o-q in the second quarter, as a result of expanding retail loans, and higher interest income realized on deposits placed with the central bank. In addition to the slowly decreasing trend of retail loan rates, the decrease in the 2Q net interest margin (-121 bps q-o-q) was explained by the deployment of excess liquidity mainly in central bank deposits at a low margin, in the wake of the expansion of large corporate deposit volumes.

Net fee and commission income grew by 58% y-o-y in the first half-year and by 31% q-o-q in the second quarter in local currency terms, mostly as a result of higher account management fees and commission income related to transactions. The strengthening of other income in the first half of the year was supported by increased foreign currency conversion income, and this was largely why other income doubled q-o-q in 2Q as well.

The 15% y-o-y increase in semi-annual operating costs was partly explained by wage inflation and the increase in personnel and IT costs related to the digital transformation of the bank's operations and services, as well as the depreciation booked in 1Q resulting from the decommissioning of certain IT systems. The latter item explained the q-o-q 2% decrease in 2Q operating costs.

In the first six months, total risk cost amounted to HUF 3.5 billion, compared to HUF 44 billion in the first half-year of 2022. In the second quarter of 2023, credit risk costs had positive sign: the portfolio quality stabilized, and in connection with the revision of parameters in the IFRS 9 impairment calculation model, loan loss provision was released. The positive other risk cost in the second quarter was the result of release of previously created provisions related to the bond portfolio.

Stage 3 loans under IFRS 9 made up 15.8% of gross loan volumes at the end of the second quarter, implying q-o-q stagnation. The own provision coverage of Stage 3 loans stood at 93.6% at the end of 2Q. The Stage 2 ratio stood at 17.4%; the 6.9 pps q-o-q increase was the result of methodological change during the parameter revision.

The FX-adjusted performing (Stage 1+2) loan volumes expanded by 5% in the first half of the year, primarily because of the 7% increase in retail loans, while the reduction of the corporate loan book continued (-34% ytd). In the second quarter, cash loan sales accelerated (+20% q-o-q), while new POS loans disbursements subsided (-10% q-o-q). The volume of retail loans increased by 4% q-o-q. In the corporate segment, the bank still does not provide new loans; the minimal q-o-q increase resulted from changes in the utilization of revolving credit lines.

The Central Bank of Russia extended the restriction on cash withdrawals and foreign currency transfers by private and legal entities until 9 September 2023. In the second quarter, the increase in deposits continued, owing to the currency conversion services available at the bank. In the first half-year, the volume of customer deposits jumped by 65% ytd (FX-adjusted), mostly driven by the expanding volumes in the corporate segment (+125% ytd); meanwhile, retail deposits increased by 23%. The FX-adjusted net loan/deposit ratio fell to 66% by the end of June (-11 pps q-o-q, -25% pps y-o-y, FX-adjusted).

At the end of June, the Russian operation's gross intragroup financing (in a form of subordinated loan) amounted to HUF 9 billion. The bank's capital adequacy ratios remained steadily above the regulatory minimum levels. The Bank's CAR further improved to 24.1% (1Q 2023: 20.3% vs. 8% regulatory minimum).

OTP BANK UKRAINE

Performance of OTP Bank Ukraine:

Main components of P&L account in HUF million	1H 2022	1H 2023	Y-o-Y	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
Adjusted profit after tax	-34,254	30,404		146	12,640	17,764	41%	
Income tax	315	-7,210		655	-3,620	-3,590	-1%	
Profit before income tax	-34,569	37,613		-509	16,260	21,353	31%	
Operating profit	36,359	40,515	11%	21,108	21,049	19,466	-8%	-8%
Total income	51,055	54,856	7%	28,023	28,455	26,400	-7%	-6%
Net interest income	40,247	46,438	15%	21,433	23,972	22,467	-6%	5%
Net fees and commissions	5,314	5,893	11%	2,284	3,196	2,697	-16%	18%
Other net non-interest income	5,494	2,525	-54%	4,306	1,288	1,237	-4%	-71%
Operating expenses	-14,696	-14,341	-2%	-6,915	-7,406	-6,934	-6%	0%
Total provisions	-70,928	-2,901	-96%	-21,617	-4,789	1,887		
Provision for impairment on loan losses	-65,459	-602	-99%	-18,416	-3,287	2,685		
Other provision	-5,470	-2,300	-58%	-3,201	-1,502	-798	-47%	-75%
Main components of balance sheet closing balances in HUF million	2022	1H 2023	YTD	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
Total assets	1,048,713	973,988	-7%	1,087,940	1,014,245	973,988	-4%	-10%
Gross customer loans	529,644	421,262	-20%	710,203	472,559	421,262	-11%	-41%
Gross customer loans (FX-adjusted)	482,211	421,262	-13%	564,439	460,532	421,262	-9%	-25%
Stage 1+2 customer loans (FX-adjusted)	394,781	316,588	-20%	509,559	356,562	316,588	-11%	-38%
Retail loans	44,021	31,898	-28%	75,896	36,634	31,898	-13%	-58%
Corporate loans	240,271	190,638	-21%	286,139	218,732	190,638	-13%	-33%
Leasing	110,489	94,051	-15%	147,524	101,196	94,051	-7%	-36%
Allowances for possible loan losses	-115,754	-104,527	-10%	-118,332	-115,873	-104,527	-10%	-12%
Allowances for possible loan losses (FX-adjusted)	-105,237	-104,527	-1%	-93,128	-112,898	-104,527	-7%	12%
Deposits from customers	783,009	691,316	-12%	776,317	745,409	691,316	-7%	-11%
Deposits from customers (FX-adjusted)	712,786	691,316	-3%	624,507	726,133	691,316	-5%	11%
Retail deposits	276,160	269,356	-2%	262,826	273,619	269,356	-2%	2%
Corporate deposits	436,626	421,960	-3%	361,681	452,514	421,960	-7%	17%
Liabilities to credit institutions	108,678	93,971	-14%	122,698	97,604	93,971	-4%	-23%
Total shareholders' equity	122,493	142,789	17%	133,905	126,552	142,789	13%	7%
Loan Quality	1H 2022	1H 2023	Y-o-Y	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
Stage 1 loan volume under IFRS 9 (in HUF million)	335,665	189,468	-44%	335,665	203,293	189,468	-7%	-44%
Stage 1 loans under IFRS 9/gross customer loans	47.3%	45.0%	-2.3%p	47.3%	43.0%	45.0%	2.0%p	-2.3%p
Own coverage of Stage 1 loans under IFRS 9	2.7%	1.9%	-0.8%p	2.7%	2.0%	1.9%	0.0%p	-0.8%p
Stage 2 loan volume under IFRS 9 (in HUF million)	306,274	127,119	-58%	306,274	162,570	127,119	-22%	-58%
Stage 2 loans under IFRS 9/gross customer loans	43.1%	30.2%	-12.9%p	43.1%	34.4%	30.2%	-4.2%p	-12.9%p
Own coverage of Stage 2 loans under IFRS 9	18.7%	17.3%	-1.3%p	18.7%	18.1%	17.3%	-0.8%p	-1.3%p
Stage 3 loan volume under IFRS 9 (in HUF million)	68,264	104,674	53%	68,264	106,697	104,674	-2%	53%
Stage 3 loans under IFRS 9/gross customer loans	9.6%	24.8%	15.2%p	9.6%	22.6%	24.8%	2.3%p	15.2%p
Own coverage of Stage 3 loans under IFRS 9	76.3%	75.3%	-1.0%p	76.3%	77.3%	75.3%	-2.0%p	-1.0%p
Provision for impairment on loan losses/average gross loans	19.47%	0.26%	-19.21%p	10.67%	2.70%	-2.43%	-5.13%p	-13.11%p
90+ days past due loan volume (in HUF million)	34,528	46,118	34%	34,528	54,455	46,118	-15%	34%
90+ days past due loans/gross customer loans	4.9%	10.9%	6.1%p	4.9%	11.5%	10.9%	-0.6%p	6.1%p
Performance Indicators	1H 2022	1H 2023	Y-o-Y	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
ROA	-7.0%	6.1%	13.1%p	0.1%	5.1%	7.1%	2.0%p	7.0%p
ROE	-51.4%	47.5%	98.9%p	0.5%	41.1%	53.3%	12.2%p	52.8%p
Total income margin	10.46%	10.99%	0.53%p	10.95%	11.43%	10.54%	-0.89%p	-0.41%p
Net interest margin	8.24%	9.30%	1.06%p	8.38%	9.63%	8.97%	-0.66%p	0.59%p
Operating costs / Average assets	3.0%	2.9%	-0.1%	2.7%	3.0%	2.8%	-0.2%	0.1%
Cost/income ratio	28.8%	26.1%	-2.6%p	24.7%	26.0%	26.3%	0.2%p	1.6%p
Net loans to deposits (FX-adjusted)	75%	46%	-30%p	75%	48%	46%	-2%p	-30%p
FX rates (in HUF)	1H 2022	1H 2023	Y-o-Y	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
HUF/UAH (closing)	12.9	9.3	-28%	12.9	9.5	9.3	-3%	-28%
HUF/UAH (average)	11.8	9.6	-19%	12.2	9.9	9.3	-6%	-24%

OTP Bank Ukraine's financial figures in HUF terms were affected by the development of the UAH/HUF exchange rate: the UAH's first-half-year average exchange rate weakened by 19% y-o-y, and its 2Q average rate depreciated by 6% q-o-q. The hryvnia's 2Q closing rate vs the HUF depreciated by 28% y-o-y, and by 3% q-o-q. Therefore, the balance sheet and P&L dynamics in HUF terms differ from the ones calculated in local currency.

OTP Bank Ukraine maintained its safe operation and stability. In the second quarter the Bank achieved a profit of HUF 17.8 billion (+41% q-o-q), bringing the adjusted profit after tax for the first half of the year to HUF 30.4 billion, compared to the HUF 34 billion loss caused by the high-risk costs in the base period. The 53.3% 2Q ROE was the highest within OTP Group.

In the first half-year of 2023, net interest income grew by 42% y-o-y (+15% y-o-y in HUF terms), which was supported by the increase in the interest income realized on the growing deposit book placed at the National Bank of Ukraine. In the second quarter, net interest income dropped by 1% q-o-q (-6% in HUF terms), as the overnight deposit rate was reduced to 20% from 23% on 7 April by the central bank, while interest on customers deposits grew further.

As a result of the above, net interest margin improved by 1.06 pps y-o-y in the first half-year of 2023, but it narrowed by 66 basis points q-o-q in the second quarter.

In the first half-year, net fee and commission income in local currency was 35% higher than in the same period of the previous year, mainly as a result of the low base. In the second quarter, the decrease was 11% q-o-q, which was mainly caused by a significant decrease in the volume of foreign currency withdrawals.

The reason behinf the decrease in other income in the first half of the year was the exceptionally high currency conversion income realized in the base period.

The 19% y-o-y growth in operating expenses in local currency terms reflected the effect of the double-digit inflation (the rate of inflation was 26% in January, 18% in April, before it receded to less than 13% in June). Cost efficiency indicators were stable: the cost/income ratio was 26% in the second quarter, similarly to the previous quarter; it was the lowest in OTP Group.

In the first half-year, total risk cost amounted to HUF 2.9 billion, as opposed to the HUF 71 billion created in the first six months of 2022. In quarterly comparison, the improvement was supported by the stabilization of the retail portfolio quality and the impairment released in connection with the IFRS 9 macro parameter review. Other risk costs were allocated related to the Ukrainian government securities portfolio.

Performing (Stage 1+2) loan volumes contracted by 20% ytd (-11% q-o-q) in FX-adjusted terms. Corporate exposures, representing the largest proportion (60%) within the portfolio, shrank by 13% in the second quarter (-21% ytd). The leasing portfolio, representing nearly 30% of the total exposures, shrank by 7% q-o-q in the second quarter (-15% ytd). The drop in the retail segment was 13% q-o-q (-28% ytd). From the end of the second quarter, a slight increase in hryvnia loans can be observed, driven by the increased credit lines and the restart of subsidized loan programmes.

At the end of the second quarter, the ratio of Stage 3 loans was 24.8% (+2.3 pps q-o-q; +15.2 pps y-o-y); the growth was related mainly to the large corporate and leasing portfolios. Retail loan quality stabilized in the second quarter. The ratio of Stage 2 loans sank by 4.2 pps, to 30.2% in quarter-on-quarter comparison. The ratio of all provisions to total gross loan volumes grew further, to 24.8% (from 21.9% at end-2022, and 24.5% in the first quarter of 2023).

The loan book contracted by 3% ytd FX-adjusted, which was predominantly related to the large company segment. In the second quarter FX-adjusted deposit volumes declined by 5% q-o-q. The net loan/deposit ratio sank to 46% (-2 pps q-o-q; -30 pps y-o-y FX-adjusted).

The bank's liquidity and capital position remained stable: the CAR rate stood at 41.2% at the end of the June (1Q 2023: 32.7%; regulatory minimum: 10.0%). Gross intragroup financing towards the Ukrainian operation was HUF 79 billion at the end of June, it remained practically unchanged q-o-q.

OTP BANK ROMANIA

Performance of OTP Bank Romania:

Main components of P&L account in HUF million	1H 2022	1H 2023	Y-o-Y	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
Adjusted profit after tax	-992	13,948		768	1,250	12,698	916%	
Income tax	-553	-2,450	343%	-553	-286	-2,165	657%	292%
Profit before income tax	-438	16,398		1,320	1,535	14,862	868%	
Operating profit	6,553	9,298	42%	4,006	3,806	5,491	44%	37%
Total income	28,310	32,847	16%	14,243	17,001	15,846	-7%	11%
Net interest income	23,817	33,639	41%	12,976	16,464	17,175	4%	32%
Net fees and commissions	2,336	2,774	19%	1,181	1,720	1,054	-39%	-11%
Other net non-interest income	2,158	-3,566		86	-1,184	-2,383		
Operating expenses	-21,757	-23,549	8%	-10,237	-13,194	-10,355	-22%	1%
Total provisions	-6,991	7,100		-2,685	-2,271	9,371		-449%
Provision for impairment on loan losses	-4,482	7,532		-2,644	-1,927	9,459		-458%
Other provision	-2,509	-431	-83%	-41	-344	-88	-74%	113%
Main components of balance sheet closing balances in HUF million	**2022**	**1H 2023**	**YTD**	**2Q 2022**	**1Q 2023**	**2Q 2023**	**Q-o-Q**	**Y-o-Y**
Total assets	1,687,581	1,536,871	-9%	1,658,507	1,586,147	1,536,871	-3%	-7%
Gross customer loans	1,228,254	1,118,022	-9%	1,223,443	1,147,586	1,118,022	-3%	-9%
Gross customer loans (FX-adjusted)	1,136,634	1,118,022	-2%	1,141,722	1,116,490	1,118,022	0%	-2%
Stage 1+2 customer loans (FX-adjusted)	1,077,128	1,059,913	-2%	1,084,443	1,052,414	1,059,913	1%	-2%
Retail loans	522,804	489,969	-6%	541,634	501,681	489,969	-2%	-10%
Corporate loans	495,661	507,208	2%	490,198	492,086	507,208	3%	3%
Leasing	58,663	62,735	7%	52,611	58,648	62,735	7%	19%
Allowances for possible loan losses	-62,442	-53,377	-15%	-61,399	-62,271	-53,377	-14%	-13%
Allowances for possible loan losses (FX-adjusted)	-57,809	-53,377	-8%	-57,372	-60,655	-53,377	-12%	-7%
Deposits from customers	998,452	926,339	-7%	848,353	942,713	926,339	-2%	9%
Deposits from customers (FX-adjusted)	925,897	926,339	0%	793,736	917,683	926,339	1%	17%
Retail deposits	548,815	568,601	4%	450,859	570,503	568,601	0%	26%
Corporate deposits	377,082	357,738	-5%	342,878	347,180	357,738	3%	4%
Liabilities to credit institutions	446,641	373,727	-16%	584,784	407,993	373,727	-8%	-36%
Total shareholders' equity	181,206	181,812	0%	174,665	173,840	181,812	5%	4%
Loan Quality	**1H 2022**	**1H 2023**	**Y-o-Y**	**2Q 2022**	**1Q 2023**	**2Q 2023**	**Q-o-Q**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	1,003,304	904,986	-10%	1,003,304	921,802	904,986	-2%	-10%
Stage 1 loans under IFRS 9/gross customer loans	82.0%	80.9%	-1.1%p	82.0%	80.3%	80.9%	0.6%p	-1.1%p
Own coverage of Stage 1 loans under IFRS 9	1.1%	1.1%	0.0%p	1.1%	1.2%	1.1%	-0.1%p	0.0%p
Stage 2 loan volume under IFRS 9 (in HUF million)	158,882	154,928	-2%	158,882	160,003	154,928	-3%	-2%
Stage 2 loans under IFRS 9/gross customer loans	13.0%	13.9%	0.9%p	13.0%	13.9%	13.9%	-0.1%p	0.9%p
Own coverage of Stage 2 loans under IFRS 9	8.8%	8.6%	-0.2%p	8.8%	9.4%	8.6%	-0.8%p	-0.2%p
Stage 3 loan volume under IFRS 9 (in HUF million)	61,257	58,109	-5%	61,257	65,781	58,109	-12%	-5%
Stage 3 loans under IFRS 9/gross customer loans	5.0%	5.2%	0.2%p	5.0%	5.7%	5.2%	-0.5%p	0.2%p
Own coverage of Stage 3 loans under IFRS 9	59.5%	51.9%	-7.6%p	59.5%	55.7%	51.9%	-3.8%p	-7.6%p
Provision for impairment on loan losses/average gross loans	0.83%	-1.33%	-2.16%	0.92%	0.67%	-3.40%	-4.07%	-4.33%
90+ days past due loan volume (in HUF million)	39,837	32,069	-20%	39,837	38,878	32,069	-18%	-20%
90+ days past due loans/gross customer loans	3.3%	2.9%	-0.4%p	3.3%	3.4%	2.9%	-0.5%p	-0.4%p
Performance Indicators	**1H 2022**	**1H 2023**	**Y-o-Y**	**2Q 2022**	**1Q 2023**	**2Q 2023**	**Q-o-Q**	**Y-o-Y**
ROA	-0.1%	1.8%	1.9%p	0.2%	0.3%	3.3%	3.0%p	3.1%p
ROE	-1.2%	16.1%	17.3%p	1.8%	2.9%	29.1%	26.2%p	27.3%p
Total income margin	3.85%	4.16%	0.30%p	3.70%	4.18%	4.13%	-0.06%p	0.42%p
Net interest margin	3.24%	4.26%	1.02%p	3.37%	4.05%	4.47%	0.42%p	1.10%p
Operating costs / Average assets	2.96%	2.98%	0.02%p	2.66%	3.25%	2.70%	-0.55%p	0.04%p
Cost/income ratio	76.9%	71.7%	-5.2%p	71.9%	77.6%	65.3%	-12.3%p	-6.5%p
Net loans to deposits (FX-adjusted)	137%	115%	-22%p	137%	115%	115%	0%p	-22%p
FX rates (in HUF)	**1H 2022**	**1H 2023**	**Y-o-Y**	**2Q 2022**	**1Q 2023**	**2Q 2023**	**Q-o-Q**	**Y-o-Y**
HUF/RON (closing)	74.6	80.9	8%	74.6	85.2	80.9	-5%	8%
HUF/RON (average)	72.8	79.4	9%	73.6	82.0	83.5	2%	13%

OTP Bank Romania generated HUF 13.9 billion adjusted profit after tax in the first half-year of 2023, including HUF 12.7 billion in the second quarter.

The half-year operating profit grew by 39% y-o-y in local currency terms, as a result of a 14% rise in income and a 6% growth in operating expenses. Net interest income jumped by 39% y-o-y, and net fees increased by 16%. The improvement in net interest income was predominantly driven by the 1 pp y-o-y increase in net interest margin.

Half-year operating expenses rose by 6% in local currency terms. Reason why their growth rate lagged behind that of inflation included moderate other expenses growth of 2%, while depreciation dropped by 8%.

In the second quarter of 2023, operating profit jumped by 53% q-o-q in local currency terms, mainly because operating expenses declined (-18%, -HUF 2.8 billion), largely because the annual supervisory fees were booked in a lump sum in the first quarter based on preliminary figures; in the second quarter, part of this amount was written back, which overall improved cost dynamics by HUF 2.6 billion q-o-q. Total income decreased by 2% q-o-q in local currency terms, mainly as a result of a technical effect in the net fees and commissions line (offset against risk costs line). This explains HUF 0.6 billion from the HUF 0.7 billion q-o-q decline in net fees. Other income dropped q-o-q, in connection with the deterioration in the result of intra-group swap transactions; its other leg is booked on the net interest income line with opposite sign; this item is neutral to profit. Without this item, net interest income improved by 2% q-o-q in local currency terms.

The second quarter profit was mainly shaped by the write-back of provisions for impairment on loan losses, partly owing to the income from selling the Romanian factoring company's non-performing loan portfolio; the other reason behind the release of provisions was the revision of the macroeconomic expectations in the IFRS 9 models.

Regarding loan quality, the ratio of Stage 3 loans dropped by 0.5 pp, to 5.2% q-o-q, largely because of selling non-performing loans in the gross amount of HUF 7.2 billion. As a result of the composition effect arising from the sale of Stage 3 loans and the reserves created for the remaining portfolio, the own coverage of Stage 3 loans decreased by 3.8 pps q-o-q to 51.9%.

Regarding business activity, the performing Stage 1+2 loan volumes grew by 1% q-o-q (FX-adjusted), largely driven by the increase in corporate loans, while the retail loan book shrank further. In the first half-year of 2023, new mortgage loan placements slumped by 82%, and cash loan sales fell by 42%.

Deposits from customers increased by an FX-adjusted 1% q-o-q, owing to a 3% rise in corporate deposits, while retail deposits remained stable. In y-o-y comparison, deposits grew by 17% (FX-adjusted), driven by a 26% surge in the retail segment. The net loan/deposit ratio sank by 22 pps y-o-y, to 115%. Parallel with the y-o-y decline in total assets, the expansion in deposits triggered a marked decline in interbank (partly intragroup) liabilities.

Based on total assets the Bank's market share was 2.8%, 4.6% in mortgage loans and 3.1% in consumer loans based on the latest available 1Q 2023 data.

OTP BANK MOLDOVA

Performance of OTP Bank Moldova:

Main components of P&L account in HUF million	1H 2022	1H 2023	Y-o-Y	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
Adjusted profit after tax	2,215	8,587	288%	2,760	4,497	4,090	-9%	48%
Income tax	-261	-1,178	352%	-67	-607	-572	-6%	754%
Profit before income tax	2,476	9,765	294%	2,827	5,103	4,662	-9%	65%
Operating profit	6,174	7,925	28%	3,439	4,950	2,976	-40%	-13%
Total income	10,549	13,451	28%	5,700	7,753	5,699	-26%	0%
Net interest income	7,007	9,960	42%	3,837	5,779	4,181	-28%	9%
Net fees and commissions	1,251	1,113	-11%	688	605	508	-16%	-26%
Other net non-interest income	2,290	2,379	4%	1,175	1,368	1,010	-26%	-14%
Operating expenses	-4,375	-5,526	26%	-2,261	-2,803	-2,723	-3%	20%
Total provisions	-3,698	1,840		-612	154	1,686		
Provision for impairment on loan losses	-3,281	1,496		-500	442	1,053		
Other provision	-417	344		-111	-288	633		
Main components of balance sheet closing balances in HUF million	**2022**	**1H 2023**	**YTD**	**2Q 2022**	**1Q 2023**	**2Q 2023**	**Q-o-Q**	**Y-o-Y**
Total assets	365,658	352,452	-4%	339,909	357,232	352,452	-1%	4%
Gross customer loans	171,412	148,555	-13%	190,679	159,458	148,555	-7%	-22%
Gross customer loans (FX-adjusted)	161,648	148,555	-8%	178,996	156,443	148,555	-5%	-17%
Stage 1+2 customer loans (FX-adjusted)	157,187	143,581	-9%	175,787	152,166	143,581	-6%	-18%
Retail loans	79,426	68,498	-14%	93,135	72,635	68,498	-6%	-26%
Corporate loans	73,156	70,573	-4%	78,624	74,959	70,573	-6%	-10%
Leasing	4,605	4,509	-2%	4,028	4,571	4,509	-1%	12%
Allowances for possible loan losses	-11,177	-8,700	-22%	-8,785	-10,004	-8,700	-13%	-1%
Allowances for possible loan losses (FX-adjusted)	-10,559	-8,700	-18%	-8,242	-9,825	-8,700	-11%	6%
Deposits from customers	264,031	265,168	0%	248,606	261,805	265,168	1%	7%
Deposits from customers (FX-adjusted)	248,254	265,168	7%	231,982	256,930	265,168	3%	14%
Retail deposits	166,745	180,900	8%	155,080	170,052	180,900	6%	17%
Corporate deposits	81,509	84,268	3%	76,903	86,878	84,268	-3%	10%
Liabilities to credit institutions	42,083	27,529	-35%	38,318	33,548	27,529	-18%	-28%
Total shareholders' equity	53,430	53,905	1%	47,770	56,227	53,905	-4%	13%
Loan Quality	**1H 2022**	**1H 2023**	**Y-o-Y**	**2Q 2022**	**1Q 2023**	**2Q 2023**	**Q-o-Q**	**Y-o-Y**
Stage 1 loan volume under IFRS 9 (in HUF million)	172,825	122,469	-29%	172,825	130,113	122,469	-6%	-29%
Stage 1 loans under IFRS 9/gross customer loans	90.6%	82.4%	-8.2%p	90.6%	81.6%	82.4%	0.8%p	-8.2%p
Own coverage of Stage 1 loans under IFRS 9	2.3%	1.8%	-0.5%p	2.3%	2.3%	1.8%	-0.5%p	-0.5%p
Stage 2 loan volume under IFRS 9 (in HUF million)	14,425	21,112	46%	14,425	24,990	21,112	-16%	46%
Stage 2 loans under IFRS 9/gross customer loans	7.6%	14.2%	6.6%p	7.6%	15.7%	14.2%	-1.5%p	6.6%p
Own coverage of Stage 2 loans under IFRS 9	19.4%	14.9%	-4.6%p	19.4%	17.6%	14.9%	-2.7%p	-4.6%p
Stage 3 loan volume under IFRS 9 (in HUF million)	3,429	4,975	45%	3,429	4,355	4,975	14%	45%
Stage 3 loans under IFRS 9/gross customer loans	1.8%	3.3%	1.6%p	1.8%	2.7%	3.3%	0.6%p	1.6%p
Own coverage of Stage 3 loans under IFRS 9	58.0%	66.7%	8.7%p	58.0%	59.1%	66.7%	7.6%p	8.7%p
Provision for impairment on loan losses/average gross loans	3.84%	-1.89%	-5.74%p	1.11%	-1.10%	-2.72%	-1.62%p	-3.83%p
90+ days past due loan volume (in HUF million)	2,595	2,911	12%	2,595	2,778	2,911	5%	12%
90+ days past due loans/gross customer loans	1.4%	2.0%	0.6%p	1.4%	1.7%	2.0%	0.2%p	0.6%p
Performance Indicators	**1H 2022**	**1H 2023**	**Y-o-Y**	**2Q 2022**	**1Q 2023**	**2Q 2023**	**Q-o-Q**	**Y-o-Y**
ROA	1.4%	4.9%	3.4%p	3.5%	5.1%	4.6%	-0.6%p	1.1%p
ROE	10.2%	31.0%	20.8%p	24.7%	33.4%	28.7%	-4.6%p	4.0%p
Total income margin	6.87%	7.61%	0.73%p	7.21%	8.85%	6.38%	-2.47%p	-0.83%p
Net interest margin	4.57%	5.63%	1.07%p	4.85%	6.60%	4.68%	-1.92%p	-0.17%p
Operating costs / Average assets	2.85%	3.12%	0.27%p	2.86%	3.20%	3.05%	-0.15%p	0.19%p
Cost/income ratio	41.5%	41.1%	-0.4%p	39.7%	36.2%	47.8%	11.6%p	8.1%p
Net loans to deposits (FX-adjusted)	74%	53%	-21%p	74%	57%	53%	-4%p	-21%p
FX rates (in HUF)	**1H 2022**	**1H 2023**	**Y-o-Y**	**2Q 2022**	**1Q 2023**	**2Q 2023**	**Q-o-Q**	**Y-o-Y**
HUF/MDL (closing)	19.9	18.7	-6%	19.9	19.0	18.7	-1%	-6%
HUF/MDL (average)	18.6	19.2	3%	19.3	19.3	19.1	-1%	-1%

In the first half-year of 2023, **OTP Bank Moldova** contributed to OTP Group's adjusted profit by HUF 8.6 billion, of which HUF 4.1 billion was generated in the second quarter, largely due to the increasing amount of positive risk costs.

The 28% y-o-y surge in first-half-year operating profit chiefly stemmed from a 42% (38% in local currency terms) growth in net interest income, predominantly as a combined result of the higher interest income from the deposits placed with the National Bank of Moldova, and the in average higher interest rate environment in the first half-year. By June 2023, the National Bank of Moldova reduced its benchmark interest rate to 6% in multiple steps, from 20% in December 2022, as a result of which income from placements with the central bank and from government bonds fell sharply, while the interest paid on customer deposits declined at a slower rate. As a result of the above, and because of the contraction of the loan book, the 2Q net interest income fell by 28% q-o-q, while net interest margin eroded by 1.92 pps q-o-q in the second quarter.

The change in the 2Q other net non-interest income was shaped by the change in income from currency exchange, which fell sharply in the second quarter.

In the first half-year, operating expenses grew by 23% y-o-y in local currency terms (+26% in HUF terms), mostly because personnel expenses and utility costs increased as a result of the double-digit inflation (January: 27.3%, April: 18.1%, June: 13.2%). In the second quarter, there was already a decrease (-2% q-o-q in MDL terms). The cost/income ratio stood at 41.1% (-0.4 pp y-o-y) in the first half-year.

In the first six months of the year, positive risk cost emerged in the amount of HUF 1.8 billion, basically due to the provisions released as a result of the IFRS 9 parameter revision in the second quarter, which contributed to the q-o-q decrease of Stage 2 loans' own coverage. At the end of the first half-year of 2023 the ratio of Stage 3 loans was 3.3%, indicating both y-o-y and q-o-q improvement; this typically related to individual corporate deals. The own provision coverage of Stage 3 loans was 66.7% (+8.7 pps y-o-y, +7.6 pps q-o-q).

In the other risk costs line, HUF 0.9 billion provision was released in the second quarter, mostly in association with financial assets.

The FX-adjusted volume of performing (Stage 1+2) loans contracted also in the second quarter, thus the ytd decrease was 9%. The strongest contraction (-14% ytd) was seen in the retail segment, where the new placements remained low. Due to moderate new corporate loan disbursements, the segment's performing volume shrank by 4% ytd.

FX-adjusted deposit volumes expanded by 7% ytd, mainly as a result of the increase in retail term deposits. The net loan/deposit ratio stood at 53% at the end of June, which represents a 21 pps drop y-o-y (-4 pps q-o-q).

In the second quarter, HUF 5.5 billion dividend was paid to OTP Bank.

STAFF LEVEL AND OTHER INFORMATION

	31/12/2022				30/06/2023			
	Branches	ATM	POS	Headcount (closing)	Branches	ATM	POS	Headcount (closing)
OTP Core	**352**	**1,866**	**143,078**	**10,985**	**352**	**1,859**	**149,525**	**11,113**
DSK Group (Bulgaria)	305	998	16,559	5,358	303	989	18,348	4,989
OTP Bank Slovenia	49	81	4,925	875	114	442	15,643	2,343
OBH (Croatia)	111	428	11,344	2,294	111	436	10,705	2,341
OTP Bank Serbia	155	265	18,049	2,632	154	273	18,823	2,669
OTP Bank Albania	58	213	831	730	50	88	923	723
CKB Group (Montenegro)	33	116	7,529	497	31	113	8,079	490
Ipoteka Bank (Uzbekistan)					39	620	230	4,407
OTP Bank Russia (w/o employed agents)	108	191	534	4,471	103	175	521	4,452
OTP Bank Ukraine (w/o employed agents)	71	150	263	2,134	71	151	263	2,087
OTP Bank Romania	97	156	8,325	1,826	95	156	11,427	1,787
OTP Bank Moldova	53	156	0	896	53	149	0	875
Foreign subsidiaries, total	**1,040**	**2,754**	**68,359**	**21,713**	**1,124**	**3,592**	**84,962**	**27,162**
Other Hungarian and foreign subsidiaries				619				642
OTP Group (w/o employed agents)				**33,318**				**38,917**
OTP Bank Russia - employed agents				2,431				2,168
OTP Bank Ukraine - employed agents				227				142
OTP Group (aggregated)	**1,392**	**4,620**	**211,437**	**35,976**	**1,476**	**5,451**	**234,487**	**41,227**

Definition of headcount number: closing, active FTE (full-time employee). The employee is considered as full-time employee in case his/her employment conditions regarding working hours are in line with a full-time employment defined in the Labour Code in the reporting entity's country. Part-time employees are taken into account proportional to the full-time working hours being effective in the reporting entity's country.

PERSONAL AND ORGANIZATIONAL CHANGES

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

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

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

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

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

ASSET-LIABILITY MANAGEMENT

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

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

Refinancing sources of the European Central Bank are available for OTP (ECB repo eligible security portfolio on Group level – including Nova KBM – exceeded EUR 3.3 billion).

Total liquidity reserves of OTP Bank remained steadily and substantially above the safety level. As of 30 June 2023 the gross liquidity buffer was around EUR 5.9 billion equivalent. The level of these buffers is significantly higher than the maturing debt within one year and the reserves required to manage possible liquidity shocks.

As of 30 June 2023 OTP Group consolidated liquidity coverage (LCR) ratio was 204% (4Q 2022: 172%), while the nominal buffer above the regulatory minimum requirement was EUR 12.8 billion.

The volume of issued securities almost doubled on a consolidated basis by the end of 1H 2023 compared to year-end 2022, mainly because of bond issuances by OTP Bank and the completed acquisitions in the period. On one hand, to meet MREL requirements OTP Bank issued on the international bond markets senior preferred bonds in the amount of USD 500 million in May 2023 followed by senior non-preferred bonds in the amount of EUR 110 million. On the other hand, bonds issued by Nova KBM and Ipoteka Bank in the notional amount of HUF 420 billion equivalent were consolidated due to the acquisitions. Furthermore, the net amount of retail bonds issued by OTP Bank on the domestic retail bond market increased by HUF 138 billion in 1H 2023. Total amount of subordinated liabilities increased by 83% in 1H 2023, owing mainly to the Tier2 bond issuance of OTP Bank in the amount of USD 650 million and to the HUF 32 billion worth of volume growth due to the Nova KBM acquisition.

…and kept its interest-rate risk exposures low

Due to the liabilities, which respond to yield changes only to a moderate extent, the Bank has an interest-rate risk exposure resulting from its business operations. The Bank considers the reduction and closing of this exposure as a strategic matter.

Although the stock of variable interest rate assets decreased as a result of the interest rate cap scheme, they are still significant at group level (EUR, BGN and HUF) and quickly follow the rise in money market interest rates: the loans get repriced typically in 3 months, the interest rate swaps (IRS) in 6 months, and other liquid assets within 1-3 months. On the deposit side the repricing is not automatic, its extent and speed depends on the level of interest rates and the liquidity position of the Bank.

Market Risk Exposure of OTP Group

The consolidated capital requirement of the trading book positions, the counterparty risk and the FX risk exposure represented HUF 48.4 billion in total.

OTP Group is an active participant of the international FX and derivative market. Open FX positions of group members are restricted to individual and global net open position limits (overnight and intraday), and to stop-loss limits. The open positions of the group members outside Hungary except for the Bulgarian DSK Bank – the EUR/BGN exposure of DSK under the current exchange rate regime does not represent real risk – were negligible measured against either the balance sheet total or the regulatory capital. Therefore, the group level FX exposure was concentrated at OTP Bank.

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STATEMENT ON CORPORATE GOVERNANCE PRACTICE

Corporate governance practice

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

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

System of internal controls

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

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

OTP Bank Plc.'s internal audit system is realised on several levels of control built on each other. The system of internal checks and balances includes process-integrated control, management control, independent internal audit organisation and executive information system. The independent internal audit organisation as a key element of internal lines of defence promotes the statutory and efficient management of assets and liabilities, the defence of property, the safe course of business, the efficient operation of internal control systems, the minimisation of risks, moreover it reveals and reports deviations from statutory regulations and internal rules, makes proposal to abolish deficiencies and follows up the execution of actions. The independent internal audit organisation annually and quarterly prepares group-level reports on control actions and audit results for the executive boards. Once a year, the internal audit organisation with the prior opinion of the Audit Committee draws up, for the Supervisory Board, the Board of Directors and the Risk Assumption and Risk Management Committee, objective and independent reports in respect of the operation of risk management, internal control mechanisms and corporate governance functions. Furthermore, in line with the provisions of the Credit Institutions Act, reports, once a year, to the Supervisory Board and the Board of Directors on the regularity of internal audit tasks, professional requirements and the conduct of audits, and on the review of compliance with IT and other technical conditions needed for the audits.

In line with the regulations of the European Union, the applicable Hungarian laws and supervisory recommendations, OTP Bank Plc. operates an independent organisational unit with the task of identifying and managing compliance risks. The Compliance Directorate prepares a report quarterly to the Board of Directors, and annually to the Supervisory Board, about the Bank's and the Bank Group's compliance activities and position.

General Meeting

The supreme body of OTP Bank Plc. shall be the General Meeting consisting of the shareholders. The Articles of Association regulate the manner of convocation and operation of the General Meeting, the manner of participation, and of the exercise of voting rights, and comply fully with both general and special statutory requirements. Information on the General Meeting is available in the Corporate Governance Report.

The General Meeting was held on 28 April 2023 in accordance with the general rules, traditionally, with the personal participation of the shareholders, subject to Section 3 (1) of the Government Decree 502/2020. (XI. 16.) on the re-introduction of deviation provisions pertaining to the operation of partnerships and corporations during the state of emergency, also in line with the Act I of 2021 on the prevention of the coronavirus pandemic.

Committees[4]

Members of the Board of Directors
Dr. Sándor Csányi – Chairman
Mr. Tamás Erdei – Deputy Chairman
Ms. Gabriella Balogh
Mr. Mihály Baumstark
Mr. Péter Csányi
Dr. István Gresa
Mr. Antal Kovács
Mr. György Nagy
Dr. Márton Gellért Vági
Dr. József Vörös
Mr. László Wolf

Members of the Supervisory Board
Mr. Tibor Tolnay – Chairman
Dr. József Gábor Horváth – Deputy Chairman
Ms. Klára Bella
Dr. Tamás Gudra
Mr. András Michnai
Mr. Olivier Péqueux

Members of the Audit Committee
Dr. József Gábor Horváth – Chairman
Mr. Tibor Tolnay – Deputy Chairman
Dr. Tamás Gudra
Mr. Olivier Péqueux

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

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Operation of the executive boards

OTP Bank Plc. has a dual governance structure, in which the Board of Directors is the Company's executive management body in its managerial function, while the Supervisory Board is the management body in its supervisory function of the Company. It controls the supervision of the lawfulness of the Company's operation, its business practices and management, performs oversight tasks and accepts the provisions of the Bank Group's Remuneration Policy. The effective operation of Supervisory Board is supported by the Audit Committee, as a committee, which also monitors the internal audit, the risk management, the reporting systems, and the activities of the auditor.

In order to assist the performance of the governance functions the Board of Directors founded and operates, as permanent or other committees, such as the Management Committee, the Remuneration Committee, the Nomination Committee and the Risk Assumption and Risk Management Committee.

To ensure effective operation OTP Bank Plc. also has a number of further permanent committees.

OTP Bank Plc. gives an account of the activities of the executive boards and the committees every year in its Corporate Governance Report.

The Board of Directors held 3, the Supervisory Board held 5 meetings, while the Audit Committee held 1 meeting in the first half of 2023. In addition, resolutions were passed by the Board of Directors on 86, by the Supervisory Board on 49 and by the Audit Committee on 18 occasions by written vote.

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

ENVIRONMENTAL POLICY, ENVIRONMENTAL PROJECTS[5]

OTP Group is committed to the protection of the environment, the combating of climate change and its impacts, and the preservation and low-impact use of natural resources. OTP Bank's environmental activities are regulated in its Environmental Regulation, which is revised annually. The Regulation ensures legal compliance and the consideration and integration of environmental criteria into the Bank's business operations in order to minimise the environmental impacts of operating and maintaining the Bank's organisation. It also sets out the rules on implementing the principles of sustainable procurement. OTP Group members operate in full compliance with environmental legislation and received no fines in 1H 2023.

In CDP's Climate Change Questionnaire, OTP Group was rated at "B-" in 2022, thus retaining its previous rating.

The environmental impacts of the OTP Group are related to the provision of financial services and directly from its operations. In connection with the provision of financial services, the management of environmental risks and the exploitation of environmental opportunities take place within the framework of the Environmental, Social and Governance (ESG) strategy.

OTP Bank will reach net carbon neutrality in 2022[6]. The target is full carbon neutrality by 2030.

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

Energy consumption and business travel

OTP Group uses the best technologies currently available for the purposes of new constructions and ongoing renovations both at its branch network and in its head office buildings. Modernisation of the heating systems, the widest possible use of LED lighting and the installation of additional motion sensors included the most typical types of development projects implemented in order to improve energy efficiency in 2022 as well.

By way of the 2022 projects aimed at improving energy efficiency and at using renewable energy OTP Bank saved a total of 1,851 GJ energy. The entire OTP Group saved 8,080 GJ.

The Group is enhancing its own renewable energy generation facilities in view of economic efficiency considerations. The parent bank always examines the possibility of installing solar panels and heat pumps as part of each branch office renovation[7]. At Group level, our systems generated a total of 2,034 GJ solar energy. In 2022 OTP Bank used 3,022 GJ energy generated by heat pumps. In the wake of the moving of the archive to another location the site's energy requirement decreased. OTP Group's energy consumption[8] was 1,091 thousand GJ in 2022, practically the same as in the preceding year.

To offset its 2022 Scope 1 and Scope 2 emissions, OTP Bank purchased carbon credits in early 2022, thereby preventing the emission of 7,000 tonnes of carbon-dioxide. The 2022 emission values were calculated on a preliminary basis which is why there are some residual emissions. The credits purchased by the Bank were verified according to Gold Standard (VER). The Bank found it important that the project supported by way of offsetting be implemented in a country in which the Bank Group operates, therefore it contributed to a project enabling methane separation and power generation at the wastewater treatment plant of Bulgaria's capital city.

The volume of business trips was significantly affected by the fact that the pandemic came to an end. Lockdowns were lifted in 2022, therefore car use across the Banking Group increased; however, on-line meetings continue to be a dominant element of communication.

Of the maximum carbon dioxide emission limits applied across the Banking Group in 2022 in relation to car purchases the limits for minibuses and small trucks was changed to 190 g/km because no vehicles with lower values can be found in this category. Among the cars to choose from there are hybrid or electric vehicles in all categories. At the end of 2022, OTP Bank's fleet included 5 electric cars and 89 hybrid vehicles. The Bulgarian, the Croatian and the Russian subsidiary purchased 13, 3 and 1 hybrid cars during 2022.

The total mileage increased by 10 percent and 9 percent year-on-year at the parent bank and across the group, respectively. The increase was driven to a large extent by the lifting of the pandemic-related restrictions.

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[5] The OTP Group reports its sustainability data on an annual basis, thus presenting data as of 31 December 2022.
[6] The 2022 emission levels have been pre-determined, so there are residual emissions.
[7] We are constrained by the fact that many of our branches are located on rented premises or in condominium buildings, where the installation of solar panels is not feasible.
[8] Direct and indirect energy use combined.

Since OTP Bank and its subsidiaries find it important to enable employees to access the workplace by alternative transportation means, several head office buildings are equipped with bicycle storage at Group level. Bicycle storages are available at 60 percent of the branches of OTP Bank for employees and for customers. The parent bank created new storage facilities at its new M12 office building. The Romanian subsidiary installed a new bicycle storage facility in one location.

Energy consumption figures are presented for OTP Bank:

Energy consumption within the organisation (GJ), OTP Bank	2021	2022
Total energy consumption	263,014[1]	268,934
Total energy consumption per employee	26.73[1]	26.17

The energy consumption data originate from metering; some of the solar energy and the heat pump energy is estimated based on information from the manufacturer, for lack of dedicated meters. Wherever necessary, the amounts consumed were converted into energy regarding year 2022 on the basis of calorific values taken from the National Inventory Report (NIR). Earlier we used values from EU regulations and DEFRA.

The projection of the per capita value is based on the average number of full-time staff number.

[1]Deviates slightly from the figures in the Annual Report up to 2021 because the finalised consumption data were received at a later date.

Efforts to reduce paper use

We are constantly working on cutting our paper use. A steadily increasing range of electronically available services reduces paper consumption as well. OTP Bank introduced in 2022 the so-called GreenPOS, making the printing of the customer's copy of the receipt in the case of card purchases optional, and the printed receipts were also made shorter. This may result in the saving of 87 tonnes of paper at our partners, per year. Digitalisation of banking processes is under way across the entire Banking Group; more and more internal processes take place fully electronically, rendering printing and paper use unnecessary.

Across the Group the use of paper at the offices decreased in 2022 again, while at OTP Bank it remained practically unchanged. The parent bank uses 44% recycled paper because of procurement difficulties. In Hungary, we use FSC-certified paper even in the case of account letters, marketing publications and envelopes, while we use recycled FSC paper for producing DM letters. The internal printing activity of OTP Bank is FSC-certified until 2025.

Amount of paper used, OTP Bank	2021	2022
Amount of office paper (t)	398	397
Amount of paper used for document sorting and packaging (t)	90	98
Amount of indirectly used paper (t)[1]	491	558

[1] E.g. marketing publications, account statements

Environmentally conscious use and waste management

OTP Bank follows the principle of using all of its equipment, devices and machines for the longest time reasonably possible. Furniture is reused several times and we ensure the compatibility of replacements.

At OTP Bank, DSK Bank, OTP Bank Romania, and OTP Bank Serbia it is a common practice to donate no longer used but still functional furniture and IT equipment (primarily computers and laptops). At Group level, we donated a total of 423 no longer used computers to charity projects in 2022.

Reducing plastic waste is one of our objectives; in addition to our existing practices, plastic cups were started to be replaced with paper cups in 2022 in Bulgaria, Romania, and Slovenia. Our subsidiaries in Croatia, Serbia, Slovenia, Romania, Montenegro, and Moldova have used toner refills to reduce toner and ink cartridge waste.

Other than a few improvements, waste collection remained unchanged in most respects in 2022. All members of OTP Group collect and treat hazardous waste and paper containing business sec rets selectively, in compliance with the relevant legal requirements. The other than confidential paper waste, plastic and metal waste, are selectively collected by the group members to varying degrees. In Moldova the selective collection of non-confidential paper waste was started in 2022. In OTP Bank's central office buildings and at the Croatian and the Romanian subsidiaries non-confidential paper waste, PET bottles, metal packaging materials and glass are selectively collected. The Serbian subsidiary collects its paper waste selectively, both in its head office building and at its branches. SKB Bank selects communal waste, including biodegradable food waste, as completely separately as possible. Our Albanian subsidiary collects paper waste comprehensively; this practice has been implemented at our Montenegrin subsidiary in the case of the head office building and the archives. There is selective waste collection in the head office building of our Ukrainian subsidiary and the Sofia and Varna sites of our Bulgarian subsidiary.

Attitude shaping

The members of the Group launch numerous programmes, awareness raising campaigns and involve employees, to promote environmental awareness and the protection of natural values.

OTP Bank continued its campaign in cooperation with Mastercard in the Priceless Planet Coalition in 2022 as well. The purpose of the initiative is to plant 100 million trees in five years to mitigate the harmful impacts of climate change. Partners participating in the programme mobilise consumers by campaigns to take action for the environment, while they also contribute actively to achieving the goal. OTP Bank enabled the planting of 75 thousand trees in 2022 under the cooperation, 50 percent more than in 2021.

The Croatian subsidiary sponsored Ekotlon in 2022 as well, the largest plogging competition of Croatia (jogging with picking up litter). More than 500 runners participated in the event. The registration fees were used for sponsorship this year again, for sports associations of people with disabilities. The Bank also sponsored the divers' club cleaning up the Adriatic.

The Serbian subsidiary celebrated every major international world environmental day during the year through the social media channels. It released a large number of messages in international newsletters on methods of cutting carbon dioxide emission at the workplace and at home.

The Slovenian subsidiary implemented an extensive internal campaign on environmentally conscious behaviour. The results of the campaign are already reflected by reduced use of lighting and heating – this is expected to be reflected by reductions in consumption figures as well. The Bank's employees planted more than 1,000 honey bearing plants in 2022 and produced a total of 72 kg of honey in the beehives on top of the central office. The Bank is making efforts to gather new innovative ideas also by joining the Slovenian Green Network and the Energy Effective Solutions Centre (CER).

The Romanian subsidiary drew attention to the importance of environmental awareness in messages greeting customers and, in its campaigns (e.g. service evaluations), it offered packets of seeds for planting.

The subsidiary supported the implementation of the Nature Talks Association Green Week event where more than 300 students from Bucharest participated in interactive environmental workshops. A Green Room has been created at the Bank's headquarters building where children were able to experience the benefits of plants and how plants can clean the air. The project's press conference was attended by representatives of the Ministry of Education and the Environmental Ministry as well, and it is planned to be implemented every year in the context of the school Green Weeks event, which is part of a national strategy.

Green point hashtag summed up the subsidiary's numerous internal communication activities. The employees participated in voluntary programmes, supporting, inter alia, the Plastic-free Water Association, an organisation working to prevent contamination of the river Danube through the river Zsil. The Bank's 22 employees participated in a garbage collection campaign under the cooperation.

The "Surrender Your Batteries" campaign of the Ukrainian subsidiary bank – in the framework of which used batteries and accumulators collected nationwide are shipped to a Romanian recycling plant – was continued with limitations as a result of the war.

The Russian subsidiary drew attention to the importance of environmental protection through excursions, gatherings and articles organised and written with the involvement of its employees.

In response to the energy crisis the Moldavian bank joined in October a campaign launched by public bodies encouraging responsible electricity consumption to reduce power use. The Bank sponsored the Art Mirror exhibition of posters made from recycled materials. The campaign took place in multiple European cities simultaneously, drawing attention to the importance of reusing or recycling materials. The Bank organised the No Mail Day event in 2022 again, highlighting that even regarding emails, which are part and parcel of our everyday lives now, reasonable use is crucial in terms of sending, processing, and storing mail as well. A webinar took place at the Bank regarding the topic, with several invited participants. The Bank started cooperation with the Chisinau Botanic Garden, with the involvement of its employees, to restore a rare tree species.

Disclaimers

This Report contains statements that are, or may be deemed to be, “forward-looking statements” which are prospective in nature. These forward-looking statements may be identified by the use of forward-looking terminology, or the negative thereof such as “plans", "expects” or “does not expect”, “is expected”, “continues”, “assumes”, “is subject to”, “budget”, “scheduled”, “estimates”, “aims”, “forecasts”, “risks”, “intends”, “positioned”, “predicts”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words or comparable terminology and phrases or statements that certain actions, events or results “may”, “could”, “should”, “shall”, “would”, “might” or “will” be taken, occur or be achieved. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Forward-looking statements are not based on historical facts, but rather on current predictions, expectations, beliefs, opinions, plans, objectives, goals, intentions and projections about future events, results of operations, prospects, financial condition and discussions of strategy.

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FINANCIAL DATA

OTP BANK SEPARATE IFRS STATEMENT OF FINANCIAL POSITION

in HUF million	30/06/2023	31/12/2022	30/06/2022	change ytd	change y-o-y
Cash, amounts due from banks and balances with the National Bank of Hungary	2,316,708	1,092,198	445,285	112%	420%
Placements with other banks, net of allowance for placement losses	2,478,055	2,899,829	3,148,794	-15%	-21%
Repo receivables	234,291	246,529	27,646	-5%	747%
Financial assets at fair value through profit or loss	480,694	410,012	463,282	17%	4%
Financial assets at fair value through other comprehensive income	564,606	797,175	740,995	-29%	-24%
Securities at amortised cost	3,097,503	3,282,373	3,695,491	-6%	-16%
Loans at amortised cost	4,684,575	4,825,040	4,441,803	-3%	5%
Loans mandatorily measured at fair value through profit or loss	849,682	793,242	752,196	7%	13%
Investments in subsidiaries	2,007,901	1,596,717	1,473,089	26%	36%
Property and equipment	94,806	94,564	83,065	0%	14%
Intangible assets	72,369	69,480	60,815	4%	19%
Right of use assets	40,112	39,882	36,976	1%	8%
Investments properties	4,266	4,207	4,262	1%	0%
Current tax assets	1,042	1,569	448	-34%	133%
Deferred tax asset	24,450	35,742	21,578	-32%	13%
Derivative financial assets designated as hedge accounting relationships	34,320	47,220	34,269	-27%	0%
Other assets	365,595	329,752	331,418	11%	10%
TOTAL ASSETS	**17,350,975**	**16,565,531**	**15,761,412**	**5%**	**10%**
Amounts due to banks and deposits from the National Bank of Hungary and other banks	1,642,660	1,736,128	1,495,427	-5%	10%
Repo liabilities	1,431,820	408,366	460,281	251%	211%
Deposits from customers	10,268,351	11,119,158	10,959,373	-8%	-6%
Leasing liabilities	40,553	41,464	38,586	-2%	5%
Liabilities from issued securities	810,136	498,709	16,394	62%	
Financial liabilities at fair value through profit or loss	20,037	16,576	17,810	21%	13%
Derivative financial liabilities designated as held for trading	259,305	373,401	375,606	-31%	-31%
Derivative financial liabilities designated as hedge accounting relationships	35,427	50,623	61,677	-30%	-43%
Current tax assets	3,570	3,199	2,003	12%	78%
Other liabilities	356,724	313,188	305,693	14%	17%
Subordinated bonds and loans	513,079	294,186	294,683	74%	74%
Provisions	38,171	29,656	22,128	29%	73%
TOTAL LIABILITIES	**15,419,833**	**14,884,654**	**14,049,661**	**4%**	**10%**
Share capital	28,000	28,000	28,000	0%	0%
Retained earnings and reserves	1,596,716	1,648,969	1,669,824	-3%	-4%
Profit after tax	312,715	6,632	17,675		
Treasury shares	-6,289	-2,724	-3,748	131%	68%
TOTAL SHAREHOLDERS' EQUITY	**1,931,142**	**1,680,877**	**1,711,751**	**15%**	**13%**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**17,350,975**	**16,565,531**	**15,761,412**	**5%**	**10%**

CONSOLIDATED IFRS STATEMENT OF FINANCIAL POSITION

in HUF million	30/06/2023	31/12/2022	30/06/2022	change ytd	change y-o-y
Cash, amounts due from banks and balances with the National Banks	5,582,622	4,221,392	2,312,423	32%	141%
Placements with other banks, net of loss allowance for placements	1,305,309	1,351,082	1,765,735	-3%	-26%
Repo receivables	164,830	41,009	32,650	302%	405%
Financial assets at fair value through profit or loss	474,947	436,387	462,602	9%	3%
Securities at fair value through other comprehensive income	1,853,511	1,739,603	2,103,518	7%	-12%
Loans at amortized cost	17,973,435	16,094,458	15,405,467	12%	17%
Loans mandatorily at fair value through profit or loss	1,302,501	1,247,414	1,177,408	4%	11%
Finance lease receivables	1,300,149	1,298,752	1,303,199	0%	0%
Associates and other investments	88,140	73,849	78,838	19%	12%
Securities at amortized cost	5,370,001	4,891,938	4,802,056	10%	12%
Property and equipment	493,644	464,469	434,972	6%	13%
Intangible assets and goodwill	247,005	237,031	221,776	4%	11%
Right-of-use assets	58,174	58,937	55,375	-1%	5%
Investment properties	46,337	47,452	30,248	-2%	53%
Derivative financial assets designated as hedge accounting	49,758	48,247	35,218	3%	41%
Deferred tax assets	64,267	75,421	59,107	-15%	9%
Current income tax receivable	11,459	5,650	32,875	103%	-65%
Other assets	480,571	471,119	508,757	2%	-6%
TOTAL ASSETS	**36,866,660**	**32,804,210**	**30,822,224**	**12%**	**20%**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	2,102,778	1,463,158	1,658,429	44%	27%
Repo liabilities	565,949	217,369	303,435	160%	87%
Financial liabilities designated at fair value through profit or loss	59,923	54,191	42,562	11%	41%
Deposits from customers	26,903,982	25,188,805	23,552,122	7%	14%
Liabilities from issued securities	1,727,388	870,682	405,399	98%	326%
Derivative financial liabilities held for trading	269,573	385,747	383,245	-30%	-30%
Derivative financial liabilities designated as hedge accounting	21,156	27,949	39,328	-24%	-46%
Leasing liabilities	60,373	63,778	61,200	-5%	-1%
Deferred tax liabilities	34,810	40,094	26,399	-13%	32%
Current income tax payable	34,747	28,866	118,742	20%	-71%
Provisions	129,741	131,621	140,521	-1%	-8%
Other liabilities	807,857	707,654	620,158	14%	30%
Subordinated bonds and loans	552,883	301,984	302,379	83%	83%
TOTAL LIABILITIES	**33,271,160**	**29,481,898**	**27,653,919**	**13%**	**20%**
Share capital	28,000	28,000	28,000	0%	0%
Retained earnings and reserves	3,684,014	3,395,215	3,242,096	9%	14%
Treasury shares	-125,907	-106,862	-108,606	18%	16%
Total equity attributable to the parent	3,586,107	3,316,353	3,161,490	8%	13%
Total equity attributable to non-controlling interest	9,393	5,959	6,815	58%	38%
TOTAL SHARHOLDERS' EQUITY	**3,595,500**	**3,322,312**	**3,168,305**	**8%**	**13%**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**36,866,660**	**32,804,210**	**30,822,224**	**12%**	**20%**

OTP BANK SEPARATE IFRS STATEMENT OF RECOGNIZED INCOME

in HUF million	1H 2023	1H 2022	change
Interest income calculated using the effective interest method	607,079	265,113	129%
Income similar to interest income	401,949	127,901	214%
Total Interest Income	1,009,028	393,014	157%
Total Interest Expense	-798,221	-254,475	214%
NET INTEREST INCOME	**210,807**	**138,539**	**52%**
Risk cost total	-17,943	-41,577	-57%
NET INTEREST INCOME AFTER RISK COST	**192,864**	**96,962**	**99%**
Losses arising from derecognition of financial assets measured at amortised cost	**-7,654**	**-7,680**	**0%**
Modification loss	**-6,952**	**-2,705**	**157%**
Income from fees and commissions	190,237	166,243	14%
Expenses from fees and commissions	-35,179	-27,648	27%
Net profit from fees and commissions	**155,058**	**138,595**	**12%**
Foreign exchange gains (+)/ loss (-)	-9,434	6,969	
Gains (+) or loss (-) on securities, net	18,823	-8,379	
Losses on financial instruments at fair value through profit or loss	44,980	3,530	
Gains on derivative instruments, net	10,993	-5,620	
Dividend income	202,745	182,276	11%
Other operating income	19,839	7,676	158%
Net other operating expenses	-7,947	-143,279	-94%
Net operating income	**279,997**	**43,173**	**549%**
Personnel expenses	-91,725	-64,803	42%
Depreciation and amortization	-24,500	-22,085	11%
Other administrative expenses	-159,810	-175,034	-9%
Other administrative expenses	**-276,035**	**-261,922**	**5%**
PROFIT BEFORE INCOME TAX	**337,278**	**6,423**	
Income tax expense	-24,563	11,252	
PROFIT AFTER TAX FOR THE PERIOD	**312,715**	**17,675**	

CONSOLIDATED IFRS STATEMENT OF RECOGNIZED INCOME

in HUF million	1H 2023	1H 2022	change
CONTINUING OPERATIONS			
Interest income calculated using the effective interest method	1,111,486	612,346	82%
Income similar to interest income	332,987	209,021	59%
Interest incomes	1,444,473	821,367	76%
Interest expenses	-795,295	-316,094	152%
NET INTEREST INCOME	**649,178**	**505,273**	**28%**
Risk cost total	**-57,089**	**-128,678**	**-56%**
Loss allowance / Release of loss allowance on loans, placements, amounts due from banks and repo receivables	-60,244	-88,587	-32%
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 / Release of loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost	5,133	-49,211	
Provision for commitments and guarantees given	-483	-5,934	-92%
Impairment / (Release of impairment) of assets subject to operating lease and of investment properties	6	67	-91%
NET INTEREST INCOME AFTER RISK COST	**592,089**	**376,595**	**57%**
Income from fees and commissions	403,638	325,955	24%
Expense from fees and commissions	-78,894	-60,504	30%
Net profit from fees and commissions	**324,744**	**265,451**	**22%**
Modification gain or loss	**-19,286**	**-13,074**	**48%**
Foreign exchange gains / losses, net	-170	-119	43%
Foreign exchange gains / losses, net	40,850	951	
Net results on derivative instruments and hedge relationships	-41,020	-1,070	
Gains / Losses on securities, net	18,856	-7,861	
Gains / Losses on financial assets /liabilities measured at fair value through profit or loss	43,843	4,956	785%
Gain from derecognition of financial assets at amortized cost	568	1,978	-71%
Profit from associates	1,745	1,257	39%
Other operating income	294,103	45,670	544%
Gains and losses on real estate transactions	4,016	1,592	152%
Other non-interest income	289,272	43,473	565%
Net insurance result	814	605	34%
Other operating expense	-54,414	-62,928	-14%
Net operating income	**304,531**	**-17,047**	
Personnel expenses	-228,969	-174,752	31%
Depreciation and amortization	-57,185	-118,187	-52%
Other administrative expenses	-268,187	-262,825	2%
Other administrative expenses	**-554,341**	**-555,764**	**0%**
PROFIT BEFORE INCOME TAX	**647,737**	**56,161**	
Income tax expense	-70,926	-14,495	389%
PROFIT AFTER INCOME TAX FOR THE PERIOD FROM CONTINUING OPERATIONS	**576,811**	**41,666**	
From this, attributable to:			
Non-controlling interest	625	-277	
Owners of the company	576,186	41,943	
DISCONTINUED OPERATIONS			
Gains from disposal of subsidiary classified as held for sale	0	986	
Net loss / gain from discontinued operation	0	0	
PROFIT AFTER INCOME TAX FROM CONTINUING AND DISCOUNTINUED OPERATION	**576,811**	**42,652**	

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY (IFRS)

in HUF million	Share capital	Capital reserve	Retained earnings and reserves	Treasury shares	Non-controlling interest	Total
Balance as at 1 January 2022	**28,000**	**52**	**3,109,457**	**-106,941**	**6,198**	**3,036,766**
Profit after tax for the year	--	--	42,929	--	-277	42,652
Other comprehensive income	--	--	212,601	--	1,409	214,010
Increase due to business combinations	--	--	--	--	-515	-515
Purchase of non-controlling interests	--	--	-1,321	--		-1,321
Share-based payment	--	--	1,474	--	--	1,474
Dividend	--	--	-120,248	--	--	-120,248
Correction due to ESOP	--	--	4,066	--	--	4,066
Treasury shares						
– sale	--	--	--	13,259	--	13,259
– loss on sale	--	--	-6,914	--	--	-6,914
– volume change	--	--	--	-14,924	--	-14,924
Balance as at 30 June 2022	**28,000**	**52**	**3,242,044**	**-108,606**	**6,815**	**3,168,305**

in HUF million	Share capital	Capital reserve	Retained earnings and reserves	Treasury shares	Non-controlling interest	Total
Balance as at 1 January 2023	**28,000**	**52**	**3,395,163**	**-106,862**	**5,959**	**3,322,312**
Profit after tax for the year	--	--	576,186	--	625	576,811
Other comprehensive income	--	--	-206,681	--	-1,212	-207,893
Purchase of non-controlling interests	--	--	--	--	4,021	4,021
Share-based payment	--	--	1,394	--	--	1,394
Dividend	--	--	-84,000	--	--	-84,000
Correction due to ESOP	--	--	3,836	--	--	3,836
Treasury shares						
– sale	--	--	--	17,835	--	17,835
– loss on sale	--	--	-1,936	--	--	-1,936
– volume change	--	--	--	-36,880	--	-36,880
Balance as at 30 June 2023	**28,000**	**52**	**3,683,962**	**-125,907**	**9,393**	**3,595,500**

[1]The deduction related to repurchased treasury shares (2Q 2023: HUF 125,907 million) includes the book value of OTP shares held by ESOP (2Q 2023: 12,579,859 shares).

OTP BANK SEPARATE IFRS STATEMENT OF CASH FLOWS

in HUF million	30/06/2023	30/06/2022	change
OPERATING ACTIVITIES			
Profit before income tax	337,278	6,423	
Net accrued interest	-23,133	-6,040	283%
Income tax paid	-11,056	-11,115	-1%
Depreciation and amortization	24,568	22,152	11%
Loss allowance / (Release of loss allowance)	17,051	185,935	-91%
Share-based payment	1,394	1,474	-5%
Exchange rate gains on securities	7,029	8,167	-14%
Unrealised gains on fair value adjustment of financial instruments at fair value through profit or loss	-47,262	-14,262	231%
Unrealised losses on fair value adjustment of derivative financial instruments	-69,861	18,825	-471%
Interest expense from leasing liabilities	794	-393	-302%
Effect of currency revaluation	-21,153	29,673	-171%
Result from the sale of property, plant and equipment and intangible assets	-1,214	-90	
Net change in assets and liabilities in operating activities	-135,199	384,883	-135%
Net cash provided by operating activities	**79,236**	**625,632**	**-87%**
INVESTING ACTIVITIES			
Net cash used in investing activities	**136,608**	**-576,342**	**-124%**
FINANCING ACTIVITIES			
Net cash provided by / (used in) financing activities	**505,217**	**-92,696**	**-645%**
Net decrease in cash and cash equivalents	**721,062**	**-43,406**	
Cash and cash equivalents at the beginning of the year	**351,770**	**375,642**	**-6%**
Cash and cash equivalents at the end of the year	**1,072,832**	**332,236**	**223%**
Cash, amounts due from banks and balances with the National Bank of Hungary	1,092,198	474,945	130%
Cash and cash equivalents at the beginning of the year	**1,092,198**	**474,945**	**130%**
Cash, amounts due from banks and balances with the National Bank of Hungary	2,316,708	445,285	420%
Cash and cash equivalents at the end of the year	**2,316,708**	**445,285**	**420%**

CONSOLIDATED IFRS STATEMENT OF CASH FLOWS

in HUF million	30/06/2023	30/06/2022	change
OPERATING ACTIVITIES			
Profit after tax for the period	576,186	42,929	
Net changes in assets and liabilities in operating activities			
Income tax paid	-23,751	-26,703	-11%
Depreciation and amortization	59,724	53,112	12%
Goodwill impairment	0	67,715	-100%
Loss allowance	63,038	162,575	-61%
Net accrued interest	47,224	29,687	59%
Share-based payment	1,394	1,474	-5%
Unrealized exchange differences	-3,891	18,625	
Unrealized (gain) / losses on fair value adjustment of securities valued at fair value	-137,204	-110,076	25%
Unrealised losses / (gains) on fair value adjustment of derivative financial instruments	-70,324	61,430	
Other changes in assets and liabilities in operating activities	-1,183,119	267,743	
Net change in assets and liabilities in operating activities	**-670,723**	**568,511**	
INVESTING ACTIVITIES			
Net cash used in investing activities	**1,016,367**	**-994,898**	
FINANCING ACTIVITIES			
Net cash used in financing activities	**448,743**	**89,454**	**402%**
Net increase (+) / decrease (-) of cash	**794,387**	**-336,933**	
Cash and cash equivalents at the beginning of the year	2,597,688	1,701,564	53%
Cash and cash equivalents at the end of the year	**3,392,075**	**1,364,631**	**149%**

CONSOLIDATED SUBSIDIARIES AND ASSOCIATES

	Name of the company		Initial capital/Equity (HUF)	Ownership Directly + indirectly (%)	Voting rights (%)	Classification[1]
1	OTP Real Estate Ltd.		1,050,000,000	100.00	100.00	L
2	BANK CENTER No. 1. Ltd.		11,500,000,000	100.00	100.00	L
3	OTP Fund Management Ltd.		900,000,000	100.00	100.00	L
4	OTP Factoring Ltd.		500,000,000	100.00	100.00	L
5	OTP Close Building Society		2,000,000,000	100.00	100.00	L
6	Merkantil Bank Ltd.		2,000,000,000	100.00	100.00	L
7	OTP Factoring Management Ltd.		3,100,000	100.00	100.00	L
8	INGA KETTŐ Ltd.		8,000,000,000	100.00	100.00	L
9	Merkantil Bérlet Ltd.		6,000,000	100.00	100.00	L
10	OTP Mortgage Bank Ltd.		82,000,000,000	100.00	100.00	L
11	OTP Funds Servicing and Consulting Company Limited		2,351,000,000	100.00	100.00	L
12	DSK Bank AD	BGN	1,328,659,920	99.92	99.92	L
13	DSK Tours EOOD	BGN	8,491,000	100.00	100.00	L
14	POK DSK-Rodina AD	BGN	10,010,198	99.85	99.85	L
15	NIMO 2002 Ltd.		1,156,000,000	100.00	100.00	L
16	OTP Real Estate Investment Fund Management Ltd.		100,000,000	100.00	100.00	L
17	OTP Card Factory Ltd.		450,000,000	100.00	100.00	L
18	OTP Bank Romania S.A.	RON	2,279,253,360	100.00	100.00	L
19	DSK Asset Management EAD	BGN	1,000,000	100.00	100.00	L
20	OTP banka dioničko društvo	EUR	539,156,898	100.00	100.00	L
21	Air-Invest Ltd.		630,000,000	100.00	100.00	L
22	DSK Leasing AD	BGN	3,334,000	100.00	100.00	L
23	OTP Invest društvo s ograničenom odgovornošću za upravljanje fondovima	EUR	2,417,030	100.00	100.00	L
24	OTP Nekretnine d.o.o.	EUR	34,485,100	100.00	100.00	L
25	SPLC-P Ltd.		15,000,000	100.00	100.00	L
26	SPLC Ltd.		10,000,000	100.00	100.00	L
27	OTP Real Estate Leasing Ltd.		214,000,000	100.00	100.00	L
28	OTP Life Annuity Real Estate Investment Plc.		2,000,000,000	100.00	100.00	L
29	OTP Leasing d.d.	EUR	1,067,560	100.00	100.00	L
30	Joint-Stock Company OTP Bank	UAH	6,186,023,111	100.00	100.00	L
31	JSC "OTP Bank" (Russia	RUB	4,423,768,142	97.92	97.92	L
32	Montenegrin Commercial Bank Shareholding Company, Podgorica Montenegro	EUR	181,875,221	100.00	100.00	L
33	OTP banka Srbija, joint-stock company, Novi Sad)	RSD	56,830,752,260	100.00	100.00	L
34	OTP Investments d.o.o. Novi Sad	RSD	203,783,061	100.00	100.00	L
35	OTP Leasing Romania IFN S.A.	RON	33,556,300	100.00	100.00	L
36	OTP Ingatlanpont Ltd.		7,500,000	100.00	100.00	L
37	OTP Hungaro-Projekt Ltd.		27,720,000	100.00	100.00	L
38	OTP Mérnöki Ltd.		3,000,000	100.00	100.00	L
39	OTP Ingatlanüzemeltető Ltd.		30,000,000	100.00	100.00	L
40	LLC AMC OTP Capital	UAH	10,000,000	100.00	100.00	L
41	CRESCO d.o.o.	EUR	5,170	100.00	100.00	L
42	LLC OTP Leasing	UAH	45,495,340	100.00	100.00	L
43	OTP Asset Management SAI S.A.	RON	5,795,323	100.00	100.00	L
44	OTP Financing Solutions	EUR	18,000	100.00	100.00	L
45	Velvin Ventures Ltd.	USD	50,000	100.00	100.00	L
46	OTP Factoring SRL	RON	600,405	100.00	100.00	L
47	OTP Factoring Ukraine LLC	UAH	6,227,380,554	100.00	100.00	L
48	OTP Insurance Broker EOOD	BGN	5,000	100.00	100.00	L
49	PortfoLion Venture Capital Fund Management Ltd.		39,500,000	100.00	100.00	L
50	SC Aloha Buzz SRL	RON	260,200	100.00	100.00	L
51	SC Favo Consultanta SRL	RON	10,200	100.00	100.00	L
52	SC Tezaur Cont SRL	RON	10,200	100.00	100.00	L
53	OTP Holding Ltd.	EUR	131,000	100.00	100.00	L
54	OTP Debt Collection d.o.o. Podgorica	EUR	49,000,001	100.00	100.00	L
55	OTP Factoring Serbia d.o.o.	RSD	782,902,282	100.00	100.00	L
56	MONICOMP Ltd.		203,000,000	100.00	100.00	L
57	CIL Babér Ltd.		71,890,330	100.00	100.00	L
58	Project 01 Consulting, s. r. o.	EUR	22,540,000	100.00	100.00	L
59	R.E. Four d.o.o., Novi Sad	RSD	1,983,643,761	100.00	100.00	L
60	OTP Financial point Ltd.		52,500,000	100.00	100.00	L
61	Bajor-Polár Center Real Estate Management Ltd.		30,000,000	100.00	100.00	L
62	OTP Mobile Service Ltd.		1,210,000,000	100.00	100.00	L
63	OTP Holding Malta Ltd.	EUR	104,950,000	100.00	100.00	L
64	OTP Financing Malta Ltd.	EUR	105,000,000	100.00	100.00	L
65	LLC MFO "OTP Finance"	RUB	6,533,000,000	100.00	100.00	L
66	OTP Travel Limited		27,000,000	100.00	100.00	L
67	OTP Ecosystem Limited Liability Company; OTP Ecosystem Llc.		281,100,000	100.00	100.00	L
68	DSK ventures EAD	BGN	250,000	100.00	100.00	L
69	OTP ESOP		142,198,063,001	0.00	0.00	L
70	PEVEC d.o.o. Beograd	RSD	812,844,640	100.00	100.00	L

	Name of the company		Initial capital/Equity (HUF)	Ownership Directly + indirectly (%)	Voting rights (%)	Classification[1]
71	PortfoLion Digital Kft.		101,000,000	100.00	100.00	L
72	OTP Ingatlankezelő Korlátolt Felelősségű Társaság		50,000,000	100.00	100.00	L
73	MFM Project Investment and Development Ltd.		20,000,000	100.00	100.00	L
74	OTP Leasing d.o.o. Beograd	RSD	112,870,710	100.00	100.00	L
75	Venture Closed-End Non Diversified Mutual Investment Fund "OTP Solution"	UAH	43,347,201	100.00	100.00	L
76	OTP Services Ltd.	RSD	40,028	100.00	100.00	L
77	DSK DOM EAD	BGN	100,000	100.00	100.00	L
78	ShiwaForce.com Inc.		114,107,000	92.30	92.30	L
79	OTP Leasing EOOD	BGN	4,100,000	100.00	100.00	L
80	Regional Urban Development Fund AD	BGN	250,000	52.00	52.00	L
81	Banka OTP Albania SHA	ALL	6,740,900,000	100.00	100.00	L
82	EiSYS Ltd.		3,000,000	100.00	100.00	L
83	OTP Leasing Srbija d.o.o. Beograd	RSD	314,097,580	100.00	100.00	L
84	OTP Osiguranje AKCIONARSKO DRUŠTVO ZA	RSD	537,606,648	100.00	100.00	L
85	OTP Bank S.A.	MDL	100,000,000	98.26	98.31	L
86	AppSense Ltd.		3,000,000	100.00	100.00	L
87	SKB Banka d.d. Ljubljana	EUR	52,784,176	100.00	100.00	L
88	SKB Leasing d.o.o.	EUR	16,809,031	100.00	100.00	L
89	SKB Leasing Select d.o.o.	EUR	5,000,000	100.00	100.00	L
90	OTP Home Solutions Limited Liability Company		15,000,000	100.00	100.00	L
91	Georg d.o.o	EUR	3,000	76.00	76.00	L
92	Nova Kreditna Banka Maribor d.d.	EUR	150,000,000	100.00	100.00	L
93	ALEJA FINANCE, FINANCNE IN DRUGE STORITVE, D.O.O.	EUR	500,000	100.00	100.00	L
94	OTP Luxembourg S.à r.l.	EUR	2,711,440	100.00	100.00	L
95	Foglaljorvost Online Ltd		7,002,400	100.00	100.00	L
96	OD Ltd.		6,000,000	60.00	60.00	L
97	JN Parkoló Ltd.		10,000,000	100.00	100.00	L
98	JSCMB 'IPOTEKA BANK'	UZS	2,989,584,338,941	73.71	73.71	L
99	Balansz Real Estate Institute Fund		70,708,097,047	100.00	100.00	L
100	PortfoLion Zöld Fund		23,400,000,000	100.00	100.00	L
101	PortfoLion Digitális Magántőkealap I.		6,600,000,000	100.00	100.00	L
102	PortfoLion Regionális Fund		251,680,000	50.00	50.00	L
103	PortfoLion Regionális Fund II.		25,060,000,000	49.88	49.88	L
104	PortfoLion Partner Magántőke Alap		72,000,000,000	30.56	30.56	L
105	PortfoLion Digitális Magántőkealap II.		2,800,000,000	100.00	100.00	L
106	"Nemesszalóki Mezőgazdasági"Állattenyésztési, Növénytermesztési,Termelő és Szolgáltató Zrt.		924,124,000	100.00	100.00	L
107	ZA-Invest Béta Kft.		8,000,000	100.00	100.00	L
108	NAGISZ Mezőgazdasági Termelő és Szolgáltató Zártkörűen Működő Részvénytársaság		3,802,080,000	99.65	99.65	L
109	Nádudvari Élelmiszer Feldolgozó és Kereskedelmi Korlátolt Felelősségű Társaság		1,954,680,000	99.96	99.96	L
110	HAGE Ltd.		2,689,000,000	99.61	99.61	L
111	AFP Private Equity Invest Zártkörűen Működő Részvénytársaság	EUR	452,000	29.14	29.14	L
112	Mendota Invest, Nepremicninska druzba, d.o.o.	EUR	257,500	100.00	100.00	L
113	ZA-Invest Delta Ltd.		3,000,000	100.00	100.00	L

[1] Full consolidated - L

Ownership structure of OTP Bank Plc.

Description of owner	Total equity					
	1 January 2023			30 June 2023		
	Ownership share	Voting rights[1]	Quantity	Ownership share	Voting rights[1]	Quantity
Domestic institution/company	31.80%	31.84%	89,040,716	32.09%	32.16%	89,859,188
Foreign institution/company	50.05%	50.11%	140,129,576	51.38%	51.49%	143,860,196
Domestic individual	16.91%	16.93%	47,338,305	15.16%	15.19%	42,451,396
Foreign individual	0.52%	0.52%	1,464,494	0.51%	0.51%	1,420,088
Employees, senior officers	0.55%	0.55%	1,526,762	0.60%	0.60%	1,678,741
Treasury shares[2]	0.13%	0.00%	354,144	0.21%	0.00%	585,596
Government held owner	0.05%	0.05%	139,946	0.05%	0.05%	139,946
International Development Institutions	0.00%	0.00%	3,183	0.00%	0.00%	3,247
Other[3]	0.00%	0.00%	2,884	0.00%	0.00%	1,612
TOTAL	**100.00%**	**100.00%**	**280,000,010**	**100.00%**	**100.00%**	**280,000,010**

[1] Voting rights in the General Meeting of the Issuer for participation in decision-making.
[2] Treasury shares do not include the OTP shares held by ESOP (OTP Bank Employee Stock Ownership Plan Organization). Pursuant to Act V of 2013 on the Civil Code, OTP shares held by the ESOP are not classified as treasury shares, but the ESOP must be consolidated in accordance with IFRS 10 Consolidated Financial Statements standard. On 30 June 2023 ESOP owned 12,579,859 OTP shares.
[3] Non-identified shareholders according to the shareholders' registry.

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

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

Shareholders with over/around 5% stake as at 30 June 2023

Name	Nationality[1]	Activity[2]	Number of shares	Ownership[3]	Voting rights[3,4]	Notes[5]
MOL (Hungarian Oil and Gas Company Plc.)	**D**	**C**	**24,000,000**	**8.57%**	**8.59%**	
Groupama Group	**F/D**	**C**	**14,256,779**	**5.09%**	**5.10%**	
Groupama Gan Vie SA	F	C	14,140,000	5.05%	5.06%	
Groupama Biztosító Ltd.	D	C	116,779	0.04%	0.04%	

[1] Domestic (D), Foreign (F).
[2] Custodian (CU), Public Institution (PU), International Development Institutions (ID), Institutional (I), Company (C), Private (PR), Employee or senior officer (E).
[3] Rounded to two decimals.
[4] Voting rights in the General Meeting of the Issuer for participation in decision-making.
[5] Eg, professional investor, financial investor, etc.

Senior officers, strategic employees and their shareholding of OTP shares as at 30 June 2023

Type[1]	Name	Position	Commencement date of the term	Expiration/termination of the term	Number of shares
IT	dr. Sándor Csányi [2]	Chairman and CEO	15/05/1992	2026	360,327
IT	Tamás Erdei	Deputy Chairman	27/04/2012	2026	53,885
IT	Gabriella Balogh	member	16/04/2021	2026	17,793
IT	Mihály Baumstark	member	29/04/1999	2026	63,200
IT	Péter Csányi	member, Deputy CEO	16/04/2021	2026	19,602
IT	dr. István Gresa	member	27/04/2012	2026	192,458
IT	Antal Kovács[3]	member	15/04/2016	2026	124,359
IT	György Nagy[4]	member	16/04/2021	2026	44,400
IT	dr. Márton Gellért Vági	member	16/04/2021	2026	18,100
IT	dr. József Vörös	member	15/05/1992	2026	196,314
IT	László Wolf	member, Deputy CEO	15/04/2016	2026	545,453
FB	Tibor Tolnay	Chairman	15/05/1992	2026	54
FB	dr. Gábor Horváth	Deputy Chairman	19/05/1995	2026	0
FB	Klára Bella	member	12/04/2019	2026	889
FB	dr. Tamás Gudra	member	16/04/2021	2026	0
FB	András Michnai	member	25/04/2008	2026	100
FB	Olivier Péqueux	member	13/04/2018	2026	0
SP	András Becsei	Deputy CEO			6,199
SP	László Bencsik	Deputy CEO			20,847
SP	György Kiss-Haypál	Deputy CEO			14,761
TOTAL No. of shares held by management					**1,678,741**

[1] Employee in strategic position (SP), Board Member (IT), Supervisory Board Member (FB)
[2] Number of OTP shares owned by Dr. Sándor Csányi, Chairman and CEO, directly or indirectly: 4,637,454.
[3] Number of OTP shares owned by Antal Kovács, Member of Board of Directors, directly or indirectly: 128,659.
[4] Number of OTP shares owned by György Nagy, Member of Board of Directors, directly or indirectly: 1,128,555.

OFF-BALANCE SHEET ITEMS ACCORDING TO IFRS (consolidated, in HUF million)[1]

a) Contingent liabilities

	30/06/2023	30/06/2022
Commitments to extend credit	4,523,521	4,635,837
Guarantees arising from banking activities	1,327,992	1,375,945
Confirmed letters of credit	72,813	75,039
Legal disputes (disputed value)	80,287	89,936
Other	824,900	530,827
TOTAL	**6,829,513**	**6,707,584**

[1] Those financial undertakings, which are important from valuation perspectives however not booked within the balance sheet (such as surety, guarantees, pledge related obligations, etc.)

Changes in the headcount (active, FTE-basis) employed by the Bank and the subsidiaries

	End of reference period	Current period opening	Current period closing
Bank[1]	9,976	10,277	10,387
Consolidated[2]	35,370	35,976	41,227

[1]OTP Bank Hungary (standalone) employee figures.
[2] Due to the changes in the scope of consolidation, the historical figures are not comparable.

Security issuances on Group level between 01/07/2022 and 30/06/2023

Issuer	Type of security	Security name	Date of issue	Date of maturity	Ccy	Outstanding consolidated debt (in original currency or HUF million) 30/06/2023	Outstanding consolidated debt (in HUF million) 30/06/2023
OTP Mortgage Bank	Mortgage bond	OJB2029_A	25/07/2022	24/05/2029	HUF	91,714	91,714
OTP Bank Plc.	Retail bond	OTP_HUF_24/1	17/02/2023	17/02/2024	HUF	26,698	26,698
OTP Bank Plc.	Retail bond	OTP_HUF_24/2	10/03/2023	10/03/2024	HUF	23,521	23,521
OTP Bank Plc.	Retail bond	OTP_HUF_24/3	31/03/2023	31/03/2024	HUF	17,435	17,435
OTP Bank Plc.	Retail bond	OTP_HUF_25/1	18/11/2022	18/11/2025	HUF	25,563	25,563
OTP Bank Plc.	Retail bond	OTP_HUF_26/1	22/12/2022	05/01/2026	HUF	10,230	10,230
OTP Bank Plc.	Corporate bond	XS2499691330	13/07/2022	13/07/2025	EUR	398,000,000	147,710
OTP Bank Plc.	Corporate bond	XS2536446649	29/09/2022	29/09/2026	USD	60,000,000	20,544
OTP Bank Plc.	Corporate bond	XS2560693181	01/12/2022	04/03/2026	EUR	648,693,000	240,749
OTP Bank Plc.	Corporate bond	XS2586007036	15/02/2023	15/05/2033	USD	649,719,000	222,464
OTP Bank Plc.	Retail bond	OTP_HUF_24/4	21/04/2023	21/04/2024	HUF	15,125	15,125
OTP Bank Plc.	Retail bond	OTP_HUF_24/5	12/05/2023	12/05/2024	HUF	14,218	14,218
OTP Bank Plc.	Retail bond	OTP_HUF_24/6	02/06/2023	02/06/2024	HUF	17,136	17,136
OTP Bank Plc.	Retail bond	OTP_HUF_24/7	23/06/2023	23/06/2024	HUF	11,484	11,484
OTP Bank Plc.	Retail bond	OTP_HUF_24/8	30/06/2023	30/06/2024	HUF	3,761	3,761
OTP Bank Plc.	Retail bond	OTP_HUF_25/2	30/06/2023	30/06/2025	HUF	5,116	5,116
OTP Bank Plc.	Corporate bond	OTP_DK_28/3	01/06/2023	31/05/2028	HUF	0	0
OTP Bank Plc.	Corporate bond	OTP_DK_29/3	01/06/2023	31/05/2029	HUF	0	0
OTP Bank Plc.	Corporate bond	OTP_DK_30/3	01/06/2023	31/05/2030	HUF	0	0
OTP Bank Plc.	Corporate bond	OTP_DK_31/II	01/06/2023	31/05/2031	HUF	0	0
OTP Bank Plc.	Corporate bond	OTP_DK_32/II	01/06/2023	31/05/2032	HUF	0	0
OTP Bank Plc.	Corporate bond	OTP_DK_33/I	01/06/2023	31/05/2033	HUF	0	0
OTP Bank Plc.	Corporate bond	XS2626773381	25/05/2023	25/05/2027	USD	500,000,000	171,200
OTP Bank Plc.	Corporate bond	XS2642536671	27/06/2023	27/06/2026	EUR	110,000,000	40,824
Nova KBM	Corporate bond	NOVAKR 7 3/8 06/29/26	29/06/2023	29/06/2026	EUR	400,000,000	148,452

Security redemptions on Group level between 01/07/2022 and 30/06/2023

Issuer	Type of security	Security name	Date of issue	Date of maturity	Ccy	Outstanding consolidated debt (in original currency or HUF million)	Outstanding consolidated debt (in HUF million)
OTP Bank Plc.	Corporate bond	OTPRF2022E	29/10/2012	31/10/2022	HUF	938	938
OTP Bank Plc.	Corporate bond	OTPRF2022F	28/12/2012	28/12/2022	HUF	773	773
OTP Bank Plc.	Corporate bond	OTPX2022B	18/07/2012	18/07/2022	HUF	158	158
OTP Bank Plc.	Corporate bond	OTPX2022C	29/10/2012	28/10/2022	HUF	166	166
OTP Bank Plc.	Corporate bond	OTPX2022D	28/12/2012	27/12/2022	HUF	238	238
OTP Bank Plc.	Corporate bond	OTPRF2023A	22/03/2013	24/03/2023	HUF	1,011	1,011
OTP Bank Plc.	Corporate bond	OTPX2023A	22/03/2013	24/03/2023	HUF	312	312
OTP Bank Plc.	Corporate bond	OTP_DK_23/I	15/12/2018	31/05/2023	HUF	0	0
OTP Bank Plc.	Corporate bond	OTP_DK_23/I	15/12/2018	31/05/2023	HUF	0	0
OTP Bank Plc.	Corporate bond	OTP_DK_23/II	29/05/2020	31/05/2023	HUF	0	0
OTP Bank Plc.	Corporate bond	OTPX2023B	28/06/2013	26/06/2023	HUF	198	198

RELATED-PARTY TRANSACTIONS

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 (in HUF million)[1]	1H 2022	1H 2023	Y-o-Y	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
Total compensation for key management personnel	**6,860**	**6,955**	**1%**	**3,698**	**3,324**	**3,631**	**9%**	**-2%**
Short-term employee benefits	4,871	5,049	4%	2,687	2,244	2,805	25%	4%
Share-based payment	1,264	1,309	4%	538	608	701	15%	30%
Other long-term employee benefits	702	591	-16%	465	472	119	-75%	-74%
Termination benefits	23	0	-100%	8	0	0		-100%
Redundancy payments	0	6		0	0	6		
Loans to key management individuals and their close family members as well as to entities in which they have an interest	80,360	87,350	9%	80,360	83,621	87,350	4%	9%
Credit lines of key management individuals and their close family members as well as entities in which they have an interest	33,407	48,437	45%	33,407	34,471	48,437	41%	45%
Loans provided to unconsolidated subsidiaries	2,952	3,000	2%	2,952	3,459	3,000	-13%	2%

[1] Due to the changes in the definition of key management personnel, figures are not comparable with previously published data.

Alternative performance measures
pursuant to the National Bank of Hungary 5/2017, (V.24.) recommendation[9]

Alternative performance measures name	Description	Calculation (data in HUF million)	Measures value 1H 2022	Measures value 1H 2023
Leverage, consolidated[10]	The leverage ratio is calculated pursuant to Article 429 CRR. The calculation of the indicator is designed quarterly by the Bank for the prudential consolidation circle.	The leverage ratio shall be calculated as an institution's capital measure divided by that institution's total exposure measure and shall be expressed as a percentage. Example for 1H 2023: $\frac{3,552,205.6}{39,644,112.9} = 9.0\%$ Example for 1H 2022: $\frac{3,347,374.6}{33,358,336.7} = 10.0\%$	10.0%	9.0%
Liquidity Coverage Ratio (LCR)	According to Article 412 (1) of CRR, the liquidity coverage ratio (LCR) is designed to promote short-term resilience of the Issuer's / Group's liquidity risk profile and aims to ensure that the Issuer / Group has an adequate stock of unencumbered High Quality Liquid Assets (HQLA) to meet its liquidity needs for a 30 calendar day liquidity stress scenario.	The LCR is expressed as: (stock of HQLA) / (total net cash outflows over the next 30 calendar days) ≥ 100%. The numerator of the LCR is the stock of HQLA (High Quality Liquid Assets). In order to qualify as HQLA, assets should be liquid in markets during a time of stress and, in most cases, be eligible for use in central bank operations. The denominator of the LCR is the total net cash outflows, defined as total expected cash outflows minus total expected cash inflow in the specified stress scenario for the subsequent 30 calendar days. Total cash inflows are subject to an aggregate cap of 75% of total expected cash outflows, thereby ensuring a minimum level of HQLA holdings at all times. Example for 1H 2023: $\frac{8,673,818.5}{6,466,631.5 - 1,379,945.5} = 170.5\%$ Example for 1H 2022: $\frac{6,101,751.7}{5,784,195.6 - 2,200,149.8} = 170.2\%$	170.2%	170.5%
ROE (accounting), consolidated	The return on equity ratio shall be calculated the consolidated accounting profit after tax for the given period divided by the average equity, thus shows the effectiveness of the use of equity.	The numerator of the indicator is the consolidated accounting profit after tax for the given period (annualized for periods less than one year), the denominator is the average consolidated equity. (The definition of average equity: calendar day-weighted average of the average balance sheet items in periods comprising the given period, where periods comprising the given period are defined as quarters (and within that months) in case of 1H, 9M and FY periods, and months in case of quarters. Furthermore, the average of the average balance sheet items is computed as the arithmetic average of closing balance sheet items for the previous period and the current period.) Example for 1H 2023: $\frac{576,811.7 * 2.0}{3,347,638.6} = 34.7\%$ Example for 1H 2022: $\frac{42,651.9 * 2.0}{2,979,901.3} = 2.9\%$	2.9%	34.7%
ROE (adjusted), consolidated	The return on equity ratio shall be calculated the consolidated adjusted profit after tax for the given period divided by the average equity, thus shows the effectiveness of the use of equity.	The numerator of the indicator is the consolidated adjusted profit after tax for the given period (annualized for periods less than one year), the denominator is the average consolidated equity. Example for 1H 2023: $\frac{471,059.1 * 2.0}{3,347,638.6} = 28.4\%$ Example for 1H 2022: $\frac{250,752.0 * 2.0}{2,979,901.3} = 17.0\%$	17.0%	28.4%

[9] The NBH's recommendation (5/2017, 24 May) on Alternative Performance Measures (APM) came into effect from 1 June 2017, in line with ESMA's guidance (ESMA/2015/1415) on the same matter. The recommendation is aimed at – amongst other things – enhancing the transparency, reliability, clarity and comparability of those APMs within the framework of regulated information and thus facilitating the protection of existing and potential investors.
[10] Based on the prudential consolidation scope, which is different from the consolidation scope used in this report.

Alternative performance measures name	Description	Calculation (data in HUF million)	Measures value 1H 2022	Measures value 1H 2023
ROA (adjusted), consolidated	The return on asset ratio shall be calculated the consolidated adjusted net profit for the given period divided by the average total asset, thus shows the effectiveness of the use of equity.	The numerator of the indicator is the consolidated adjusted net profit for the given period, the denominator is the average consolidated total asset. (The definition of average asset: calendar day-weighted average of the average balance sheet items in periods comprising the given period, where periods comprising the given period are defined as quarters (and within that months) in case of 9M, 9M and FY periods, and months in case of quarters. Furthermore, the average of the average balance sheet items is computed as the arithmetic average of closing balance sheet items for the previous period and the current period.) Example for 1H 2023: $\frac{471{,}059.1 \; * \; 2.0}{35{,}399{,}291.9} = 2.7\%$ Example for 1H 2022: $\frac{250{,}752.0 \; * \; 2.0}{29{,}165{,}612.9} = 1.7\%$	1.7%	2.7%
Operating profit margin (adjusted, without one-off items), consolidated	The operating profit margin shall be calculated the consolidated adjusted net operating profit without one-off items for the given period divided by the average total assets, thus shows the effectiveness of the operating profit generation on total assets.	The numerator of the indicator is the consolidated adjusted net operating profit without one-off items for the given period, the denominator is the average consolidated total assets. Example for 1H 2023: $\frac{557{,}067.4 \; * \; 2.0}{35{,}399{,}291.9} = 3.17\%$ Example for 1H 2022: $\frac{398{,}177.8 \; * \; 2.0}{29{,}165{,}612.9} = 2.75\%$	2.75%	3.17%
Total income margin (adjusted, without one-off items), consolidated	The total income margin shall be calculated the consolidated adjusted total income without one-off items for the given period divided by the average total assets, thus shows the effectiveness of income generation on total assets.	The numerator of the indicator is the consolidated adjusted total income without one-off items for the given period (annualized for periods less than one year), the denominator is the average consolidated total assets. Example for 1H 2023: $\frac{1{,}004{,}583.5 \; * \; 2.0}{35{,}399{,}291.9} = 5.72\%$ Example for 1H 2022: $\frac{755{,}139.1 \; * \; 2.0}{29{,}165{,}612.9} = 5.22\%$	5.22%	5.72%
Net interest margin (adjusted), consolidated	The net interest margin shall be calculated the consolidated adjusted net interest income for the given period divided by the average total assets, thus shows the effectiveness of net interest income generation on total assets.	The numerator of the indicator is the consolidated adjusted net interest income for the given period (annualized for periods less than one year), the denominator is the average consolidated total assets. Example for 1H 2023: $\frac{652{,}872.0 \; * \; 2.0}{35{,}399{,}291.9} = 3.72\%$ Example for 1H 2022: $\frac{506{,}196.4 \; * \; 2.0}{29{,}165{,}612.9} = 3.50\%$	3.50%	3.72%
Operating cost (adjusted)/ total assets, consolidated	The indicator shows the operational efficiency.	The numerator of the indicator is the consolidated adjusted operating cost for the given period (annualized for periods less than one year), the denominator is the average consolidated total assets. Example for 1H 2023: $\frac{447{,}516.1 \; * \; 2.0}{35{,}399{,}291.9} = 2.55\%$ Example for 1H 2022: $\frac{356{,}961.3 \; * \; 2.0}{29{,}165{,}612.9} = 2.47\%$	2.47%	2.55%
Cost/income ratio (adjusted, without one-off items), consolidated	The indicator is another measure of operational efficiency.	The numerator of the indicator is the consolidated adjusted operating cost for the given period, the denominator is the adjusted operating income (without one-off items) for the given period. Example for 1H 2023: $\frac{447{,}516.1}{1{,}004{,}583.5} = 44.5\%$ Example for 1H 2022: $\frac{356{,}961.3}{755{,}139.1} = 47.3\%$	47.3%	44.5%

Alternative performance measures name	Description	Calculation (data in HUF million)	Measures value 1H 2022	Measures value 1H 2023
Provision for impairment on loan and placement losses (adjusted)/ average (adjusted) gross loans, consolidated	The indicator provides information on the amount of impairment on loan and placement losses relative to gross customer loans.	The numerator of the indicator is the consolidated adjusted provision for impairment on loan and placement losses for the given period (annualized for periods less than one year), the denominator is the adjusted consolidated gross customer loans for the given period. (The definition of average (adjusted) gross customer loans: calendar day-weighted average of the average balance sheet items in periods comprising the given period, where periods comprising the given period are defined as quarters (and within that months) in case of 1H, 9M and FY periods, and months in case of quarters. Furthermore, the average of the average balance sheet items is computed as the arithmetic average of closing balance sheet items for the previous period and the current period.) Example for 1H 2023: $\frac{3{,}016.1 \quad * \quad 2.0}{20{,}467{,}649.2} = 0.03\%$ Example for 1H 2022: $\frac{74{,}224.3 \quad * \quad 2.0}{17{,}323{,}236.6} = 0.86\%$	0.86%	0.03%
Total risk cost (adjusted)/ total asset ratio, consolidated	The indicator shows the amount of total risk cost relative to the balance sheet total.	The numerator of the indicator is consolidated adjusted total risk cost for the given period (annualized for periods less than one year), the denominator is the average consolidated total assets for the given period. Example for 1H 2023: $\frac{-275.5 \quad * \quad 2.0}{35{,}399{,}291.9} = 0.00\%$ Example for 1H 2022: $\frac{104{,}725.6 \quad * \quad 2.0}{29{,}165{,}612.9} = 0.72\%$	0.72%	0.00%
Effective tax rate (adjusted), consolidated	The indicator shows the amount of corporate income tax accounted on pre-tax profit.	The numerator of the indicator is consolidated adjusted corporate income tax for the given period, the denominator is the consolidated adjusted pre-tax profit for the given period. Example for 1H 2023: $\frac{86{,}283.7}{557{,}342.9} = 15.5\%$ Example for 1H 2022: $\frac{42{,}700.2}{293{,}452.2} = 14.6\%$	14.6%	15.5%
Net loan/(deposit+retail bonds) ratio (FX-adjusted), consolidated	The net loan to deposit+retail bonds ratio is the indicator for assessing the bank's liquidity position.	The numerator of the indicator is the consolidated net consumer loan volume (gross loan reduced the amount of provision), the denominator is the end of period consolidated consumer FX-adjusted deposit volume plus the end of period retail bond volume (issued by OTP Bank). Example for 1H 2023: $\frac{20{,}576{,}084.7}{26{,}861{,}951.4 \quad + \quad 173{,}694.9} = 76\%$ Example for 1H 2022: $\frac{16{,}673{,}483.8}{22{,}237{,}774.4 \quad + \quad 0.0} = 75\%$	75%	76%

SUPPLEMENTARY DATA

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

General note: regarding OTP Core and other subsidiaries, the adjusted profit after tax is calculated without the effect of adjustment items.

(1) Aggregated adjusted profit after tax of OTP Core and foreign banks.

(2) OTP Core is an economic unit for measuring the result of core business activity of OTP Group in Hungary. Financials of OTP Core are calculated from the partially consolidated IFRS financial statements of certain companies engaged in OTP Group's operation in Hungary. These companies include OTP Bank Hungary Plc., OTP Mortgage Bank Ltd, OTP Building Society Ltd, OTP Factoring Ltd, OTP Financial Point Ltd., and companies providing intragroup financing; OTP Bank Employee Stock Ownership Plan Organization was included from 4Q 2016; OTP Card Factory Ltd., OTP Facility Management Llc., MONICOMP Ltd. and OTP Real Estate Leasing Ltd. were included from 1Q 2017 (from 1Q 2019 OTP Real Estate Lease Ltd. was eliminated from OTP Core); OTP Mobile Service Llc. and OTP Ingatlanpont Llc. were included from 1Q 2019; OTP Ecosystem Ltd. (previous name: OTP eBIZ Ltd., it was eliminated from 1Q 2023) was included from 1Q 2020; OTP OTP Home Solutions was included from 2Q 2021.

The consolidated results of these companies were segmented into OTP Core and Corporate Centre until the end of 2022. According to the new methodology applied from 1Q 2023, Corporate Centre is no longer carved out of OTP Core. In the affected tables of this report, the 2022 base periods were presented both under the old and the new segment definitions.

(3) The result and balance sheet of OTP Factoring Bulgaria EAD and DSK Leasing AD is included.

(4) The statement of recognised income and balance sheet of SKB Banka d.d. Ljubljana, SKB Leasing d.o.o., SKB Leasing Select d.o.o. and from February 2023 Nova Kreditna Banka Maribor d.d. is included.

(5) The statement of recognised income and balance sheet of OTP Leasing d.d. and SB Leasing d.o.o. was included.

(6) The financial performance of OTP Factoring Serbia d.o.o, OTP Lizing d.o.o. and OTP Services d.o.o. is included.

(7) The balance sheet of the newly acquired Alpha Bank Albania was included from July 2022, its statement of recognised income from August 2022. Alpha Bank Albania merged with OTP Bank Albania in December 2022.

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

(9) The balance sheet of Ipoteka Bank in Uzbekistan was consolidated from June 2023; its subsidiaries were consolidated as investments. The adjusted profit of Ipoteka Bank will be recognized in the consolidated P&L from 3Q 2023.

(10) The statement of recognised income and balance sheet of LLC MFO "OTP Finance" is included.

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

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

(13) The subconsolidated adjusted profit after tax of Merkantil Group (Merkantil Bank Ltd., Merkantil Bérlet Ltd., OTP Real Estate Leasing Ltd., NIMO 2002 Ltd., SPLC-P Ltd., SPLC Ltd.) was presented.

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

(15) Velvin Ventures Ltd. (Belize), SC Aloha Buzz SRL, SC Favo Consultanta SRL, SC Tezaur Cont SRL (Romania), OTP Osiguranje d.d. (Croatia), OTP Solution Fund (Ukraine), Mendota Invest d.o.o. (Slovenia).

(16) Until the end of 2022 Corporate Centre acted as a virtual entity established by the equity investment of OTP Core for managing the wholesale financing activity for all the subsidiaries within OTP Group but outside OTP Core. Therefore, the balance sheet of the Corporate Centre 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 Flat Lease Ltd, OTP Fund Management Ltd, OTP Real Estate Fund Management Ltd, OTP Life Annuity Ltd; foreigners: banks, leasing companies, factoring companies.

Starting from 2023 Corporate Centre is no longer carved out of OTP Core. In the affected tables of this report, the 2022 base periods were presented both under the old and the new segment definitions.

(17) The profit after tax of the Hungarian operation lines include the profit after tax or adjusted profit after tax of the Hungarian subsidiaries and Corporate Centre, as well as the eliminations allocated onto these entities.

(18) The profit after tax of the Foreign operation lines include the profit after tax or adjusted profit after tax of the Foreign subsidiaries, as well as the eliminations allocated onto these entities.

CALCULCULATION OF THE ADJUSTED LINES OF IFRS PROFIT AND LOSS STATEMENTS, AS WELL AS THE ADJUSTED BALANCE SHEET LINES PRESENTED IN THE REPORT, AND THE METHODOLOGY FOR CALCULATING THE FX-ADJUSTED BALANCE SHEET AND P&L DYNAMICS

In order to present Group performance reflecting the underlying business trends, the presented consolidated and separate / sub-consolidated profit and loss statements of this report were adjusted in the following way, and the adjusted P&Ls are shown and analysed in the Report (unless otherwise stated). Consolidated financial statements together with separate figures of OTP Bank are disclosed in the *Financial Data* section.

Adjustments affecting the income statement:

- The after tax effect of adjustment items (certain, typically non-recurring items from banking operations' point of view) are shown separately in the Statement of Recognised Income. The following adjustment items emerged in the period under review and the previous year: received dividends, received and paid cash transfers, the effect of goodwill/investment impairment charges, special tax on financial institutions (including the Hungarian windfall tax), the expected one-off negative effect of the debt repayment moratorium in Hungary, the expected one-off effect of the interest rate cap for certain loans in Hungary, the effect of the winding up of Sberbank Hungary, the effect of acquisitions, the result of the treasury share swap agreement, and the impairments on Russian government bonds at OTP Core and DSK Bank booked from 2022.
- The following items have been moved from the Other operating expenses line among the Net interest income after loss allowance, impairment and provisions line: *Release of loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost*, *Provision for commitments and guarantees given*, *Release of impairment of assets subject to operating lease and of investment properties*. In the adjusted P&L structure these items are presented amongst the *Other provisions (adj.)* line (through the *Structural correction between Provision for impairment on loan losses and Other provisions* adjustment line). From 1Q 2021 the *Provision for commitments and guarantees given* line contains lending activity-related amounts, therefore this line is no longer shifted from 1Q 2021. From 1Q 2022 the provision for impairment on placement losses is presented on the *Other provisions* line, instead of the previously applied *Provision for impairment on loan losses* line.
- The components of the new *Gain from derecognition of financial assets at amortized cost* line in the P&L were shifted back in the adjusted P&L structure to the lines on which they were presented previously.
- Other non-interest income is shown together with Gains and losses on real estate transactions, Net insurance result, Gains and losses on derivative instruments, but without the income from the release of pre-acquisition provisions and without received cash transfers. However other non-interest expenses stemming from non-financial activities are added to the adjusted net other non-interest income line, therefore the latter incorporates the net amount of other non-interest income from non-financial activities.
- OTP Bank's share in the change in the shareholders' equity of companies consolidated with equity method is reclassified from the *After tax dividends and net cash transfers* line to the *Net other non-interest result (adj.)* line. The change in the net asset value of the private equity funds managed by PortfoLion was reclassified to the *Net other non-interest result (adj.)* line in the adjusted P&L structure.
- Other provisions are separated from other expenses and shown on a separate line in the adjusted profit or loss statement.
- Other administrative expenses have been adjusted in the following way in order to create a category comprising administrative cost items exclusively. Other costs and expenses and other non-interest expenses were included into the adjusted Other non-interest expenses. At the same time, the following cost items were excluded from adjusted other non-interest expenses: paid cash transfers (except for movie subsidies and cash transfers to public benefit organisations), Other other non-interest expenses stemming from non-financial activities, and special tax on financial institutions.
- Tax deductible transfers (offset against corporate taxes) paid by Hungarian group members were reclassified from Other non-interest expenses to Corporate income tax.
- The financial transaction tax paid in Hungary is reclassified from other (administrative) expenses to net fee and commission income in the adjusted P&L structure.
- Due to the introduction of IFRS16, certain items previously presented on the Other non-interest expenses line (rental fees) were moved to the interest expenses and depreciation lines in the income statement. These items were shifted back to the Other non-interest expenses line in the adjusted P&L structure.
- *The expected one-off effect of the interest rate cap for certain loans in Hungary* line contains the expected effect of the rate cap in the second half of 2022 and full-year 2023. The expected effect of the rate cap effective in 1H 2022 was presented in 4Q 2021 amongst the risk costs of OTP Core.
- *The effect of the winding up of Sberbank Hungary* line represents the combined impact of the extraordinary contribution payable into the Deposit Protection Fund in relation to the compensation of depositors, and the recovery from the sale of Sberbank assets.
- Performance indicators (such as cost/income ratio, net interest margin, risk cost to average gross loans as well as ROA and ROE ratios, etc.) presented in this report are calculated on the basis of the adjusted profit and loss statement excluding adjustment items (unless otherwise indicated). Starting from 1Q 2022, the Provision for impairment on loan losses line is in the numerator of the Provision for impairment on loan losses-to-average gross loans ratio, which, as opposed to previous periods, does not include the provision for impairment on placement losses.

- Starting from 2Q 2023 and applied also for the base periods, in the *Consolidated financial highlights and share data* table the *Book Value Per Share* and the *Tangible Book Value Per Share*, as well as indicators derived from these are calculated based on the consolidated diluted share count used for EPS calculation.
- Within the report, FX-adjusted statistics for business volume developments and their product breakdown, as well as the FX-adjusted stock of allowances for loan losses are disclosed, too. For FX-adjustment, the closing cross currency rates for the current period were used to calculate the HUF equivalent of loan and deposit volumes in the base periods. Thus the FX-adjusted volumes will be different from those published earlier.
- The *FX-adjusted* changes of certain consolidated or sub-consolidated P&L lines in HUF terms may be presented in this Report. According to the applied methodology in the case of the P&L lines, the FX effect is filtered out only in relation to the currency of the given country, irrespective of the transactional currency mix in which the given P&L line materialized. Thus, for instance, as for the consolidated FX-adjusted operating cost development, the effect of the Hungarian Forint rate changes against the given currency is not eliminated in the case of the cost items arising in FX within the Hungarian cost base.

Adjustments affecting the balance sheet:

- In the adjusted balance sheet, net customer loans include the stock of loans at amortized cost, loans mandatorily at fair value through profit or loss, and finance lease receivables.
- In the adjusted balance sheets presented in the analytical section of the report, until the end of 2022 the total amount of accrued interest receivables related to Stage 3 loans under IFRS 9 were netted with the provisions created in relation to the total exposure toward those particular clients, in case of the affected Group members. Therefore, this adjustment made on the balance sheet had an impact on the consolidated gross customer loans and allowances for loan losses. Starting from 2023 this adjustment is no longer applied.

ADJUSTMENTS OF CONSOLIDATED IFRS P&L LINES

in HUF million	1Q 22	2Q 22	1H 22	3Q 22	4Q 22 Audited	2022 Audited	1Q 23	2Q 23	1H 23
Net interest income	**240,794**	**264,479**	**505,274**	**290,478**	**295,562**	**1,091,314**	**310,098**	**339,082**	**649,180**
(+) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian operation	552	831	1,384	-65	716	2,034	0	0	0
(-) Netting of interest revenues on DPD90+ loans with the related provision (booked on the Provision for loan losses line)	2,679	205	2,884	1,053	1,398	5,335	-	-	-
(-) Effect of acquisitions	-728	-731	-1,460	-783	-937	-3,179	-1,297	-1,073	-2,370
(-) Reclassification due to the introduction of IFRS16	-383	-580	-963	-741	-682	-2,386	-669	-653	-1,322
Net interest income (adj.)	**239,779**	**266,417**	**506,196**	**290,884**	**296,499**	**1,093,579**	**312,064**	**340,808**	**652,872**
Net fees and commissions	**127,595**	**137,856**	**265,451**	**164,671**	**170,239**	**600,361**	**149,915**	**174,828**	**324,743**
(+) Financial Transaction Tax	-21,465	-19,153	-40,619	-23,174	-25,958	-89,751	-25,899	-23,827	-49,726
(-) Effect of acquisitions	-1	0	-1	-1	0	-2	-7	-2	-9
(-) Structural shift of income from currency exchange from net fees to the FX result	20,406	22,911	43,317	35,423	34,754	113,494	20,796	33,322	54,117
Net fees and commissions (adj.)	**85,725**	**95,792**	**181,517**	**106,075**	**109,527**	**397,118**	**103,227**	**117,681**	**220,908**
Foreign exchange result	**11,910**	**-10,959**	**951**	**-16,761**	**821**	**-14,989**	**30,109**	**10,741**	**40,850**
(-) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian operations	5,571	-6,110	-539	-1,965	10,322	7,818	0	0	0
(-) Effect of acquisitions	2	-5	-2	-1	0	-4	0	-1	-1
(+) Structural shift of income from currency exchange from net fees to the FX result	20,406	22,911	43,317	35,423	34,754	113,494	20,796	33,322	54,117
Foreign exchange result (adj.)	**26,743**	**18,067**	**44,809**	**20,628**	**25,253**	**90,691**	**50,905**	**44,064**	**94,969**
Gain/loss on securities, net	**-5,744**	**-2,116**	**-7,860**	**1,012**	**2,360**	**-4,488**	**7,317**	**11,539**	**18,856**
(-) Effect of acquisitions	-91	-466	-556	0	0	-556	-220	0	-220
(-) Revaluation result of the treasury share swap agreement	-9,343	-26	-9,369	-717	83	-10,002	-22	7,120	7,098
(+) Structural adjustment due to the Gain from derecognition of financial assets at amortized cost line (against Gain/loss on securities, net)	41	0	41	-2,923	-1,754	-4,636	-7,761	4	-7,756
(+) Shifting of the *Gains and losses on non-trading securities mandatorily at fair value through profit or loss* line from the *Net other non-interest income* to the *Gains or losses from securities* line	400	-1,229	-829	-575	1,549	145	1,668	1,482	3,150
Gain/loss on securities, net (adj.)	**4,131**	**-2,855**	**1,276**	**-1,769**	**2,072**	**1,579**	**1,466**	**5,906**	**7,372**
Gains and losses on real estate transactions	**701**	**891**	**1,592**	**1,458**	**2,219**	**5,269**	**899**	**3,118**	**4,016**
Result of discontinued operation and gains from disposal of subsidiaries classified as held for sale (adjusted)	**986**	**0**	**986**	**9,236**	**1,222**	**11,444**	**0**	**0**	**0**
(+) Other non-interest income	**18,288**	**25,184**	**43,473**	**34,371**	**40,934**	**118,777**	**141,373**	**147,899**	**289,272**
(+) Net results on derivative instruments and hedge relationships	**-8,586**	**7,516**	**-1,070**	**23,012**	**-11,384**	**10,558**	**-28,673**	**-12,347**	**-41,020**
(+) Net insurance result	**165**	**440**	**605**	**391**	**373**	**1,370**	**334**	**480**	**814**
(+) Losses on loans measured mandatorily at fair value through other comprehensive income and on securities at amortized cost	**636**	**4,320**	**4,956**	**-12,651**	**3,532**	**-4,164**	**6,225**	**37,618**	**43,843**
(-) Shifting of the *Gains and losses on non-trading securities mandatorily at fair value through profit or loss* line from *Net other non-interest income* to the *Gains or losses from securities* line	400	-1,229	-829	-575	1,549	145	1,668	1,482	3,150
(-) Received cash transfers	83	-6	78	-14	383	447	73	49	122
(+) Other other non-interest expenses	-12,266	-16,394	-28,660	-18,154	-26,155	-72,969	-18,046	-11,442	-29,489
(+) Change in shareholders' equity of companies consolidated with equity method, and the change in the net asset value of the private equity funds managed by PortfoLion	401	603	1,003	2,298	-2,461	840	492	711	1,203
(-) Effect of acquisitions	0	0	0	3,348	-80	3,268	99,458	124,906	224,365
(-) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian operation	-5,018	6,941	1,923	1,900	-9,606	-5,783	0	0	0
(-) One-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	-279	-130	-408	-93	-89	-591	0	0	0
(-) Netting of refunds related to legal cases (accounted for on the Net other non-interest result line) with the release of provisions created earlier for these cases (accounted for on the Other provisions line) from 1Q 2017 at OTP Bank Romania	-76	-65	-141	-45	-89	-275	0	0	0
(-) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	0	0	0	0	-5	-5	0	0	0
(+) Shifting of the costs of mediated services at Merkantil Bérlet Ltd. to the net other non-interest result line	-393	-531	-923	-629	-293	-1,846	-427	-473	-900
(+) Structural adjustment due to the Gain from derecognition of financial assets at amortized cost line (against Net other non-interest result)				-342	-150	-492	-94	-130	-224
(-) Expected one-off effect of the interest rate cap for certain loans in Hungary					-2,022	-2,022	0		0
(-) Effect of the winding up of Sberbank Hungary (recovery leg)							11,416		11,416
Net other non-interest result (adj.)	**4,822**	**16,518**	**21,340**	**34,468**	**17,796**	**73,604**	**-10,533**	**38,995**	**28,462**

in HUF million	1Q 22	2Q 22	1H 22	3Q 22	4Q 22 Audited	2022 Audited	1Q 23	2Q 23	1H 23
Gain from derecognition of financial assets at amortized cost	**949**	**1,030**	**1,979**	**-2,685**	**-948**	**-1,655**	**-6,442**	**7,010**	**568**
(-) Structural adjustment due to the Gain from derecognition of financial assets at amortized cost line (against Gain/loss on securities, net)	41	0	41	-2,923	-1,754	-4,636	-7,761	4	-7,756
(-) Structural adjustment due to the Gain from derecognition of financial assets at amortized cost line (against Provision for impairment on loan losses)	908	1,030	1,938	580	955	3,473	1,412	7,136	8,548
(-) Structural adjustment due to the Gain from derecognition of financial assets at amortized cost line (against Net other non-interest result)				-342	-150	-492	-94	-130	-224
Gain from derecognition of financial assets at amortized cost (adj.)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Provision for impairment on loan and placement losses	**-72,680**	**-15,908**	**-88,588**	**-37,032**	**-30,060**	**-155,680**	**-17,300**	**-42,943**	**-60,243**
(+) Modification gains or losses	**-15**	**-13,059**	**-13,074**	**-2,179**	**-24,744**	**-39,997**	**298**	**-19,584**	**-19,286**
(+) Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	**13,758**	**1,229**	**14,987**	**-1,869**	**228**	**13,346**	**76**	**-1,577**	**-1,501**
(+) Loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost	**-43,123**	**-6,087**	**-49,211**	**-8,027**	**-3,537**	**-60,775**	**-1,499**	**6,631**	**5,133**
(+) Provision for commitments and guarantees given	**-3,734**	**-2,200**	**-5,934**	**6,428**	**-6,639**	**-6,145**	**-2,997**	**2,515**	**-483**
(+) Impairment of assets subject to operating lease and of investment properties	**26**	**40**	**66**	**74**	**-1,345**	**-1,205**	**4**	**2**	**6**
(-) One-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	96	55	151	4	-17	138	0	0	0
(+) Netting of interest revenues on DPD90+ loans with the related provision (booked on the Provision for loan losses line)	2,679	205	2,884	1,053	1,398	5,335	-	-	-
(-) Effect of acquisitions	0	0	0	-3,407	-86	-3,493	-11,813	-40,060	-51,873
(-) Structural correction between Provision for loan losses and Other provisions	-43,097	-6,047	-49,144	-7,953	-4,882	-61,979	-1,495	6,633	5,138
(-) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	6	-522	-516	-2,184	-2,117	-4,816	0	0	0
(+) Structural adjustment due to the *Gain from derecognition of financial assets at amortized cost* line (against *Provision for impairment on loan losses*)	908	1,030	1,938	580	955	3,473	1,412	7,136	8,548
(-) Shifting of provision for impairment on placement losses to the other provisions line from 1Q 2022	-1,023	-1,031	-2,054	-144	1,937	-261	-887	2,181	1,294
(-) Expected one-off effect of the interest rate cap for certain loans in Hungary		-11,144	-11,144	0	-24,861	-36,005	232	-19,601	-19,369
Provision for impairment on loan losses (adj.)	**-58,164**	**-16,060**	**-74,224**	**-27,288**	**-33,719**	**-135,231**	**-6,044**	**3,027**	**-3,016**
Profit from associates	**462**	**794**	**1,256**	**15,462**	**-2,078**	**14,641**	**598**	**1,147**	**1,745**
(+) Received cash transfers	83	-6	78	-14	383	447	73	49	122
(+) Paid cash transfers	-3,564	-5,483	-9,048	-5,140	-3,522	-17,709	-14,257	-206	-14,462
(-) Sponsorships, subsidies and cash transfers to public benefit organisations	-3,451	-5,456	-8,907	-5,137	-3,475	-17,519	-14,234	-164	-14,398
(-) Dividend income of swap counterparty shares kept under the treasury share swap agreement	0	0	0	12,130	0	12,130	0	0	0
(-) Change in shareholders' equity of companies consolidated with equity method, and the change in the net asset value of the private equity funds managed by PortfoLion	401	603	1,003	2,298	-2,461	840	492	711	1,203
After tax dividends and net cash transfers	**31**	**159**	**190**	**1,018**	**719**	**1,927**	**157**	**443**	**600**
Depreciation	**-91,354**	**-26,832**	**-118,186**	**-28,427**	**-28,691**	**-175,303**	**-29,113**	**-28,072**	**-57,186**
(-) Goodwill impairment charges	-67,715	0	-67,715	0	0	-67,715	0	0	0
(-) Effect of acquisitions	-1,252	-1,227	-2,480	-1,222	-1,216	-4,917	-1,127	-1,045	-2,172
(-) Reclassification due to the introduction of IFRS16	-4,090	-4,485	-8,575	-4,783	-4,650	-18,008	-4,657	-4,566	-9,223
(+) Structural shift of right of use asset depreciation between other non-interest expenses and depreciation line							-145	-111	-256
Depreciation (adj.)	**-18,297**	**-21,119**	**-39,416**	**-22,422**	**-22,825**	**-84,663**	**-23,475**	**-22,571**	**-46,047**
Personnel expenses	**-84,061**	**-90,691**	**-174,752**	**-104,596**	**-123,215**	**-402,563**	**-108,236**	**-120,733**	**-228,970**
(-) Effect of acquisitions	-232	-219	-451	-340	-468	-1,259	-528	-715	-1,243
(-) Shifting of the support granted to the Special Employee Partial Ownership Plan Organizations booked within the Personnel expenses to the Other non-interest expenses line					-5,000	-5,000	0		0
Personnel expenses (adj.)	**-83,830**	**-90,471**	**-174,301**	**-104,256**	**-117,747**	**-396,304**	**-107,708**	**-120,019**	**-227,727**
Income taxes	**-9,952**	**-4,542**	**-14,495**	**-20,418**	**-24,340**	**-59,252**	**-24,556**	**-46,370**	**-70,926**
(-) Corporate tax impact of goodwill/investment impairment charges	11,435	0	11,435	1,765	-4,740	8,461	0	-518	-518
(-) Corporate tax impact of the special tax on financial institutions	1,902	6,713	8,614	7	-3,166	5,456	8,611	-2,532	6,079
(+) Tax deductible transfers (offset against corporate taxes)	-1,669	-193	-1,862	-4,431	-8,187	-14,479	0	-62	-62
(-) Corporate tax impact of the effect of acquisitions	192	312	504	-262	302	543	3,433	6,231	9,664
(-) Corporate tax impact of the expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	-1	177	177	69	-2	244	0	0	0

in HUF million	1Q 22	2Q 22	1H 22	3Q 22	4Q 22 Audited	2022 Audited	1Q 23	2Q 23	1H 23
(-) Corporate tax impact of the result of the treasury share swap agreement	841	2	843	65	-8	900	2	-641	-639
(-) Corporate tax impact of the impairments on Russian government bonds booked at OTP Core and DSK Bank from 2022	3,465	55	3,520	-486	460	3,494	0	0	0
(-) Corporate tax impact of the winding up of Sberbank Hungary (contribution to the Deposit Protection Fund)		248	248	809	-30	1,027	-1,027	0	-1,027
(-) Corporate tax impact of the expected one-off effect of the interest rate cap for certain loans in Hungary		1,003	1,003	0	2,615	3,618	-31	1,768	1,736
Corporate income tax (adj.)	**-29,454**	**-13,246**	**-42,700**	**-26,815**	**-27,960**	**-97,475**	**-35,544**	**-50,740**	**-86,284**
Other operating expense	**-25,896**	**-37,032**	**-62,929**	**-30,736**	**-35,120**	**-128,785**	**-36,587**	**-17,827**	**-54,414**
(-) Other costs and expenses	-1,547	-4,403	-5,950	-11,726	397	-17,279	-1,340	-1,039	-2,379
(-) Other non-interest expenses	-15,831	-21,877	-37,708	-23,294	-29,676	-90,678	-32,303	-11,648	-43,951
(-) Effect of acquisitions	0	0	0	-190	-1,151	-1,341	-1,945	-2,442	-4,387
(-) One-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	182	75	258	89	106	453	0	0	0
(-) Netting of refunds related to legal cases (accounted for on the Net other non-interest result line) with the release of provisions created earlier for these cases (accounted for on the Other provisions line) from 1Q 2017 at OTP Bank Romania	76	65	141	45	89	275	0	0	0
(+) Structural correction between *Provision for loan losses* and *Other provisions*	-43,097	-6,047	-49,144	-7,953	-4,882	-61,979	-1,495	6,633	5,138
(-) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	0	-1,448	-1,448	1,419	2,133	2,104	0	0	0
(-) Impairments on Russian government bonds booked at OTP Core and DSK Bank from 2022	-37,989	-569	-38,558	-275	565	-38,268	0	0	0
(+) Shifting of provision for impairment on placement losses to the other provisions line from 1Q 2022	-1,023	-1,031	-2,054	-144	1,937	-261	-887	2,181	1,294
(-) Shifting of certain expenses arising from mediated services from other provisions to the other non-interest expenses line	-183	-178	-360	-228	-294	-882	-345	-288	-633
(-) Expected one-off effect of the interest rate cap for certain loans in Hungary					-2,175	-2,175	118	-41	76
Other provisions (adj.)	**-14,726**	**-15,776**	**-30,501**	**-4,675**	**-8,058**	**-43,234**	**-3,154**	**6,446**	**3,292**
Other administrative expenses	**-104,529**	**-158,296**	**-262,826**	**-91,966**	**-110,206**	**-464,998**	**-197,079**	**-71,109**	**-268,188**
(+) Other costs and expenses	-1,547	-4,403	-5,950	-11,726	397	-17,279	-1,340	-1,039	-2,379
(+) Other non-interest expenses	-15,831	-21,877	-37,708	-23,294	-29,676	-90,678	-32,303	-11,648	-43,951
(-) Paid cash transfers	-3,564	-5,483	-9,048	-5,140	-3,522	-17,709	-14,257	-206	-14,462
(+) Film subsidies and cash transfers to public benefit organisations	-3,451	-5,456	-8,907	-5,137	-3,475	-17,519	-14,234	-164	-14,398
(-) Other other non-interest expenses	-12,266	-16,394	-28,660	-18,154	-26,155	-72,969	-18,046	-11,442	-29,489
(-) Special tax on financial institutions (recognised as other administrative expenses)	-22,128	-74,588	-96,716	-86	-7	-96,808	-96,742	28,127	-68,615
(-) Tax deductible transfers (offset against corporate taxes)	-1,669	-193	-1,862	-4,431	-8,187	-14,479	0	-62	-62
(-) Financial Transaction Tax	-21,465	-19,153	-40,619	-23,174	-25,958	-89,751	-25,899	-23,827	-49,726
(-) Effect of acquisitions	-420	-1,039	-1,459	-813	-2,383	-4,654	-1,025	-1,814	-2,840
(+) Reclassification due to the introduction of IFRS16	-4,473	-5,065	-9,539	-5,524	-5,332	-20,395	-5,326	-5,219	-10,545
(-) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	-3	0	-3	-2	5	0	0	0	0
(-) Shifting of the costs of mediated services at Merkantil Bérlet Ltd. to the net other non-interest result line	-393	-531	-923	-629	-293	-1,846	-427	-473	-900
(+) Shifting of certain expenses arising from mediated services from other provisions to the other non-interest expenses line	-183	-178	-360	-228	-294	-882	-345	-288	-633
(-) Effect of the winding up of Sberbank Hungary (contribution to the Deposit Protection Fund)		-2,756	-2,756	-8,992	331	-11,416	0	0	0
(+) Shifting of the support granted to the Special Employee Partial Ownership Plan Organizations booked within the Personnel expenses to the Other non-interest expenses line					-5,000	-5,000	0	0	0
(-) Structural shift of right of use asset depreciation between other non-interest expenses and depreciation line							-145	-111	-256
Other non-interest expenses (adj.)	**-68,105**	**-75,140**	**-143,244**	**-76,455**	**-87,417**	**-307,117**	**-94,085**	**-79,659**	**-173,744**

ADJUSTMENTS OF CONSOLIDATED IFRS BALANCE SHEET LINES

in HUF million	1Q 2022	2Q 2022	3Q 2022	4Q 2022	1Q 2023	2Q 2023
Gross customer loans (incl. finance lease receivables and accrued interest receivables related to loans)	17,023,639	19,031,165	20,682,060	19,690,287	20,850,594	21,563,617
(-) Accrued interest receivables related to Stage 3 loans	38,045	42,983	47,410	46,730	-	-
Gross customer loans (adjusted)	16,985,594	18,988,181	20,634,650	19,643,558	20,850,594	21,563,617
Allowances for loan losses (incl. impairment of finance lease receivables)	-969,797	-1,145,091	-1,202,235	-1,049,663	-998,098	-987,532
(-) Allocated provision on accrued interest receivables related to Stage 3 loans	-38,045	-42,983	-47,410	-46,730	-	-
Allowances for loan losses (adjusted)	-931,752	-1,102,107	-1,154,824	-1,002,933	-998,098	-987,532

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