



## **OTP BANK PLC.**

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

FOR THE YEAR ENDED  
31 DECEMBER 2021

# OTP BANK PLC.

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

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

Budapest, 17 March 2022

Dr. Sándor Csányi  
Chairman and Chief Executive Officer

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

|   | Note                | Year ended<br>31 December<br>2021 | Year ended 31<br>December<br>2020<br>Reclassified |
|---|---------------------|-----------------------------------|---|
| <i>Interest Income:</i>   |                     |                                   |   |
| Interest income calculated using the effective interest method  | 29.                 | 302,373                           | 239,633   |
| Income similar to interest income   | 29.                 | 105,663                           | 81,663  |
| <b>Interest income and similar to interest income total</b>   |                     | <b>408,036</b>                    | <b>321,296</b>                                    |
| <i>Interest Expense:</i>  |                     |                                   |   |
| <b>Interest expenses total</b>  | 29.                 | <b>(155,491)</b>                  | <b>(99,630)</b>                                   |
| <b>NET INTEREST INCOME</b>  |                     | <b><u>252,545</u></b>             | <b><u>221,666</u></b>                             |
| Loss allowance on loan, placements and repo receivables losses  | 6., 7., 11.,<br>30. | (38,841)                          | (57,671)  |
| Loss allowance on securities at fair value through other comprehensive income<br>and on securities at amortised cost                      | 9., 10., 30.        | (1,484)                           | (1,848)   |
| Provision for loan commitments and financial guarantees given   | 24., 30.            | (130)                             | (3,202)   |
| Change in the fair value attributable to changes in the credit risk of loans<br>mandatorily measured at fair value through profit of loss | 45.4.               | (16,255)                          | (405)   |
| <b>Risk cost total</b>  |                     | <b>(56,710)</b>                   | <b>(63,126)</b>                                   |
| <b>NET INTEREST INCOME AFTER RISK COST</b>  |                     | <b><u>195,835</u></b>             | <b><u>158,540</u></b>                             |
| <b>LOSSES ARISING FROM DERECOGNITION OF FINANCIAL<br/>ASSETS MEASURED AT AMORTISED COST</b>   | 32.                 | <b><u>(2,700)</u></b>             | <b><u>(3,279)</u></b>                             |
| <b>MODIFICATION LOSS</b>  | 4.                  | <b><u>(7,017)</u></b>             | <b><u>(17,358)</u></b>                            |
| Income from fees and commissions  | 31.                 | 300,803                           | 259,781   |
| Expenses from fees and commissions  | 31.                 | <u>(52,276)</u>                   | <u>(40,750)</u>                                   |
| <b>NET PROFIT FROM FEES AND COMMISSIONS</b>   |                     | <b><u>248,527</u></b>             | <b><u>219,031</u></b>                             |
| Foreign exchange losses   | 32.                 | (5,638)                           | (4,518)   |
| Gains on securities, net  | 32.                 | 2,104                             | 17,595  |
| Losses on financial instruments at fair value through profit or loss  | 32.                 | (6,494)                           | (671)   |
| Gains on derivative instruments, net  | 32.                 | 3,436                             | 7,057   |
| Dividend income   | 32.                 | 99,037                            | 60,973  |
| Other operating income  | 33.                 | 11,265                            | 7,900   |
| Other operating expenses  | 33.                 | <u>(41,636)</u>                   | <u>(28,064)</u>                                   |
| <b>NET OPERATING INCOME</b>   |                     | <b><u>62,074</u></b>              | <b><u>60,272</u></b>                              |
| Personnel expenses  | 33.                 | (136,126)                         | (118,498)   |
| Depreciation and amortization   | 33.                 | (40,692)                          | (38,948)  |
| Other administrative expenses   | 33.                 | <u>(178,611)</u>                  | <u>(154,165)</u>                                  |
| <b>OTHER ADMINISTRATIVE EXPENSES</b>  |                     | <b><u>(355,429)</u></b>           | <b><u>(311,611)</u></b>                           |
| <b>PROFIT BEFORE INCOME TAX</b>   |                     | <b>141,290</b>                    | <b>105,595</b>                                    |
| Income tax  | 34.                 | <u>(15,951)</u>                   | <u>(13,121)</u>                                   |
| <b>NET PROFIT FOR THE YEAR</b>  |                     | <b><u>125,339</u></b>             | <b><u>92,474</u></b>                              |
| Earnings per share (in HUF)   |                     |                                   |   |
| Basic   | 43.                 | <u>455</u>                        | <u>333</u>  |
| Diluted   | 43.                 | <u>455</u>                        | <u>333</u>  |

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

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

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

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



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

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

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

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

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

**NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS**

**1.1. General information**

OTP Bank Plc. ("Bank" or "OTP Bank") was established on 31 December 1990, when the previously State-owned company was transformed into a limited liability company.

The Bank's registered office address is 16, Nádor Street, Budapest 1051. Internet homepage: <http://www.otpbank.hu/>

Signatory of the separate financial statements is the Chief Executive Officer, dr. Sándor Csányi (Budapest).

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

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

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

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

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

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

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

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

|  | <b>2021</b>        | <b>2020</b>        |
|--|--------------------|--------------------|
| Domestic and foreign private and institutional investors | 98%                | 97%                |
| Employees  | 1%                 | 1%                 |
| Treasury shares  | <u>1%</u>          | <u>2%</u>          |
| <b>Total</b>   | <b><u>100%</u></b> | <b><u>100%</u></b> |

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

The Bank provides a full range of commercial banking services through a nationwide network of 356 branches in Hungary.

|                             | <b>2021</b> | <b>2020</b> |
|-----------------------------|-------------|-------------|
| Number of employees         | 10,078      | 9,829       |
| Average number of employees | 9,934       | 9,654       |

**1.2. Basis of accounting**

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

The Bank maintains its accounting records and prepares their statutory accounts in accordance with the commercial, banking and fiscal regulations prevailing in Hungary.

The presentation and functional currency of the Bank is the Hungarian Forint ("HUF").

The separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

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

**1.2.1. The effect of adopting new and revised IFRS standards effective from 1 January 2021**

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

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

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

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

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

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

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

- **Amendments to IAS 1 “Presentation of Financial Statements”** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 “Presentation of Financial Statements” and IFRS Practice Statement 2-** Disclosure of Accounting policies (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 8 “Accounting policies, Changes in Accounting Estimates and Errors”** – Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).
- **Amendments to IAS 12 “Income Taxes”** – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 17 “Insurance Contracts”** – Initial application of IFRS 17 and IFRS 9 – Comparative Information (effective date for annual periods beginning on or after 1 January 2023)

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

**NOTE 2:       SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**2.1. Basis of presentation**

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

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

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

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

**2.2. Foreign currency translation**

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

**2.3. Consolidated financial statements**

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

**2.4. Investments in subsidiaries, associated companies and other investments**

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

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

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

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

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

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

**2.5. Securities at amortised cost**

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

**2.6. Financial assets at fair value through profit or loss**

**2.6.1. Securities held for trading**

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

**2.6.2. Derivative financial instruments**

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

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

Certain derivative transactions, while providing effective economic hedges under risk management positions of the Bank, do not qualify for hedge accounting under the specific rules of IFRS 9 and are therefore treated as derivatives held for trading with fair value gains and losses charged directly to the separate statement of profit or loss.

***Foreign currency contracts***

Foreign currency contracts are agreements to exchange specific amounts of currencies at a specified rate of exchange, at a spot date (settlement occurs two days after the trade date) or at a forward date (settlement occurs more than two days after the trade date). The notional amount of forward contracts does not represent the actual market or credit risk associated with these contracts.

Foreign currency contracts are used by the Bank for risk management and trading purposes. The Bank's risk management foreign currency contracts were used to hedge the exchange rate fluctuations of loans and deposits denominated in foreign currency.

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<sup>1</sup> First In First Out

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

**2.6.2 Derivative financial instruments [continued]**

*Foreign exchange swaps and interest rate swaps*

The Bank enters into foreign-exchange swap and interest rate swap (“IRS”) transactions. The swap transaction is a complex agreement concerning the swap of certain financial instruments, which usually consists of a spot and one or more forward contracts.

Interest rate swaps obligate two parties to exchange one or more payments calculated with reference to fixed or periodically reset rates of interest applied to a specific notional principal amount (the base of the interest calculation). Notional principal is the amount upon which interest rates are applied to determine the payment streams under interest rate swaps.

Such notional principal amounts are often used to express the volume of these transactions but are not actually exchanged between the counterparties. The Bank’s interest rate swap contracts can be hedging or held for trading contracts.

*Cross-currency interest rate swaps*

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

*Equity and commodity swaps*

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

*Forward rate agreements (“FRA”)*

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

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

*Foreign exchange options*

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

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

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

Changes in the fair value of derivatives that are designated and qualify as hedging instruments fair value hedges and that prove to be highly effective in relation to the hedged risk, are recorded in the separate statement of profit or loss along with the corresponding change in fair value of the hedged asset or liability that is attributable to the specific hedged risk. Changes in the fair value of the hedging instrument in fair value hedges are charged directly to the separate statement of profit or loss. The conditions of hedge accounting applied by the Bank are the following: formally designated as hedging relationship, proper hedge documentation is prepared, effectiveness test is performed and based on it the hedge is qualified as effective.

Changes in fair value of derivatives that are designated and qualify as hedging instrument in cash flow hedges and that prove to be highly effective in relation to hedged risk are recognized as reserve in other comprehensive income. Amounts deferred in other comprehensive income are transferred to the separate statement of profit or loss and classified as revenue or expense in the periods during which the hedged assets and liabilities effect the separate statement of recognized and comprehensive income for the period. The ineffective element of the hedge is charged directly to the separate statement of profit or loss. The Bank terminates the hedge accounting if the hedging instrument expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for hedge accounting. In case of cash flow hedges - in line with the standard – hedge accounting is still applied as long as the underlying asset is derecognised.

**2.8. Offsetting**

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

**2.9. Embedded derivatives**

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

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

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

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



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

**2.10. Securities at fair value through other comprehensive income (“FVOCI securities”)**

FVOCI securities are held within a business model whose objective is achieved by both collecting of contractual cash flows and selling securities. Furthermore contractual terms of FVOCI securities give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

**Debt instruments**

Investments in debt securities are accounted for on a trade date basis and are initially measured at fair value. Securities at fair value through other comprehensive income are measured at subsequent reporting dates at fair value. Unrealised gains and losses on FVOCI financial instruments are recognized in other comprehensive income, except for interest and foreign exchange gains/losses on monetary items, unless such FVOCI security is part of an effective hedge. Such gains and losses will be reported when realised in profit or loss for the applicable period. The Bank applies FIFO<sup>1</sup> inventory valuation method for FVOCI securities.

For debt securities at fair value through other comprehensive income the loss allowance is calculated based on expected credit loss model. The expected credit loss is accounted for against Other Comprehensive Income.

FVOCI securities are remeasured at fair value based on quoted prices or values derived from cash flow models. In circumstances where the quoted market prices are not readily available, the fair value of debt securities is estimated using the present value of the future cash flows and the fair value of any unquoted equity instruments are calculated using the EPS ratio.

**Fair value through other comprehensive income option for equity instruments**

In some cases the Bank made an irrevocable election at initial recognition for certain non-trading investments in an equity instrument to present subsequent changes in fair value of these securities in other comprehensive income instead of in profit or loss.

The use of the fair value option is based only on direct decision of management of the Bank.

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

The Bank measures Loans, placements with other banks and repo receivables at amortised cost, which are held to collect contractual cash flows, and contractual terms of these assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Bank recognises loans, which are not held for trading and do not give rise contractual cash flows that are solely payments of principal and interest on the principal amount outstanding as loans measured at fair value through profit or loss (“FVTPL loans”).

Loans, placements with other banks and repo receivables are accounted at amortised cost, stated at the principal amounts outstanding including accrued interest, net of allowance for loan or placement losses, respectively.

In case of the above mentioned financial assets measured at amortised cost transaction fees and charges adjust the carrying amount at initial recognition and are included in effective interest calculation. In case of FVTPL loans fees and charges are recognised when incurred in the separate statement of profit or loss.

Loans, placements with other banks and repo receivables loans are derecognised when the contractual rights to the cash flows expire or they are transferred. When a financial asset is derecognised the difference of the carrying amount and the consideration received is recognised in the profit or loss. In case of the above mentioned financial assets at amortised cost gains or losses from derecognition are presented in “Gains/losses arising from derecognition of financial assets at amortised cost” line. In case of FVTPL loans gains or losses from derecognition are presented in “Net operating income”.

Change in the fair value of FVTPL loans is broken down into two components and presented in the separate statement of profit or loss as follows:

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

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<sup>1</sup> First In First Out

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Modification of contractual cash flows**

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

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

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

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

**Purchased or originated credit impaired financial assets**

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

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

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

For POCI financial assets, in subsequent reporting periods an entity is required to recognize:

- the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance,
- the impairment gain or loss which is the amount of any change in lifetime expected credit losses.

An impairment gain is recognized (with the parallel increase of the net amortized cost of receivable) if due to the favourable changes after initial recognition the lifetime expected credit loss estimation is becoming lower than the original estimated credit losses at initial recognition.

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

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

**2.12. Loss allowance**

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

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

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

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

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

**Classification into risk classes**

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

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

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

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

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

**2.12.   Loss allowance [continued]**

**Classification into risk classes [continued]**

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

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

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

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

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

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

Expected credit losses are measured in a way that reflects:

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

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

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

**2.13. Option to designate a financial asset/liability measured at fair value through profit or loss (FVTPL option)**

The Bank may, at initial recognition, irrevocably designate a financial asset or liability as measured at fair value through profit or loss. The Bank may use FVTPL option in the following cases:

- if doing so eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases
- if the group of financial liabilities or assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Bank's key management personnel.

The use of the fair value option is limited only to special situations, and it can be based only on direct decision of management of the Bank.

**2.14. Sale and repurchase agreements, security lending**

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

**2.15. Property, equipment and intangible assets**

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

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

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

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

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

**2.16. Inventories**

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

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]****2.17. Investment properties**

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

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

**2.18. Financial liabilities**

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

**2.19. Leases**

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

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

**Recognition of lease liabilities**

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

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

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

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

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

**2.20. Leases [continued]**

**Recognition of right-of-use assets**

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

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

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

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

**2.20. Share capital**

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

**2.21. Treasury shares**

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

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

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

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

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

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

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

**2.23. Fees and Commissions**

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

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

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



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

**2.24. Dividend income**

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

**2.25. Income tax**

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

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

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

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

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

The Bank considers the availability of qualifying taxable temporary differences and the probability of other future taxable profits to determine whether future taxable profits will be available.

The Bank recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, except to the extent that both of the following conditions are satisfied:

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

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

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

**2.26. Banking tax**

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

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

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

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

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

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

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

**2.28. Share-based payment and employee benefits**

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

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

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

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

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

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

**2.29. Separate statement of cash flows**

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

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

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

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

**2.30. Segment reporting**

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

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

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

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

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

**2.31. Comparative figures**

**Reclassification of certain local taxes**

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

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

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

**Statement of Financial Position**

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

**Statement of Profit or Loss**

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

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

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

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

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

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

**3.1.     Loss allowance on financial instruments**

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

**3.2.     Valuation of instruments without direct quotations**

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

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

**3.3.     Provisions**

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

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

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

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

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

**3.4. Business models**

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

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

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

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

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

**3.4. Contractual cash-flow characteristics of financial assets**

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

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

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

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

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

**NOTE 4: COVID-19 (in HUF mn)**

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

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

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

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

The strategic goal of the Green Mortgage Bond Purchase Programme is to contribute to the development of the domestic green mortgage bond market through targeted purchases and, through this, encourage green mortgage loan activities. The central bank will review the programme when the HUF 200 billion purchase volume has been reached. Additionally, the central bank also decided to re-launch the Mortgage Bond Rollover Facility for mortgage bonds without green rating.

The central bank will launch the Green Home Programme in October 2021 with a total limit of HUF 200 billion as part of the Funding for Growth Scheme (FGS). As in the previous phases of the FGS, the MNB will provide refinancing operation to credit institutions at 0% interest, which will be lent to residential customers at a maximum of 2.5%, fixed interest rate until the end of the maturity period. Under the scheme, loans of up to HUF 70 million and a maximum term of 25 years can be granted for constructions or purchases of new, highly energy-efficient residential real estates.

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



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

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

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

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

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

**Interest rate cap**

For the period between 1 January and 30 June 2022 the government introduced an interest rate cap for variable-rate retail mortgage loans, and with its decision announced on 18 February, for housing purposes financial leasing contracts, too. Accordingly, the affected exposures' reference rate cannot be higher than the relevant reference rate as at 27 October 2021.

The modification loss related to the interest rate cap for variable rate mortgage loans announced on 22 December 2021 was recognized in the Bank's 2021 financial accounts. The extension of the interest rate cap to housing purposes financial leasing contracts does not have a significant negative effect.

**Moratorium one-off effect**

In Hungary the first phase of the moratorium on loan payments was effective from 19 March 2020 to 31 December 2020. At the end of 2020 the moratorium was extended in unchanged form for the period between 1 January 2021 and 30 June 2021. Furthermore, according to Government Decree No. 317/2021. (VI. 9.) released on 9 June 2021 the payment moratorium was extended with unchanged conditions until 30 September 2021. Pursuant to Government Decree 536/2021. (IX. 15.) published on 15 September, the Government decided to extend the debt repayment moratorium: the blanket moratorium was extended by an additional month, until the end of October, in an unchanged form. Furthermore, from the beginning of November 2021 until 30 June 2022 only the eligible borrowers can participate in the moratorium provided that they submitted a request to their banks about their intention to stay.

During the term of the moratorium OTP Bank accrues the unpaid interest in its statement of recognized income, amongst the revenues. At the same time, due to the fact that interest cannot be charged on the unpaid interest, and the unpaid interest will be repaid later, in the course of 2020 and 2021 altogether HUF 43.3 billion after tax loss emerged in Hungary and Serbia altogether. Within that amount there was a -HUF 1.7 billion (after tax) negative impact booked in December 2020 in relation to the Serbian deferral scheme, as the original interest calculation method was changed by the local regulator (originally the compound interest method was allowed by the law in Serbia, but charging interest on deferred interest was later retroactively disallowed by the regulator).

Loan volumes under the Hungarian payment holiday followed a declining trend till the end of October 2021, then from November the participation dropped materially due to the changes to the structure. At the end of 2021 the total household and corporate exposures remaining under the moratorium comprised HUF 245 billion at OTP Core and Merkantil Group, which made up 4.1% of the total gross loan portfolio of those two entities.

**Participation in COVID moratorium as at 31 December 2021**

|          | <b>Current volume in moratorium</b> | <b>Current participation ratio</b> |
|----------|-------------------------------------|------------------------------------|
| OTP Bank | 113,639                             | 2.3%                               |

**Participation in COVID moratorium as at 31 December 2021**

|          | <b>Current volume in moratorium</b> | <b>Current participation ratio</b> |
|----------|-------------------------------------|------------------------------------|
| OTP Bank | 1,059,428                           | 26.2%                              |

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

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

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

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

|   |                       |
|---|-----------------------|
| Gross carrying amount before modification       | 668,312               |
| Modification loss due to covid moratoria        | (5,284)               |
| <b>Gross carrying amount after modification</b> | <b><u>663,028</u></b> |
| Loss allowance before modification              | (55,180)              |
| <b>Net amortised cost after modification</b>    | <b><u>607,848</u></b> |

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

|   |                       |
|---|-----------------------|
| Gross carrying amount before modification       | 665,620               |
| Modification loss due to covid moratoria        | (1,292)               |
| <b>Gross carrying amount after modification</b> | <b><u>664,328</u></b> |
| Loss allowance before modification              | (58,412)              |
| <b>Net amortised cost after modification</b>    | <b><u>605,916</u></b> |

*In case of credit card and overdraft loans interest charged during the moratoria period should be refunded to the debtors in amount determined as a difference between the charged interest and a premoratoria personal loan interest at 11,99%. The Bank has managed this government measure as loan agreement modification in the financial statements.*

|   |                      |
|---|----------------------|
| Gross carrying amount before modification       | 57,892               |
| Modification loss due to covid moratoria        | (1,983)              |
| <b>Gross carrying amount after modification</b> | <b><u>55,909</u></b> |
| Loss allowance before modification              | (9,234)              |
| <b>Net amortised cost after modification</b>    | <b><u>46,675</u></b> |

*Modification due to prolongation of deadline of covid moratoria till 30 June 2022*

|   |                      |
|---|----------------------|
| Gross carrying amount before modification       | 82,438               |
| Modification loss due to covid moratoria        | (1,614)              |
| <b>Gross carrying amount after modification</b> | <b><u>80,824</u></b> |
| Loss allowance before modification              | (23,516)             |
| <b>Net amortised cost after modification</b>    | <b><u>57,308</u></b> |

*On 24 December 2021 new regulation was issued on fixing of retail loan product's interest, under that interest rates of mortgage loans with variable interest shall be fixed at reference rates of 27 October 2021, predictably till 30 June 2022.*

|   |                      |
|---|----------------------|
| Gross carrying amount before modification       | 67,108               |
| Modification loss due to covid moratoria        | (703)                |
| <b>Gross carrying amount after modification</b> | <b><u>66,405</u></b> |
| Loss allowance before modification              | (1,625)              |
| <b>Net amortised cost after modification</b>    | <b><u>64,780</u></b> |

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

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

|  | <b>2021</b>           | <b>2020</b>           |
|--|-----------------------|-----------------------|
| Cash on hand:  |                       |                       |
| In HUF   | 82,839                | 107,523               |
| In foreign currency  | <u>21,182</u>         | <u>18,899</u>         |
|  | <b><u>104,021</u></b> | <b><u>126,422</u></b> |
| Amounts due from banks and balances with National Bank of Hungary: |                       |                       |
| Within one year:   |                       |                       |
| In HUF   | 81,512                | 204,942               |
| In foreign currency  | <u>289,596</u>        | <u>247,756</u>        |
|  | <b><u>371,108</u></b> | <b><u>452,698</u></b> |
| <b>Loss allowance</b>  | <b>(185)</b>          | <b>-</b>              |
| <b>Subtotal</b>  | <b><u>474,944</u></b> | <b><u>579,120</u></b> |
| Average amount of compulsory reserve                               | 99,303                | 76,033                |
| <b>Total</b>   | <b><u>375,641</u></b> | <b><u>503,087</u></b> |
| Rate of the compulsory reserve                                     | 1%                    | 1%                    |

The Bank shall deposit compulsory reserve in a determined percent of its liabilities at NBH. Liabilities considered in compulsory reserve calculation are as follows:

- a) deposits and loans,
- b) debt instruments,
- c) repo transactions.

The amount of the compulsory reserve is the multiplication of the daily average of the liabilities considered in the compulsory reserve calculation and compulsory reserve rate, which are determined by the NBH in a specific decree. The Bank is required to complete compulsory reserve requirements in average in the second month after the reserve calculation period, requirements shall be completed once a month on the last calendar day. The Bank complies with the compulsory reserve requirements by the deposit of the adequate amount of cash as the calculated compulsory reserve on the bank account at NBH in monthly average.

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

|                                | <b>2021</b>       | <b>2020</b> |
|--------------------------------|-------------------|-------------|
| <b>Balance as at 1 January</b> | -                 | -           |
| Loss allowance                 | 185               | -           |
| <b>Closing balance</b>         | <b><u>185</u></b> | <b>=</b>    |

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

**NOTE 6: PLACEMENTS WITH OTHER BANKS, NET OF ALLOWANCE FOR PLACEMENT LOSSES (in HUF mn)**

|                                    | <b>2021</b>             | <b>2020</b>             |
|------------------------------------|-------------------------|-------------------------|
| Within one year:                   |                         |                         |
| In HUF                             | 1,388,709               | 905,241                 |
| In foreign currency                | <u>372,361</u>          | <u>329,633</u>          |
|                                    | <b><u>1,761,070</u></b> | <b><u>1,234,874</u></b> |
| Over one year                      |                         |                         |
| In HUF                             | 747,871                 | 267,291                 |
| In foreign currency                | <u>65,761</u>           | <u>39,538</u>           |
|                                    | <b><u>813,632</u></b>   | <b><u>306,829</u></b>   |
| <b>Total placements</b>            | <b><u>2,574,702</u></b> | <b><u>1,541,703</u></b> |
| Loss allowance on placement losses | <u>(7,490)</u>          | <u>(5,819)</u>          |
| <b>Total</b>                       | <b><u>2,567,212</u></b> | <b><u>1,535,884</u></b> |

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

|                                | <b>2021</b>         | <b>2020</b>         |
|--------------------------------|---------------------|---------------------|
| <b>Balance as at 1 January</b> | <b>5,819</b>        | <b>3,592</b>        |
| Loss allowance                 | 20,524              | 12,548              |
| Release of loss allowance      | (18,911)            | (10,497)            |
| Use of loss allowance          | (2)                 | -                   |
| FX movement                    | 60                  | 176                 |
| <b>Closing balance</b>         | <b><u>7,490</u></b> | <b><u>5,819</u></b> |

Interest conditions of placements with other banks (%):

|   | <b>2021</b>   | <b>2020</b>   |
|---|---------------|---------------|
| Placements with other banks in HUF              | 0% - 5.9%     | 0% - 3.84%    |
| Placements with other banks in foreign currency | (0.59%) - 29% | (0.76%) - 29% |
| Average interest of placements with other banks | 1.63%         | 0.78%         |

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

**NOTE 7: REPO RECEIVABLES (in HUF mn)**

|                                    | <b>2021</b>          | <b>2020</b>           |
|------------------------------------|----------------------|-----------------------|
| Within one year:                   |                      |                       |
| In HUF                             | 33,710               | 183,656               |
|                                    | <b><u>33,710</u></b> | <b><u>183,656</u></b> |
| <b>Total gross amount</b>          | <b><u>33,710</u></b> | <b><u>183,656</u></b> |
| Loss allowance on repo receivables | (72)                 | (292)                 |
| <b>Total repo receivables</b>      | <b><u>33,638</u></b> | <b><u>183,364</u></b> |

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

|                                | <b>2021</b>      | <b>2020</b>       |
|--------------------------------|------------------|-------------------|
| <b>Balance as at 1 January</b> | <b>292</b>       | <b>6</b>          |
| Loss allowance                 | 449              | 362               |
| Release of loss allowance      | (669)            | (76)              |
| <b>Closing balance</b>         | <b><u>72</u></b> | <b><u>292</u></b> |

Interest conditions of repo receivables (%):

|                                      | <b>2021</b> | <b>2020</b>   |
|--------------------------------------|-------------|---------------|
| Repo receivables in HUF              | 2%-3.2%     | (0.1%) - 0.9% |
| Average interest of repo receivables | 0.29%       | 0.09%         |

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

| <b><u>NOTE 8:</u></b>   | <b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)</b> |                       |
|---|--|-----------------------|
|   | <b>2021</b>  | <b>2020</b>           |
| Held for trading securities:  |  |                       |
| Government bonds  | 30,827   | 6,031                 |
| Other non-interest bearing securities   | 1,134  | 1,964                 |
| Hungarian government discounted Treasury Bills  | 869  | 1,233                 |
| Corporate shares and investments  | 599  | 426                   |
| Mortgage bonds  | 116  | -                     |
| Other securities  | <u>2,088</u>   | <u>2,075</u>          |
| <b>Subtotal</b>   | <b><u>35,633</u></b>   | <b><u>11,729</u></b>  |
| Securities mandatorily measured at fair value through profit or loss                            |  |                       |
| Shares in investment funds  | 25,126   | 23,818                |
| Bonds   | -  | 5,342                 |
| Shares  | 2,935  | <u>2,776</u>          |
| <b>Subtotal</b>   | <b><u>28,061</u></b>   | <b><u>31,936</u></b>  |
| Held for trading derivative financial instruments:  |  |                       |
| Foreign currency swaps  | 38,811   | 41,852                |
| Interest rate swaps   | 59,097   | 34,256                |
| CCIRS and mark-to-market CCIRS swaps  | 11,649   | 7,359                 |
| Other derivative transactions   | <u>73,211</u>  | <u>33,351</u>         |
| <b>Subtotal</b>   | <b><u>182,768</u></b>  | <b><u>116,818</u></b> |
| <b>Total</b>  | <b><u>246,462</u></b>  | <b><u>160,483</u></b> |
| Interest conditions and the remaining maturities of securities held for trading are as follows: |  |                       |
|   | <b>2021</b>  | <b>2020</b>           |
| Within one year:  |  |                       |
| variable interest   | 111  | 78                    |
| fixed interest  | 4,163  | 2,319                 |
|   | <b><u>4,274</u></b>  | <b><u>2,397</u></b>   |
| Over one year:  |  |                       |
| variable interest   | 1,544  | 1,355                 |
| fixed interest  | 28,083   | 5,587                 |
|   | <b><u>29,627</u></b>   | <b><u>6,942</u></b>   |
| Non-interest bearing securities   | <u>1,732</u>   | <u>2,390</u>          |
| <b>Total</b>  | <b><u>35,633</u></b>   | <b><u>11,729</u></b>  |
| Securities held for trading denominated in HUF  | 81%  | 71%                   |
| Securities held for trading denominated in foreign currency                                     | <u>19%</u>   | <u>29%</u>            |
| <b>Securities held for trading total</b>  | <b><u>100%</u></b>   | <b><u>100%</u></b>    |
| Government bonds denominated in HUF   | 83%  | 68%                   |
| Government bonds denominated in foreign currency  | <u>17%</u>   | <u>32%</u>            |
| <b>Government securities total</b>  | <b><u>100%</u></b>   | <b><u>100%</u></b>    |
| Interest rates on securities held for trading in HUF  | 0%-6.75%   | 0.5%-6.75%            |
| Interest rates on securities held for trading in foreign currency                               | 0%-5.75%   | 0.5%-6.375%           |
| Average interest on securities held for trading   | 1.17%  | 0.63%                 |



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

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

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

|   | <b>2021</b>          | <b>2020</b>          |
|---|----------------------|----------------------|
| Within one year:<br>variable interest   | -                    | 28                   |
| Over one year:<br>variable interest   | -                    | 5,314                |
| Non-interest bearing securities   | <u>28,061</u>        | <u>26,594</u>        |
| <b>Total</b>  | <b><u>28,061</u></b> | <b><u>31,936</u></b> |
| Securities mandatorily measured at fair value through profit or loss<br>denominated in HUF              | 67%                  | 58%                  |
| Securities mandatorily measured at fair value through profit or loss<br>denominated in foreign currency | <u>33%</u>           | <u>42%</u>           |
| <b>Securities mandatorily measured at fair value through profit or loss<br/>total</b>                   | <b><u>100%</u></b>   | <b><u>100%</u></b>   |
| Interest rates on securities mandatorily measured at fair value through profit<br>or loss               | -                    | 2.49%                |
| Average interest on securities mandatorily measured at fair value through<br>profit or loss             | -                    | 2.49%                |

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

|  | <b>2021</b>           | <b>2020</b>           |
|--|-----------------------|-----------------------|
| Securities at fair value through other comprehensive income              |                       |                       |
| Government bonds   | 278,876               | 488,459               |
| Mortgage bonds   | 217,941               | 332,667               |
| Interest bearing treasury bills  | 63,115                | 9,957                 |
| Other securities   | 64,870                | 65,136                |
| listed securities  | <u>43,759</u>         | <u>42,776</u>         |
| in HUF   | 2,896                 | 2,968                 |
| in foreign currency  | 40,863                | 39,808                |
| -non-listed securities   | <u>21,111</u>         | <u>22,360</u>         |
| in HUF   | 15,487                | 16,782                |
| in foreign currency  | 5,624                 | 5,578                 |
| <b>Subtotal</b>  | <b><u>624,802</u></b> | <b><u>896,219</u></b> |
| Non-trading equity instruments   |                       |                       |
| -non-listed securities   | <u>17,137</u>         | <u>15,731</u>         |
| in HUF   | 528                   | 528                   |
| in foreign currency  | 16,609                | 15,203                |
|  | <b><u>17,137</u></b>  | <b><u>15,731</u></b>  |
| <b>Securities at fair value through other comprehensive income total</b> | <b><u>641,939</u></b> | <b><u>911,950</u></b> |

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

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

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

| Name                       | Currency | 2021   | 2020   |
|----------------------------|----------|--------|--------|
| Garantiqa                  | HUF      | 392    | 392    |
| Hage / Közvil / Pénzügykut | HUF      | 136    | 136    |
| OBS                        | EUR      | 13,221 | 12,081 |
| VISA A Preferred           | USD      | 3,388  | 3,122  |

Interest conditions and the remaining maturities of FVOCI securities can be analysed as follows:

|                                 | 2021                  | 2020                  |
|---------------------------------|-----------------------|-----------------------|
| Within one year:                |                       |                       |
| variable interest               | 1,089                 | 3,779                 |
| fixed interest                  | <u>66,970</u>         | <u>123,481</u>        |
|                                 | <b><u>68,059</u></b>  | <b><u>127,260</u></b> |
| Over one year:                  |                       |                       |
| variable interest               | 71,344                | 101,555               |
| fixed interest                  | <u>485,398</u>        | <u>667,404</u>        |
|                                 | <b><u>556,742</u></b> | <b><u>768,959</u></b> |
| Non-interest bearing securities | <u>17,138</u>         | <u>15,731</u>         |
| <b>Total</b>                    | <b><u>641,939</u></b> | <b><u>911,950</u></b> |

|  |                    |                    |
|--|--------------------|--------------------|
| FVOCI securities denominated in HUF              | 73%                | 83%                |
| FVOCI securities denominated in foreign currency | <u>27%</u>         | <u>17%</u>         |
| <b>FVOCI securities total</b>                    | <b><u>100%</u></b> | <b><u>100%</u></b> |

|  |           |              |
|--|-----------|--------------|
| Interest rates on FVOCI securities denominated in HUF              | 1.25%-11% | 0.5%-11%     |
| Interest rates on FVOCI securities denominated in foreign currency | 0%-16%    | 0.625%-7.25% |
| Average interest on FVOCI securities                               | 2.85%     | 2.17%        |

Certain fixed-rate mortgage bonds and other securities are hedged against interest rate risk. (See Note 45.4.)

|   | 2021                  | 2020                  |
|---|-----------------------|-----------------------|
| Net gain / (loss) reclassified from other comprehensive income to statement of profit or loss | (26,440)              | (2,008)               |
| <b><u>Fair value of the hedged securities:</u></b>  |                       |                       |
| Government bonds  | 201,530               | 399,441               |
|   | <b><u>201,530</u></b> | <b><u>399,441</u></b> |

During the year ended 31 December 2021 and 2020 the Bank didn't sell any of equity instruments designated to measure at fair value through other comprehensive income.

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

**NOTE 10: SECURITIES AT AMORTISED COST (in HUF mn)**

|                  | <b>2021</b>             | <b>2020</b>             |
|------------------|-------------------------|-------------------------|
| Government bonds | 2,863,259               | 1,947,821               |
| Other bonds      | 190,155                 | 63,159                  |
| Mortgage bonds   | 24,309                  | -                       |
| <b>Subtotal</b>  | <b><u>3,077,723</u></b> | <b><u>2,010,980</u></b> |
| Loss allowance   | (6,685)                 | (3,288)                 |
| <b>Total</b>     | <b><u>3,071,038</u></b> | <b><u>2,007,692</u></b> |

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

|                   | <b>2021</b>             | <b>2020</b>             |
|-------------------|-------------------------|-------------------------|
| Within one year:  |                         |                         |
| variable interest | 8,101                   | -                       |
| fixed interest    | <u>305,694</u>          | <u>57,746</u>           |
|                   | <b><u>313,795</u></b>   | <b><u>57,746</u></b>    |
| Over one year:    |                         |                         |
| variable interest | 5,122                   | -                       |
| fixed interest    | <u>2,758,806</u>        | <u>1,953,234</u>        |
|                   | <b><u>2,763,928</u></b> | <b><u>1,953,234</u></b> |
| <b>Total</b>      | <b><u>3,077,723</u></b> | <b><u>2,010,980</u></b> |

The distribution of the securities at amortised cost by currency (%):

|   | <b>2021</b>        | <b>2020</b>        |
|---|--------------------|--------------------|
| Securities at amortised cost denominated in HUF                     | 83%                | 99%                |
| Securities at amortised cost denominated in foreign currency        | <u>17%</u>         | <u>1%</u>          |
| <b>Securities at amortised cost total</b>                           | <b><u>100%</u></b> | <b><u>100%</u></b> |
| Interest rates on securities at amortised cost                      | 0.1% - 12.75%      | 0.5% - 7%          |
| Average interest on securities at amortised cost denominated in HUF | 2.84%              | 2.42%              |

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

|                                | <b>2021</b>         | <b>2020</b>         |
|--------------------------------|---------------------|---------------------|
| <b>Balance as at 1 January</b> | <b>3,288</b>        | <b>1,443</b>        |
| Reclassification               | 1,281               | -                   |
| <b>Balance as at 1 January</b> | <b>4,569</b>        | <b>1,443</b>        |
| Loss allowance                 | 4,404               | 4,820               |
| Release of loss allowance      | (2,370)             | (2,977)             |
| FX movement                    | 82                  | 2                   |
| <b>Closing balance</b>         | <b><u>6,685</u></b> | <b><u>3,288</u></b> |

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

**NOTE 11: LOANS (in HUF mn)**

**Loans measured at fair value through profit or loss**

|  | <b>2021</b>           | <b>2020</b>           |
|--|-----------------------|-----------------------|
| Within one year  | 32,091                | 25,732                |
| Over one year  | <u>629,921</u>        | <u>455,205</u>        |
| <b>Loans measured at fair value through profit or loss total</b> | <b><u>662,012</u></b> | <b><u>480,937</u></b> |

Loans measured at fair value through profit or loss are mandatorily measured at fair value through profit or loss.

**Loans measured at amortised cost, net of allowance for loan losses**

|  | <b>2021</b>             | <b>2020</b>             |
|--|-------------------------|-------------------------|
| Within one year                            | 2,125,908               | 1,793,352               |
| Over one year                              | <u>2,062,114</u>        | <u>1,748,078</u>        |
| <b>Loans at amortised cost gross total</b> | <b><u>4,188,022</u></b> | <b><u>3,541,430</u></b> |
| Loss allowance on loan losses              | <u>(155,557)</u>        | <u>(123,670)</u>        |
| <b>Loans at amortised cost total</b>       | <b><u>4,032,465</u></b> | <b><u>3,417,760</u></b> |

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

|                     | <b>2021</b>        | <b>2020</b>        |
|---------------------|--------------------|--------------------|
| In HUF              | 62%                | 61%                |
| In foreign currency | <u>38%</u>         | <u>39%</u>         |
| <b>Total</b>        | <b><u>100%</u></b> | <b><u>100%</u></b> |

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

|  | <b>2021</b>  | <b>2020</b>  |
|--|--------------|--------------|
| Loans denominated in HUF                     | 1.5% - 9.85% | 1.5% - 9.85% |
| Average interest on loans denominated in HUF | 4.56%        | 4.20%        |

Interest rates of the loan portfolio measured at amortised cost are as follows (%):

|   | <b>2021</b> | <b>2020</b> |
|---|-------------|-------------|
| Loans denominated in HUF                                  | 0%-37.5%    | 0%-37.5%    |
| Loans denominated in foreign currency                     | (0.59%)-13% | (0.50%)-13% |
| Average interest on loans denominated in HUF              | 6.64%       | 6.41%       |
| Average interest on loans denominated in foreign currency | 1.48%       | 2.24%       |

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

**NOTE 11:      LOANS (in HUF mn) [continued]**

For an analysis of the loan portfolio by type please see Note 36.1.

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

|                                | <b>2021</b>           | <b>2020</b>           |
|--------------------------------|-----------------------|-----------------------|
| <b>Balance as at 1 January</b> | <b>123,670</b>        | <b>72,066</b>         |
| Reclassification               | (1,281)               | -                     |
| <b>Balance as at 1 January</b> | <b>122,389</b>        | <b>72,066</b>         |
| Loss allowance                 | 221,084               | 213,618               |
| Release of loss allowance      | (180,291)             | (156,383)             |
| Use of loss allowance          | (6,951)               | (6,228)               |
| Partial write-off              | (1,733)               | (2,797)               |
| FX movement                    | <u>1,059</u>          | <u>3,394</u>          |
| <b>Closing balance</b>         | <b><u>155,557</u></b> | <b><u>123,670</u></b> |

The Bank sells non-performing loans without recourse at estimated fair value to a wholly owned subsidiary, OTP Factoring Ltd.

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

**NOTE 12: INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS (in HUF mn)**

|                              | <b>2021</b>                 | <b>2020</b>                 |
|------------------------------|-----------------------------|-----------------------------|
| Investments in subsidiaries: |                             |                             |
| Controlling interest         | 2,006,178                   | 1,965,197                   |
| Other                        | <u>16,086</u>               | <u>8,938</u>                |
| <b>Subtotal</b>              | <b><u>2,022,264</u></b>     | <b><u>1,974,135</u></b>     |
| <br>Impairment loss          | <br>(449,256)               | <br>(425,163)               |
| <br><b>Total</b>             | <br><b><u>1,573,008</u></b> | <br><b><u>1,548,972</u></b> |

Other investments contain certain securities accounted at cost. These instruments do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

**Significant subsidiaries**

Investments in companies in which the Bank has a controlling interest (direct) are detailed below. All companies are incorporated in Hungary unless indicated otherwise:

|  | 2021                        |                         | 2020                        |                         |
|--|-----------------------------|-------------------------|-----------------------------|-------------------------|
|  | % Held<br>(direct/indirect) | Gross book<br>value     | % Held<br>(direct/indirect) | Gross book<br>value     |
| OTP Bank JSC (Ukraine)                                 | 100%                        | 311,390                 | 100%                        | 311,390                 |
| DSK Bank EAD (Bulgaria)                                | 100%                        | 280,692                 | 100%                        | 280,692                 |
| OTP banka Srbija akcionarsko drustvo Novi Sad (Serbia) | 100%                        | 262,759                 | 100%                        | 131,164                 |
| OTP banka Hrvatska d.d. (Croatia)                      | 100%                        | 205,349                 | 100%                        | 205,349                 |
| OTP Bank Romania S.A. (Romania)                        | 100%                        | 167,764                 | 100%                        | 133,987                 |
| OTP Mortgage Bank Ltd.                                 | 100%                        | 154,294                 | 100%                        | 154,294                 |
| SKB Banka d.d. Ljubljana (Slovenia)                    | 100.00%                     | 107,689                 | 100%                        | 107,689                 |
| JSC "OTP Bank" (Russia)                                | 98%                         | 74,337                  | 98%                         | 74,335                  |
| Crnogorska komercijalna banka a.d. (Montenegro)        | 100%                        | 72,784                  | 100%                        | 72,784                  |
| LLC Alliance Reserve (Russia)                          | 100%                        | 50,074                  | 100%                        | 50,074                  |
| Air-Invest Llc.  | 100%                        | 39,248                  | 100%                        | 36,748                  |
| OTP Holding Malta Ltd.                                 | 100%                        | 32,359                  | 100%                        | 32,359                  |
| <br>Balanz Private Open-end Investment Fund            | <br>100%                    | <br>29,150              | <br>100%                    | <br>29,150              |
| Bank Center No. 1. Ltd.                                | 100%                        | 26,063                  | 100%                        | 26,063                  |
| OTP Factoring Ltd.                                     | 100%                        | 25,411                  | 100%                        | 25,411                  |
| OTP banka Srbija a.d. (Serbia)                         | -                           | -                       | 100%                        | 127,140                 |
| Other  |                             | <u>166,815</u>          |                             | <u>166,568</u>          |
| <b>Total</b>   |                             | <b><u>2,006,178</u></b> |                             | <b><u>1,965,197</u></b> |

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

**NOTE 12: INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS (in HUF mn) [continued]**

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

|                                | <b>2021</b>           | <b>2020</b>           |
|--------------------------------|-----------------------|-----------------------|
| <b>Balance as at 1 January</b> | <b>425,163</b>        | <b>427,770</b>        |
| Impairment loss for the period | 59,132                | 10,052                |
| Reversal of impairment loss    | (31,712)              | (10)                  |
| Use of impairment loss         | <u>(3,327)</u>        | <u>(12,649)</u>       |
| <b>Closing balance</b>         | <b><u>449,256</u></b> | <b><u>425,163</u></b> |

The Bank decided that the recoverable amount is determined based on fair value less cost of disposal. The Bank prepared impairment tests of the subsidiaries based on two different net present value calculation methods that show the same result; however they represent different economical logics. On one hand is the discount cash flow method (“DCF”) that calculates the value of the subsidiaries by discounting their expected cash flow; on the other hand the economic value added (“EVA”) method estimates the value of the subsidiaries from the initial invested capital and the present value of the economic profit that the companies are expected to generate in the future. Applying the EVA method was more practically than DCF method because it gives a more realistic picture about how the explicit period and the residual value can contribute to the value of the company.

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

**An analysis of the impairment loss by significant subsidiaries is as follows:**

|   | <b>2021</b>           | <b>2020</b>           |
|---|-----------------------|-----------------------|
| OTP Bank JSC (Ukraine)                          | 207,397               | 207,397               |
| OTP Bank Romania S.A. (Romania)                 | 77,962                | 38,416                |
| OTP Mortgage Bank Ltd.                          | 65,096                | 65,096                |
| OTP banka Srbija a.d. (Serbia)                  | 43,477                | 53,383                |
| OTP Life Annuity Ltd.                           | 10,969                | 10,969                |
| Air-Invest Ltd.                                 | 10,491                | 10,491                |
| Monicomp Ltd.                                   | 8,632                 | -                     |
| Crnogorska komercijalna banka a.d. (Montenegro) | 6,697                 | 23,324                |
| Balansz Private Open-end Investment Fund        | 5,566                 | -                     |
| OTP Real Estate Ltd.                            | 5,557                 | 5,557                 |
| R.E. Four d.o.o. (Serbia)                       | 3,763                 | 3,763                 |
| OTP Buildings s.r.o (Romania)                   | -                     | <u>3,327</u>          |
| <b>Total</b>                                    | <b><u>445,607</u></b> | <b><u>421,723</u></b> |

**Dividend income from significant subsidiaries and shares held-for-trading and shares measured at fair value through other comprehensive income is as follows:**

|  | <b>2021</b>          | <b>2020</b>          |
|--|----------------------|----------------------|
| OTP Factoring Ltd.   | 44,000               | 45,463               |
| OTP Bank JSC (Ukraine)   | 12,853               | -                    |
| OTP banka dioničko društvo (Croatia)                               | 12,244               | -                    |
| Inga Kettó Llc.  | 11,000               | -                    |
| OTP Holding Malta Ltd.   | 5,531                | 4,823                |
| OTP Real Estate Investment Fund Management Ltd.                    | 3,500                | 4,000                |
| Monicomp Ltd.  | 1,173                | 3,800                |
| Other  | <u>4,741</u>         | <u>2,827</u>         |
| <b>Subtotal</b>  | <b><u>95,042</u></b> | <b><u>60,913</u></b> |
| Dividend from shares held-for-trading                              | 3,844                | 8                    |
| Dividend from shares fair value through other comprehensive income | <u>151</u>           | <u>52</u>            |
| <b>Total</b>   | <b><u>99,037</u></b> | <b><u>60,973</u></b> |

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

**NOTE 12: INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS (in HUF mn) [continued]**

**Significant associates and joint ventures**

The main figures of the Bank's indirectly owned associates and joint ventures at cost<sup>1</sup>:

As at 31 December 2021

| List of associated entities                    | Carrying amount | Ownership of OTP Bank | Profit after tax | Country / Headquarter | Activity   |
|--|-----------------|-----------------------|------------------|-----------------------|--|
| OTP Kockázati Fund I.                          | 526             | 44.12%                | (52)             | Hungary /Budapest     | Trusts, funds and similar financial entities   |
| OTP-DayOne Magvető Fund                        | 288             | 22.00%                | 13               | Hungary /Budapest     | Trusts, funds and similar financial entities   |
| D-ÉG Thermoset Ltd. 'u.l.'                     | -               | 46.99%                | -                | Hungary / Dunaújváros | Wholesale of hardware, plumbing and heating equipment and supplies                       |
| Company for Cash Services AD                   | 392             | 25.00%                | (183)            | Bulgaria / Sofia      | Other financial service activities, exc. insurance and pension funding                   |
| Edrone spółka z ograniczoną odpowiedzialnością | 779             | 17.34%                | (293)            | Poland / Krakow       | Computer programming activities  |
| Graboplast Closed Co. Plc.                     | 700             | 7.00%                 | n.a.             | Hungary / Győr        | Manufacture of builders' ware of plastic   |
| NovaKid Inc.                                   | 2,006           | 4.17%                 | (4,621)          | USA / San Francisco   | Online kids English learning platform operator   |
| Banzai Cloud Closed Co. Plc.                   | 374             | 17.42%                | n.a.             | Hungary /Budapest     | Computer programming activities  |
| ClodeCool Ltd.                                 | 1,770           | 20.15%                | 1                | Hungary /Budapest     | Other education n.e.c.   |
| Pepita.hu Closed Co. Plc.                      | 516             | 34.00%                | (132)            | Hungary / Szeghalom   | Retail sale via mail order houses or via Internet  |
| Seon Holdings Ltd.                             | 4,756           | 23.86%                | (4)              | UK / London           | Computer programming activities  |
| Starschema Ltd.                                | 3,944           | 36.19%                | n.a.             | Hungary /Budapest     | Computer consultancy activities  |
| VCC Live Group Closed Co. Plc.                 | 1,672           | 49.56%                | (203)            | Hungary /Budapest     | Computer programming activities  |
| Virtual Solutaion Ltd.                         | -               | 8.33%                 | n.a.             | Hungary /Budapest     | Computer programming activities  |
| Yieldigo s.r.o.                                | 76              | 1.97%                 | (168)            | Czech Republic/Prague | Computer programming activities  |
| Szallas.hu Closed Co. Plc. <sup>2</sup>        | 8,809           | 51.19%                | 1,278            | Hungary / Miskolc     | Web portals  |
| Cursor Insight LTD                             | 146             | 6.75%                 | (247)            | UK / London           | Computer programming activities  |
| Fabetker Ltd.                                  | 1               | 20.48%                | 132              | Hungary / Nádudvar    | Manufacture of concrete products for construction purposes                               |
| OneSoil Ag.                                    | 318             | 3.72%                 | (1,058)          | Switzerland / Zurich  | Computer programming activities  |
| Packhelp Spółka Akcyjna                        | 2,160           | 1.00%                 | (3,038)          | Poland / Warsaw       | Manufacture of corrugated paper and paperboard and of containers of paper and paperboard |
| PHOENIX PLAY Invest closed Co. Plc.            | 3,081           | 21.69%                | (1)              | Hungary /Budapest     | Activities of holding companies  |
| ALGORITHMIQ Invest Closed Co. Plc.             | 8,996           | 21.69%                | 792              | Hungary /Budapest     | Activities of holding companies  |
| NGY Propertiers Investment SRL                 | 12,331          | 14.54%                | (22,567)         | Romania / Bucharest   | Renting and operating of own or leased real estate                                       |

<sup>1</sup> Based on unaudited financial statements.

<sup>2</sup> The Group does not control the entity even though it holds more than half of the voting rights.



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

**NOTE 12: INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS (in HUF mn) [continued]**

**Significant associates and joint ventures [continued]**

| As at 31 December 2020<br>List of associated entities | Carrying amount | Ownership of OTP Bank | Profit after tax | Country / Headquarter   | Activity   |
|---|-----------------|-----------------------|------------------|-------------------------|--|
| OTP Kockázati Fund I.                                 | 531             | 44.12%                | (2)              | Hungary /Budapest       | Trusts, funds and similar financial entities                                       |
| OTP-DayOne Magvető Fund                               | 674             | 22.00%                | (37)             | Hungary /Budapest       | Trusts, funds and similar financial entities                                       |
| D-ÉG Thermoset Ltd. 'u.l.'                            | -               | 46.99%                | -                | Hungary / Dunaújváros   | Wholesale of hardware, plumbing and heating equipment and supplies                 |
| Company for Cash Services AD                          | 392             | 25.00%                | (254)            | Bulgaria / Sofia        | Other financial service activities,<br>except insurance and pension funding n.e.c. |
| Edrone spółka z ograniczoną odpowiedzialnością        | 497             | 17.34%                | (79)             | Poland / Krakow         | Computer programming activities  |
| Graboplasr Closed Co. Plc.                            | 711             | 7.00%                 | (1,349)          | Hungary / Győr          | Manufacture of builders' ware of plastic   |
| NovaKid Inc.  | 497             | 4.17%                 | (398)            | USA / San Francisco     | Online kids English learning platform operator                                     |
| Banzai Cloud Closed Co. Plc.                          | 1,008           | 17.42%                | 13,430           | Hungary /Budapest       | Computer programming activities  |
| ClodeCool Ltd.  | 1,797           | 20.15%                | 132              | Hungary /Budapest       | Other education n.e.c.   |
| Pepita.hu Closed Co. Plc.                             | 575             | 34.00%                | 3                | Hungary / Szeghalom     | Retail sale via mail order houses or via Internet                                  |
| Seon Holdings Ltd.                                    | 378             | 23.86%                | 37               | UK / London             | Computer programming activities  |
| Starschema Ltd.                                       | 1,310           | 36.19%                | 454              | Hungary /Budapest       | Computer consultancy activities  |
| Tresorit S.A.   | 1,501           | 7.77%                 | 232              | Luxembourg/Luxembourg   | Activities of holding companies  |
| VCC Live Group Closed Co. Plc.                        | 1,599           | 49.56%                | (58)             | Hungary /Budapest       | Computer programming activities  |
| Virtual Solutaion Ltd.                                | 72              | 8.33%                 | (86)             | Hungary /Budapest       | Computer programming activities  |
| Yieldigo s.r.o.                                       | 79              | 1.97%                 | 103              | Czech Republic / Prague | Computer programming activities  |
| Szallas.hu Closed Co. Plc. <sup>1</sup>               | 7,456           | 51.19%                | 595              | Hungary / Miskolc       | Web portals  |

<sup>1</sup> The Group does not control the entity even though it holds more than half of the voting rights.

**NOTE 12: INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS (in HUF mn) [continued]**

**Significant event related to investments**

The Romanian Court of Registration registered a capital increase at OTP Bank Romania SA, the Romanian subsidiary of OTP Bank. Accordingly, the registered capital of the Romanian subsidiary of OTP Bank was increased to RON 2,079,253,200 from RON 1,829,253,120.

TP Bank signed a share sale and purchase agreement on purchasing 100% shareholding of Nova KBM d.d. and its subsidiaries, which are 80% owned by funds managed by affiliates of Apollo Global Management, Inc. and 20% by EBRD. With a market share of 20.5% by total assets as of December 2020, Nova KBM d.d. is the 2nd largest bank in the Slovenian banking market and as a universal bank it has been active in the retail and corporate segments as well.

Serbian Court of Registration registered a capital increase at OTP banka Srbija a.d. Novi Sad, the Serbian subsidiary of OTP Bank. Accordingly, the registered capital of the Serbian subsidiary of OTP Bank was increased to RSD 56,830,752,260 from RSD 55,330,780,140.

OTP Bank signed a non-binding Memorandum of Agreement regarding the potential acquisition of the majority stake of Ipoteka Bank and its subsidiaries with the Ministry of Finance of the Republic of Uzbekistan. Ipoteka Bank is the fifth largest bank in Uzbekistan, with a market share of 8.5% based on total assets at the end of July 2021, with more than 1.2 million retail customers and a large corporate clientele.

OTP Bank signed an acquisition agreement with Alpha International Holdings Single Member S.A. on purchasing 100% shareholding of Alpha Bank SH.A., the Albanian subsidiary of the Greek Alpha Bank S.A. The purchase price has been agreed at Euro 55 million.

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

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

For the year ended 31 December 2021

|   | Intangible assets | Property      | Office equipment<br>and vehicles | Vehicles   | Construction in<br>progress | Right of use<br>assets | Total          |
|---|-------------------|---------------|----------------------------------|------------|-----------------------------|------------------------|----------------|
| <b><u>Cost</u></b>                          |                   |               |                                  |            |                             |                        |                |
| Balance as at 1 January                     | 164,875           | 72,277        | 93,878                           | 160        | 9,421                       | 22,443                 | 363,054        |
| Additions                                   | 52,130            | 4,074         | 13,434                           | 87         | 20,394                      | 8,675                  | 98,794         |
| Disposals                                   | (28,152)          | (1,845)       | (3,843)                          | (48)       | (20,390)                    | -                      | (54,278)       |
| Balance as at 31 December                   | <u>188,853</u>    | <u>74,506</u> | <u>103,469</u>                   | <u>199</u> | <u>9,425</u>                | <u>31,118</u>          | <u>407,570</u> |
| <b><u>Depreciation and Amortization</u></b> |                   |               |                                  |            |                             |                        |                |
| Balance as at 1 January                     | 107,236           | 25,789        | 71,899                           | 74         | -                           | 8,964                  | 213,962        |
| Charge for the year                         | 23,032            | 3,284         | 9,190                            | 25         | -                           | 5,161                  | 40,692         |
| Disposals                                   | (3,576)           | (757)         | (3,685)                          | (37)       | -                           | (238)                  | (8,293)        |
| Balance as at 31 December                   | <u>126,692</u>    | <u>28,316</u> | <u>77,404</u>                    | <u>62</u>  | <u>=</u>                    | <u>13,887</u>          | <u>246,361</u> |
| <b><u>Net book value</u></b>                |                   |               |                                  |            |                             |                        |                |
| Balance as at 1 January                     | <u>57,639</u>     | <u>46,488</u> | <u>21,979</u>                    | <u>86</u>  | <u>9,421</u>                | <u>13,479</u>          | <u>149,092</u> |
| Balance as at 31 December                   | <u>62,161</u>     | <u>46,190</u> | <u>26,065</u>                    | <u>137</u> | <u>9,425</u>                | <u>17,231</u>          | <u>161,209</u> |

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

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

For the year ended 31 December 2020

|   | Intangible assets | Property      | Office equipment<br>and vehicles | Vehicles   | Construction in<br>progress | Right of use<br>assets | Total          |
|---|-------------------|---------------|----------------------------------|------------|-----------------------------|------------------------|----------------|
| <b><u>Cost</u></b>                          |                   |               |                                  |            |                             |                        |                |
| Balance as at 1 January                     | 139,026           | 69,380        | 87,235                           | 126        | 10,523                      | 17,827                 | 324,117        |
| Additions                                   | 54,651            | 3,858         | 10,766                           | 35         | 13,556                      | 4,764                  | 87,630         |
| Disposals                                   | (28,802)          | (961)         | (4,123)                          | (1)        | (14,658)                    | (148)                  | (48,693)       |
| Balance as at 31 December                   | <u>164,875</u>    | <u>72,277</u> | <u>93,878</u>                    | <u>160</u> | <u>9,421</u>                | <u>22,443</u>          | <u>363,054</u> |
| <b><u>Depreciation and Amortization</u></b> |                   |               |                                  |            |                             |                        |                |
| Balance as at 1 January                     | 85,744            | 22,948        | 66,506                           | 56         | -                           | 4,220                  | 179,474        |
| Charge for the year                         | 21,492            | 3,192         | 9,495                            | 19         | -                           | 4,750                  | 38,948         |
| Disposals                                   | -                 | (351)         | (4,102)                          | (1)        | -                           | (6)                    | (4,460)        |
| Balance as at 31 December                   | <u>107,236</u>    | <u>25,789</u> | <u>71,899</u>                    | <u>74</u>  | <u>=</u>                    | <u>8,964</u>           | <u>213,962</u> |
| <b><u>Net book value</u></b>                |                   |               |                                  |            |                             |                        |                |
| Balance as at 1 January                     | <u>53,282</u>     | <u>46,432</u> | <u>20,729</u>                    | <u>70</u>  | <u>10,523</u>               | <u>13,607</u>          | <u>144,643</u> |
| Balance as at 31 December                   | <u>57,639</u>     | <u>46,488</u> | <u>21,979</u>                    | <u>86</u>  | <u>9,421</u>                | <u>13,479</u>          | <u>149,092</u> |

The Bank has no intangible assets with indefinite useful life.

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

**NOTE 14: INVESTMENT PROPERTIES (in HUF mn)**

For the year ended 31 December 2021 and 2020, respectively

|  | <b>2021</b>         | <b>2020</b>         |
|--|---------------------|---------------------|
| <b><u>Cost</u></b>                           |                     |                     |
| <b>Balance as at 1 January</b>               | <b>2,577</b>        | <b>3,061</b>        |
| Additions result from subsequent expenditure | 2,640               | 38                  |
| Disposals                                    | <u>(204)</u>        | <u>(522)</u>        |
| <b>Balance as at 31 December</b>             | <b><u>5,013</u></b> | <b><u>2,577</u></b> |

**Depreciation and Amortization**

|                                  |                   |                   |
|----------------------------------|-------------------|-------------------|
| <b>Balance as at 1 January</b>   | <b>641</b>        | <b>680</b>        |
| Charge for the period            | 92                | 51                |
| Disposals                        | <u>(48)</u>       | <u>(90)</u>       |
| <b>Balance as at 31 December</b> | <b><u>685</u></b> | <b><u>641</u></b> |

**Net book value**

|                                  |                     |                     |
|----------------------------------|---------------------|---------------------|
| <b>Balance as at 1 January</b>   | <b><u>1,936</u></b> | <b><u>2,381</u></b> |
| <b>Balance as at 31 December</b> | <b><u>4,328</u></b> | <b><u>1,936</u></b> |

According to the opinion of the Management there is no significant difference between the fair value and the carrying value of these properties.

| <i>Income and Expenses</i> | <b>2021</b> | <b>2020</b> |
|----------------------------|-------------|-------------|
| Rental income              | 6           | 6           |
| Depreciation               | 92          | 49          |

**NOTE 15: FAIR VALUE OF DERIVATIVE FINANCIAL ASSETS DESIGNATED AS HEDGE ACCOUNTING (in HUF mn)**

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

|  | <b>2021</b>          | <b>2020</b>         |
|--|----------------------|---------------------|
| Interest rate swaps designated as fair value hedge | 13,276               | 637                 |
| CCIRS designated as fair value hedge               | 5,471                | 6,180               |
| Interest rate swaps designated as cash flow hedge  | <u>(1,020)</u>       | =                   |
| <b>Total</b>                                       | <b><u>17,727</u></b> | <b><u>6,817</u></b> |

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

**NOTE 16: OTHER ASSETS<sup>1</sup> (in HUF mn)**

|  | <b>2021</b>           | <b>2020</b>           |
|--|-----------------------|-----------------------|
| <b>Other financial assets</b>                                    |                       |                       |
| Receivables from OTP Employee Stock Ownership Program (OTP ESOP) | 84,304                | 53,338                |
| Prepayments and accrued income                                   | 16,391                | 14,721                |
| Receivables from investment services                             | 16,074                | 9,472                 |
| Stock exchange deposit   | 11,643                | 9,667                 |
| Trade receivables  | 10,519                | 9,731                 |
| Receivables from card operations                                 | 10,423                | 8,453                 |
| Accrued day one gain of loans provided at below-market interest  | -                     | 14,465                |
| Receivables from suppliers                                       | 5,812                 | 5,885                 |
| Other  | <u>3,729</u>          | <u>9,375</u>          |
|  | <b><u>158,895</u></b> | <b><u>135,107</u></b> |
| Loss allowance   | <u>(5,148)</u>        | <u>(7,928)</u>        |
| <b>Other financial assets total</b>                              | <b><u>153,747</u></b> | <b><u>127,179</u></b> |
| <b>Other non-financial assets</b>                                |                       |                       |
| Prepayments and accrued income                                   | 44,411                | 17,732                |
| Receivable related to Hungarian Government subsidies             | 14,281                | 10,622                |
| Other  | <u>12,563</u>         | <u>14,743</u>         |
|  | <b><u>71,255</u></b>  | <b><u>43,097</u></b>  |
| Provision for impairment on other assets                         | <u>(514)</u>          | <u>(482)</u>          |
| <b>Other non-financial assets total</b>                          | <b><u>70,741</u></b>  | <b><u>42,615</u></b>  |
| <b>Total</b>   | <b><u>224,488</u></b> | <b><u>169,794</u></b> |

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

|                                  | <b>2021</b>         | <b>2020</b>         |
|----------------------------------|---------------------|---------------------|
| <b>Balance as at 1 January</b>   | <b>7,928</b>        | <b>5,646</b>        |
| Charge for the period            | 3,888               | 6,663               |
| Release of loss allowance        | (5,972)             | (3,971)             |
| Use of loss allowance            | (707)               | (537)               |
| FX movement                      | <u>11</u>           | <u>127</u>          |
| <b>Balance as at 31 December</b> | <b><u>5,148</u></b> | <b><u>7,928</u></b> |

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

|                                  | <b>2021</b>       | <b>2020</b>       |
|----------------------------------|-------------------|-------------------|
| <b>Balance as at 1 January</b>   | <b>482</b>        | <b>464</b>        |
| Charge for the period            | 86                | 81                |
| Release of provision             | (74)              | (67)              |
| FX movement                      | <u>20</u>         | <u>4</u>          |
| <b>Balance as at 31 December</b> | <b><u>514</u></b> | <b><u>482</u></b> |

<sup>1</sup> Other assets are expected to be recovered or settled no more than twelve months after the reporting period.

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

**NOTE 17: AMOUNTS DUE TO BANKS AND DEPOSITS FROM THE NATIONAL BANK OF HUNGARY AND OTHER BANKS (in HUF mn)**

|                     | <b>2021</b>             | <b>2020</b>           |
|---------------------|-------------------------|-----------------------|
| Within one year:    |                         |                       |
| In HUF              | 354,647                 | 172,799               |
| In foreign currency | <u>81,550</u>           | <u>41,643</u>         |
|                     | <b><u>436,197</u></b>   | <b><u>214,442</u></b> |
| Over one year:      |                         |                       |
| In HUF              | 588,161                 | 457,882               |
| In foreign currency | <u>26,845</u>           | <u>94,653</u>         |
|                     | <b><u>615,006</u></b>   | <b><u>552,535</u></b> |
| <b>Subtotal</b>     | <b><u>1,051,203</u></b> | <b><u>766,977</u></b> |
| <b>Total</b>        | <b><u>1,051,203</u></b> | <b><u>766,977</u></b> |

Interest rates on amounts due to banks and deposits from the NBH and other banks are as follows (%):

|                     | <b>2021</b>   | <b>2020</b>   |
|---------------------|---------------|---------------|
| Within one year:    |               |               |
| In HUF              | (2.4%) - 4.5% | 0%-20%        |
| In foreign currency | (2.4%) - 8.5% | (0.56%)-0.26% |
| Over one year:      |               |               |
| In HUF              | (2.4%) - 1.3% | (2.4%)-1.43%  |
| In foreign currency | (2.4%) - 1.5% | 2.4%)-4.84%   |

|  |       |       |
|--|-------|-------|
| Average interest on amounts due to banks in HUF              | 1.26% | 0.72% |
| Average interest on amounts due to banks in foreign currency | 1.14% | 1.42% |

**NOTE 18: REPO LIABILITIES (in HUF mn)**

|                     | <b>2021</b>          | <b>2020</b>           |
|---------------------|----------------------|-----------------------|
| Within one year:    |                      |                       |
| In HUF              | 49,726               | -                     |
|                     | <b><u>49,726</u></b> | <b><u>-</u></b>       |
| Over one year:      |                      |                       |
| In HUF              | -                    | 73                    |
| In foreign currency | <u>36,854</u>        | <u>109,539</u>        |
|                     | <b><u>36,854</u></b> | <b><u>109,612</u></b> |
| <b>Subtotal</b>     | <b><u>86,580</u></b> | <b><u>109,612</u></b> |
| <b>Total</b>        | <b><u>86,580</u></b> | <b><u>109,612</u></b> |

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

|  | <b>2021</b> | <b>2020</b> |
|--|-------------|-------------|
| Within one year:   |             |             |
| In HUF   | 1.5% - 2.8% | -           |
| Over one year:   |             |             |
| In foreign currency                                      | (0.35%)     | 0.63%-3.85% |
| Average interest on repo liabilities in HUF              | 11.67%      | 1.21%       |
| Average interest on repo liabilities in foreign currency | 0.67%       | 1.05%       |

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

**NOTE 19: DEPOSITS FROM CUSTOMERS (in HUF mn)**

|                     | <b>2021</b>             | <b>2020</b>             |
|---------------------|-------------------------|-------------------------|
| Within one year:    |                         |                         |
| In HUF              | 7,823,118               | 6,412,897               |
| In foreign currency | <u>2,079,643</u>        | <u>1,438,255</u>        |
|                     | <b><u>9,902,761</u></b> | <b><u>7,851,152</u></b> |
| Over one year:      |                         |                         |
| In HUF              | 45,771                  | 44,583                  |
|                     | <b><u>45,771</u></b>    | <b><u>44,583</u></b>    |
| <b>Subtotal</b>     | <b><u>9,948,532</u></b> | <b><u>7,895,735</u></b> |

Interest rates on deposits from customers are as follows (%):

|   | <b>2021</b>   | <b>2020</b>   |
|---|---------------|---------------|
| Within one year in HUF  | (2.48%)-7.96% | (4.58%)-7.96% |
| Over one year in HUF  | 0.01%-2.4%    | 0.01%-0.4%    |
| In foreign currency   | (0.6%)-17.2%  | (0.58%)-15.5% |
| Average interest on deposits from customers in HUF              | 0.16%         | (0.07%)       |
| Average interest on deposits from customers in foreign currency | 0.01%         | (0.04%)       |

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

|   | <b>2021</b>             |                    | <b>2020</b>             |                    |
|---|-------------------------|--------------------|-------------------------|--------------------|
| <b>Retail deposits</b>                  | <b>4,475,933</b>        | <b>45%</b>         | <b>3,840,950</b>        | <b>49%</b>         |
| Household deposits                      | 4,475,933               | 45%                | 3,840,950               | 49%                |
| <b>Corporate deposits</b>               | <b>5,472,599</b>        | <b>55%</b>         | <b>4,054,785</b>        | <b>51%</b>         |
| Deposits to medium and large corporates | 4,639,198               | 47%                | 3,301,434               | 42%                |
| Municipality deposits                   | 833,401                 | 8%                 | 753,351                 | 10%                |
| <b>Total</b>                            | <b><u>9,948,532</u></b> | <b><u>100%</u></b> | <b><u>7,895,735</u></b> | <b><u>100%</u></b> |

**NOTE 20: LIABILITIES FROM ISSUED SECURITIES (in HUF mn)**

|                     | <b>2021</b>          | <b>2020</b>          |
|---------------------|----------------------|----------------------|
| Within one year:    |                      |                      |
| In HUF              | 12,048               | 11,115               |
| In foreign currency | -                    | <u>1,356</u>         |
|                     | <b><u>12,048</u></b> | <b><u>12,471</u></b> |
| Over one year:      |                      |                      |
| In HUF              | 10,105               | 15,964               |
|                     | <b><u>10,105</u></b> | <b><u>15,964</u></b> |
| <b>Total</b>        | <b><u>22,153</u></b> | <b><u>28,435</u></b> |

Interest rates on liabilities from issued securities are as follows (%):

|   | <b>2021</b> | <b>2020</b> |
|---|-------------|-------------|
| Issued securities denominated in HUF                                  | 0%-1.7%     | 0%-1.7%     |
| Issued securities denominated in foreign currency                     | -           | 0.01%-1.11% |
| Average interest on issued securities denominated in HUF              | 4.9%        | 1.03%       |
| Average interest on issued securities denominated in foreign currency | -           | 1.12%       |



**NOTE 20: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]**

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

On 28 May 2021 the Bank initiated term note program in the value of HUF 200 billion with the intention of issuing registered dematerialized bonds in public. The NBH approved on 8 July 2021 the prospectus of Term Note Program. The prospectus is valid for 12 months following the disclosure.

The Issuer can initiate to introduce the bonds issued under the program to the Hungarian and to other stock exchanges without any obligations.

**Term Note Program in the value of HUF 200 billion for the year of 2020/2021**

On 21 April 2020 the Bank initiated term note program in the value of HUF 200 billion with the intention of issuing registered dematerialized bonds in public. The NBH approved on 9 July 2020 the prospectus of Term Note Program and the disclosure as at 10 July 2020. The prospectus is valid for 12 months following the disclosure.

The Issuer can initiate to introduce the bonds issued under the program to the Hungarian and to other stock exchanges without any obligations.

**Hedge accounting**

Certain issued structured securities are hedged by the Bank with interest rate swaps (“IRS”) which exchange the fixed and floating interest rate with the interest rate of the securities between the parties at a notional amount that equals the nominal amount of the hedged securities. These are considered as fair value hedge relationships as they cover the interest rate risk arising from the coupons of the hedged securities. OTP Bank does not intend to be exposed to the risk embedded in the structured bonds, consequently as part of interest rate swap transaction the structured interest payments are swapped to floating interest rate. This hedging relationship meets all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument
- the effect of credit risk does not dominate the value changes that result from that economic relationship
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Bank actually hedges and the quantity of the hedging instrument that the Bank actually uses to hedge that quantity of hedged item

The cash-flows of the fixed rate securities issued by the Bank are exposed to the changes in the HUF/EUR foreign exchange rate and the volatility of the quoted interest rates of EUR and HUF. The interest rate risk and foreign exchange risk related to these securities are hedged with EUR and HUF IRS transactions, where the fixed interests were swapped to payments linked to 3 month HUF BUBOR and EURIBOR, resulting in a decrease in the interest rate and foreign exchange exposure of issued securities.

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

**NOTE 20: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]**

Issued securities denominated in HUF as at 31 December 2021

|    | Name                                     | Date of issuance | Maturity   | Nominal value in HUF million | Amortised cost in HUF million | Interest conditions | Hedged |
|----|--|------------------|------------|------------------------------|-------------------------------|---------------------|--------|
| 1  | OTP_DK_22/II                             | 29/05/2020       | 31/05/2022 | 3,173                        | 3,164                         | discount            |        |
| 2  | OTPRF2022A                               | 22/03/2012       | 23/03/2022 | 2,321                        | 2,513                         | indexed 1.70        | hedged |
| 3  | OTP_DK_25/3                              | 31/05/2021       | 31/05/2025 | 1,216                        | 1,138                         | discount            |        |
| 4  | OTPRF2022B                               | 22/03/2012       | 23/03/2022 | 934                          | 1,011                         | indexed 1.70        | hedged |
| 5  | OTP_DK_22/I                              | 15/12/2018       | 31/05/2022 | 993                          | 985                           | discount            |        |
| 6  | OTP_DK_23/II                             | 29/05/2020       | 31/05/2023 | 997                          | 981                           | discount            |        |
| 7  | OTPRF2023A                               | 22/03/2013       | 24/03/2023 | 899                          | 977                           | indexed 1.70        | hedged |
| 8  | OTPRF2022E                               | 29/10/2012       | 31/10/2022 | 862                          | 933                           | indexed 1.70        | hedged |
| 9  | OTP_DK_24/3                              | 31/05/2021       | 31/05/2024 | 883                          | 848                           | discount            |        |
| 10 | OTPRF2022F                               | 28/12/2012       | 28/12/2022 | 708                          | 773                           | indexed 1.70        | hedged |
| 11 | OTP_DK_27/II                             | 31/05/2021       | 31/05/2027 | 795                          | 703                           | discount            |        |
| 12 | OTP_DK_23/I                              | 15/12/2018       | 31/05/2023 | 717                          | 694                           | discount            |        |
| 13 | OTP_DK_26/II                             | 31/05/2021       | 31/05/2026 | 707                          | 644                           | discount            |        |
| 14 | OTP_DK_24/II                             | 29/05/2020       | 31/05/2024 | 592                          | 573                           | discount            |        |
| 15 | OTP_DK_28/I                              | 31/05/2021       | 31/05/2028 | 669                          | 572                           | discount            |        |
| 16 | OTP_DK_25/II                             | 29/05/2020       | 31/05/2025 | 592                          | 564                           | discount            |        |
| 17 | OTPX2022B                                | 18/07/2012       | 18/07/2022 | 164                          | 549                           | indexed 1.70        | hedged |
| 18 | OTP_DK_24/I                              | 30/05/2019       | 31/05/2024 | 426                          | 400                           | discount            |        |
| 19 | OTP_DK_26/I                              | 29/05/2020       | 31/05/2026 | 392                          | 366                           | discount            |        |
| 20 | OTPX2023A                                | 22/03/2013       | 24/03/2023 | 312                          | 366                           | indexed 1.70        | hedged |
| 21 | OTPX2024B                                | 10/10/2014       | 16/10/2024 | 295                          | 336                           | indexed 0.70        | hedged |
| 22 | OTP_DK_29/I                              | 31/05/2021       | 31/05/2029 | 403                          | 332                           | discount            |        |
| 23 | OTPRF2022D                               | 28/06/2012       | 28/06/2022 | 286                          | 324                           | indexed 1.70        | hedged |
| 24 | OTPX2022C                                | 29/10/2012       | 28/10/2022 | 177                          | 317                           | indexed 1.70        | hedged |
| 25 | OTPX2022D                                | 28/12/2012       | 27/12/2022 | 238                          | 290                           | indexed 1.70        | hedged |
| 26 | OTPX2024A                                | 18/06/2014       | 21/06/2024 | 241                          | 277                           | indexed 1.30        | hedged |
| 27 | OTPX2024C                                | 15/12/2014       | 20/12/2024 | 242                          | 275                           | indexed 0.60        | hedged |
| 28 | OTPX2023B                                | 28/06/2013       | 26/06/2023 | 198                          | 272                           | indexed 0.60        | hedged |
| 29 | OTPRF2022C                               | 28/06/2012       | 28/06/2022 | 209                          | 266                           | indexed 1.70        | hedged |
| 30 | OTPX2022A                                | 22/03/2012       | 23/03/2022 | 175                          | 236                           | indexed -           | hedged |
| 31 | OTP_DK_25/I                              | 30/05/2019       | 31/05/2025 | 104                          | 94                            | discount            |        |
| 32 | OTP_DK_27/I                              | 29/05/2020       | 31/05/2027 | 95                           | 87                            | discount            |        |
| 33 | OTP_DK_30/I                              | 31/05/2021       | 31/05/2030 | 104                          | 82                            | discount            |        |
|    | Other                                    |                  |            | 211                          | 211                           | indexed             |        |
|    | <b>Subtotal issued securities in HUF</b> |                  |            | <b><u>21,330</u></b>         | <b><u>22,153</u></b>          |                     |        |
|    | <b>Total</b>                             |                  |            | <b><u>21,330</u></b>         | <b><u>22,153</u></b>          |                     |        |

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

**NOTE 20: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]**

Issued securities denominated in foreign currency as at 31 December 2020

| Name  | Date of issuance | Maturity   | Currency | Nominal value in FX million | Nominal value in HUF million | Amortised cost in FX million | Amortised cost in HUF million | Interest conditions (in % actual) | hedged |
|---|------------------|------------|----------|-----------------------------|------------------------------|------------------------------|-------------------------------|-----------------------------------|--------|
| 1OTP_VK1_21/1   | 20/02/2020       | 20/02/2021 | USD      | 1.39                        | 414                          | 1.39                         | 414                           | variable                          | 0.01   |
| 2OTP_VK1_21/2   | 02/04/2020       | 02/04/2021 | USD      | 1.24                        | 370                          | 1.24                         | 370                           | variable                          | 0.01   |
| 3OTP_VK1_21/3   | 14/05/2020       | 14/05/2021 | USD      | 1.18                        | 351                          | 1.18                         | 351                           | variable                          | 0.01   |
| 4OTP_VK1_21/4   | 18/06/2020       | 18/06/2021 | USD      | 0.74                        | 221                          | 0.74                         | 221                           | variable                          | 0.01   |
| <b>Subtotal issued securities in foreign currency</b> |                  |            |          | <b>4.55</b>                 | <b>1,356</b>                 | <b>4.55</b>                  | <b>1,356</b>                  |                                   |        |

Issued securities denominated in HUF as at 31 December 2020

| Name                                     | Date of issuance | Maturity   | Nominal value in HUF million | Amortised cost in HUF million | Interest conditions | Hedged   |             |
|--|------------------|------------|------------------------------|-------------------------------|---------------------|----------|-------------|
| 1  | OTP_DK_21/I      | 15/12/2018 | 31/05/2021                   | 3,520                         | 3,501               | discount |             |
| 2  | OTP_DK_22/II     | 29/05/2020 | 31/05/2022                   | 3,175                         | 3,133               | discount |             |
| 3  | OTPRF2021B       | 20/10/2011 | 25/10/2021                   | 2,894                         | 2,954               | indexed  | - hedged    |
| 4  | OTPRF2021A       | 05/07/2011 | 13/07/2021                   | 2,607                         | 2,807               | indexed  | - hedged    |
| 5  | OTPRF2022A       | 22/03/2012 | 23/03/2022                   | 2,065                         | 1,920               | indexed  | 1.70 hedged |
| 6  | OTP_DK_23/II     | 29/05/2020 | 31/05/2023                   | 997                           | 970                 | discount |             |
| 7  | OTP_DK_22/I      | 15/12/2018 | 31/05/2022                   | 993                           | 965                 | discount |             |
| 8  | OTPRF2022B       | 22/03/2012 | 23/03/2022                   | 831                           | 772                 | indexed  | 1.70 hedged |
| 9  | OTPRF2023A       | 22/03/2013 | 24/03/2023                   | 787                           | 740                 | indexed  | 1.70 hedged |
| 10                                       | OTPRF2022E       | 29/10/2012 | 31/10/2022                   | 761                           | 715                 | indexed  | 1.70 hedged |
| 11                                       | OTP_DK_23/I      | 15/12/2018 | 31/05/2023                   | 717                           | 679                 | discount |             |
| 12                                       | OTPRF2022F       | 28/12/2012 | 28/12/2022                   | 623                           | 592                 | indexed  | 1.70 hedged |
| 13                                       | OTP_DK_24/II     | 29/05/2020 | 31/05/2024                   | 592                           | 566                 | discount |             |
| 14                                       | OTP_DK_25/II     | 29/05/2020 | 31/05/2025                   | 592                           | 555                 | discount |             |
| 15                                       | OTPRF2021C       | 21/12/2011 | 30/12/2021                   | 527                           | 544                 | indexed  | - hedged    |
| 16                                       | OTPX2022B        | 18/07/2012 | 18/07/2022                   | 172                           | 440                 | indexed  | 1.70 hedged |
| 17                                       | OTP_DK_24/I      | 30/05/2019 | 31/05/2024                   | 426                           | 390                 | discount |             |
| 18                                       | OTPRF2021D       | 21/12/2011 | 30/12/2021                   | 372                           | 381                 | indexed  | - hedged    |
| 19                                       | OTPX2021B        | 17/06/2011 | 21/06/2021                   | 245                           | 370                 | indexed  | - hedged    |
| 20                                       | OTP_DK_26/I      | 29/05/2020 | 31/05/2026                   | 392                           | 361                 | discount |             |
| 21                                       | OTPX2023A        | 22/03/2013 | 24/03/2023                   | 324                           | 327                 | indexed  | 1.70 hedged |
| 22                                       | OTPX2021D        | 21/12/2011 | 27/12/2021                   | 259                           | 325                 | indexed  | - hedged    |
| 23                                       | OTPX2022D        | 28/12/2012 | 27/12/2022                   | 248                           | 299                 | indexed  | 1.70 hedged |
| 24                                       | OTPX2024B        | 10/10/2014 | 16/10/2024                   | 295                           | 284                 | indexed  | 0.70 hedged |
| 25                                       | OTPRF2022D       | 28/06/2012 | 28/06/2022                   | 260                           | 251                 | indexed  | 1.70 hedged |
| 26                                       | OTPX2021A        | 01/04/2011 | 01/04/2021                   | 183                           | 246                 | indexed  | - hedged    |
| 27                                       | OTPX2024A        | 18/06/2014 | 21/06/2024                   | 241                           | 237                 | indexed  | 1.30 hedged |
| 28                                       | OTPX2022C        | 29/10/2012 | 28/10/2022                   | 201                           | 233                 | indexed  | 1.70 hedged |
| 29                                       | OTPX2024C        | 15/12/2014 | 20/12/2024                   | 242                           | 232                 | indexed  | 0.60 hedged |
| 30                                       | OTPX2023B        | 28/06/2013 | 26/06/2023                   | 198                           | 225                 | indexed  | 0.60 hedged |
| 31                                       | OTPX2022A        | 22/03/2012 | 23/03/2022                   | 201                           | 214                 | indexed  | - hedged    |
| 32                                       | OTPRF2022C       | 28/06/2012 | 28/06/2022                   | 190                           | 196                 | indexed  | 1.70 hedged |
| 33                                       | OTPX2021C        | 19/09/2011 | 24/09/2021                   | 231                           | 192                 | indexed  | - hedged    |
| 34                                       | OTP_DK_25/I      | 30/05/2019 | 31/05/2025                   | 104                           | 91                  | discount |             |
| 35                                       | OTP_DK_27/I      | 29/05/2020 | 31/05/2027                   | 95                            | 85                  | discount |             |
| 36                                       | OTPRF2021E       | 21/12/2011 | 30/12/2021                   | 76                            | 74                  | indexed  | - hedged    |
| 37                                       | Other            |            |                              | 213                           | 213                 |          |             |
| <b>Subtotal issued securities in HUF</b> |                  |            |                              | <b>26,849</b>                 | <b>27,079</b>       |          |             |
| <b>Total</b>                             |                  |            |                              | <b>28,205</b>                 | <b>28,435</b>       |          |             |

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

**NOTE 21: FINANCIAL LIABILITIES DESIGNATED AS FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)**

|                                       | <b>2021</b>          | <b>2020</b>          |
|---------------------------------------|----------------------|----------------------|
| Within one year:                      |                      |                      |
| In HUF                                | <u>1,784</u>         | <u>2,010</u>         |
|                                       | <b><u>1,784</u></b>  | <b><u>2,010</u></b>  |
| Over one year:                        |                      |                      |
| In HUF                                | <u>18,349</u>        | <u>23,892</u>        |
|                                       | <b><u>18,349</u></b> | <b><u>23,892</u></b> |
| <b>Total</b>                          | <b><u>20,133</u></b> | <b><u>25,902</u></b> |
| <b>Contractual amount outstanding</b> | 21,479               | 23,332               |

Interest rates on financial liabilities designated as fair value through profit or loss are as follows (%):

|                  | <b>2021</b> | <b>2020</b>  |
|------------------|-------------|--------------|
| Within one year: |             |              |
| In HUF           | 0.46%-2.46% | 0.51% - 2.5% |
| Over one year:   |             |              |
| In HUF           | 0.01%-2.9%  | 0% - 2.5%    |

|   |       |       |
|---|-------|-------|
| Average interest on amounts due to banks in HUF | 2.15% | 2.46% |
|---|-------|-------|

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

**NOTE 22: HELD FOR TRADING DERIVATIVE FINANCIAL LIABILITIES (in HUF mn)**

Negative fair value of held for trading derivative financial liabilities by deal types:

|                                | <b>2021</b>           | <b>2020</b>          |
|--------------------------------|-----------------------|----------------------|
| Interest rate swaps            | 78,066                | 28,812               |
| Foreign currency swaps         | 45,884                | 34,327               |
| CCIRS and mark-to-market CCIRS | 7,786                 | 7,285                |
| Other derivative contracts     | <u>60,525</u>         | <u>29,563</u>        |
| <b>Total</b>                   | <b><u>192,261</u></b> | <b><u>99,987</u></b> |

**NOTE 23: FAIR VALUE OF DERIVATIVE FINANCIAL LIABILITIES DESIGNATED AS HEDGE ACCOUNTING (in HUF mn)**

Fair value of derivative financial liabilities designated as hedge accounting is detailed as follows:

|                                      | <b>2021</b>          | <b>2020</b>         |
|--------------------------------------|----------------------|---------------------|
| IRS designated as fair value hedge   | 5,747                | 5,266               |
| CCIRS designated as fair value hedge | 5,325                | 5,865               |
| IRS designated as cash flow hedge    | <u>7,618</u>         | <u>(8,027)</u>      |
| <b>Total</b>                         | <b><u>18,690</u></b> | <b><u>3,104</u></b> |

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

**NOTE 24: OTHER LIABILITIES<sup>1</sup> AND PROVISIONS (in HUF mn)**

|   | <b>2021</b>           | <b>2020<br/>Reclassified</b> |
|---|-----------------------|------------------------------|
| <b>Other financial liabilities</b>                                |                       |                              |
| Liabilities from investment services                              | 87,582                | 62,490                       |
| Accrued expenses  | 27,546                | 15,473                       |
| Accounts payable  | 18,754                | 24,121                       |
| Liabilities due to short positions                                | 16,904                | 9,131                        |
| Liabilities from customer's credit card payments                  | 14,574                | 11,195                       |
| Accrued day one gain of loan liabilities at below-market interest | -                     | 14,391                       |
| Other   | 11,383                | 13,249                       |
| <b>Other financial liabilities total</b>                          | <b><u>176,743</u></b> | <b><u>150,050</u></b>        |
| <b>Other non-financial liabilities</b>                            |                       |                              |
| Technical accounts  | 41,186                | 37,304                       |
| Current income tax payable  | 10,080                | 8,216                        |
| Social contribution   | 4,516                 | 3,746                        |
| Accrued expenses  | 3,062                 | 2,902                        |
| Other   | <u>2,850</u>          | <u>1,309</u>                 |
| <b>Other non-financial liabilities total</b>                      | <b><u>61,694</u></b>  | <b><u>53,477</u></b>         |
| <b>Other liabilities total</b>                                    | <b><u>238,437</u></b> | <b><u>203,527</u></b>        |

The provision on other liabilities, off-balance sheet commitments and contingent liabilities are detailed as follows:

|  | <b>2021</b>          | <b>2020</b>          |
|--|----------------------|----------------------|
| Provision for losses on other off-balance sheet commitments and contingent liabilities | 17,768               | 17,490               |
| <b>Provisions in accordance with IFRS 9</b>  | <b><u>17,768</u></b> | <b><u>17,490</u></b> |
| Provision for litigation   | 259                  | 199                  |
| Provision for retirement pension and severance pay                                     | 975                  | 1,300                |
| Provision on other long-term employee benefits   | -                    | 723                  |
| Provision on other liabilities   | 2,525                | 194                  |
| <b>Provisions in accordance with IAS 37</b>  | <b><u>3,759</u></b>  | <b><u>2,416</u></b>  |
| <b>Total</b>   | <b><u>21,527</u></b> | <b><u>19,906</u></b> |

Movements in the provision for losses on commitments and contingent liabilities in accordance with IFRS 9 can be summarized as follows:

|                                     | <b>2021</b>          | <b>2020</b>          |
|-------------------------------------|----------------------|----------------------|
| <b>Opening balance</b>              | <b>17,490</b>        | <b>14,288</b>        |
| Provision for the period            | 47,626               | 56,863               |
| Release of provision for the period | (47,496)             | (54,044)             |
| FX revaluation                      | 148                  | 383                  |
| <b>Closing balance</b>              | <b><u>17,768</u></b> | <b><u>17,490</u></b> |

Movements in the provision for losses on commitments and contingent liabilities in accordance with IAS 37 can be summarized as follows:

|                          | <b>2021</b>         | <b>2020</b>         |
|--------------------------|---------------------|---------------------|
| <b>Opening balance</b>   | <b>2,416</b>        | <b>2,508</b>        |
| Provision for the period | 14,286              | 20,970              |
| Release of provision     | (11,608)            | (21,062)            |
| Use of provision         | (1,335)             | -                   |
| <b>Closing balance</b>   | <b><u>3,759</u></b> | <b><u>2,416</u></b> |

<sup>1</sup> Other liabilities are expected to be recovered or settled no more than twelve months after the reporting period.

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

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

|                     | <b>2021</b>           | <b>2020</b>           |
|---------------------|-----------------------|-----------------------|
| Within one year     |                       |                       |
| In foreign currency | 2,841                 | 2,972                 |
| Over one year:      |                       |                       |
| In foreign currency | <u>268,935</u>        | <u>301,271</u>        |
| <b>Total</b>        | <b><u>271,776</u></b> | <b><u>304,243</u></b> |

Interest rates on subordinated bonds and loans are as follows (%):

|  | <b>2021</b> | <b>2020</b> |
|--|-------------|-------------|
| Subordinated bonds and loans denominated in foreign currency                     | 2.5%-2.9%   | 2.5%-2.9%   |
| Average interest on subordinated bonds and loans denominated in foreign currency | 2.74%       | 2.85%       |

Subordinated loans and bonds are detailed as follows as at 31 December 2021:

| Type              | Nominal value   | Date of issuance | Date of maturity | Issue price | Interest conditions   | Current interest rate |
|-------------------|-----------------|------------------|------------------|-------------|---|-----------------------|
| Subordinated bond | EUR 231 million | 7 November 2006  | Perpetual        | 99.375%     | Three-month EURIBOR + 3%, variable (payable quarterly)  | 2.428%                |
| Subordinated bond | EUR 500 million | 15 July 2019     | 15 July 2029     | 99.738%     | Fixed 2.875% annual in the first 5 years and callable after 5 years, variable after year 5 (payable annually) calculated as a sum of the initial margin (320 basis point) and the 5 year mid-swap rate prevailing at the end of the 5 year. | 2.875%                |

**NOTE 26: SHARE CAPITAL (in HUF mn)**

|   | <b>2021</b>   | <b>2020</b>   |
|---|---------------|---------------|
| <u>Authorized, issued and fully paid:</u> |               |               |
| Ordinary shares                           | <u>28,000</u> | <u>28,000</u> |

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

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

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

Based on the instructions of Act C of 2000 on accounting (“Act on Accounting”) financial statements of the Bank are prepared in accordance with IFRS as issued by the IASB as adopted by the EU.

In 2021, the Bank did not pay dividend based on the earlier NBH warnings issued due to covid moratoria. In 2022 dividend of HUF 119 billion from the profit of the years 2019 and 2020 and HUF 1 billion from the profit of the year 2021 (totally HUF 120 billion) are expected to be proposed by the Management, which means HUF 425,89 (for the year 2019 and 2020) and HUF 3,57 (for the year 2021) dividend per share payable to shareholders. In the opinion of the Management dividend is still considered to be payable, which will be decided on the Bank’s Board meeting in March taken in consideration the Russian-Ukrainian conflict.

Based on paragraph 114/B of Act on Accounting Equity Correlation Table is prepared and disclosed as a part of the explanatory notes for the reporting date by the Bank.

On 19 October 2006 the Bank sold 14.5 million Treasury shares owned by OTP Group through an issue of Income Certificates Exchangeable for Shares (“ICES”). Within the transaction 10 million shares owned by OTP Bank and 4.5 million OTP shares owned by OTP Fund Management Ltd. were sold during the underwriting period of ICES on the weighted average market price (HUF 7,080) of the Budapest Stock Exchange. The shares have been purchased by Opus Securities S.A. (“OPUS”), which issued an exchangeable bond with a total face value of EUR 514,274,000 backed by those shares. The exchangeable bonds have been sold at a 32% premium over the selling price of the shares. The EUR denominated exchangeable bonds were perpetual and the investors could exercise the conversion right between year 6 and 10. The bonds carry a fixed coupon of 3.95% during the first 10 years thereafter the Issuer had the right to redeem the bonds at face value. Following the year 10, the bonds carry a coupon of 3 month EURIBOR +3%. OTP Bank had discretionary right to cancel the payments. The interest payable was non-cumulative.

Due to the conditions described above, ICES was accounted as an equity instrument and therefore any payment was accounted as equity distribution paid to ICES holders.

On 14 September 2021 the Bank claimed to terminate the subordinated swap agreement related to ICES transaction as at 29 October 2021, and to exercise its option for repurchasing approximately 14.5 million OTP ordinary shares held by Opus at market price based on the agreement. On the same day the Bank recognised liability due to Opus as a reduction of EUR 514 million in the shareholder’s equity.

Treasury shares were repurchased on 29 October 2021 on a price HUF 18.118 and on the same day the swap transaction was financially settled. As a result of the closure of the subordinated swap agreement the Bank’s shareholder’s equity increased by HUF 75.422 million as follows:

|   | in HUF mn |                 |
|---|-----------|-----------------|
| Recognition of liability against shareholder’s equity | 179,767   | equity decrease |
| Payment of price for treasury shares by Opus          | 262,648   | equity increase |
| Tax effect accounted in retained earnings             | 7,459     | equity decrease |

Approximately 12 million treasury shares were sold to OTP SECOP I. (‘OTP Special Employee Stock Ownership Program’) and OTP SECOP II.

Equity correlation table shall contain the opening and closing balances of the shareholder’s equity in accordance with IFRS, furthermore deducted from this the opening and closing balances of the specified equity elements. Equity correlation table shall contain also untied retained earnings available for the payment of dividends, covering retained earnings from the last financial year for which accounts have been adopted comprising net profit for the period of that financial year minus cumulative unrealized gains claimed in connection with any increase in the fair value of investment properties, as provided in IAS 40 - Investment Property, reduced by the cumulative income tax accounted for under IAS 12 - Income Taxes.

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

**Share capital**

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

**Share-based payment reserve**

Share-based payment reserve represents the increase in the equity due to the goods or services were received by the Bank in an equity-settled share-based payment transaction, valued at the fair value of the goods or services received.

**Retained earnings**

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

**Put option reserve**

OTP Bank Plc. and MOL Plc. entered into a share swap agreement in 16 April 2009, whereby OTP has changed 24,000,000 OTP ordinary shares for 5,010,501 „A series” MOL shares. The final maturity of the share swap agreement is 11 July 2022, until which any party can initiate cash or physical settlement of the transaction. Put option reserve represents the written put option over OTP ordinary shares were accounted as a deduction from equity at the date of OTP-MOL share swap transaction.

**Other comprehensive income**

Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other IFRSs.

**General reserve**

The Bank shall place ten per cent of the after-tax profit of the year into general reserve prescribed by the Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises. The Bank is allowed to use general reserves only to cover operating losses arising from their activities.

**Tied-up reserve**

The tied-up reserve shall consist of sums tied up from the capital reserve and from the retained earnings.



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

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

The equity correlation table of the Bank based on paragraph 114/B of Act on Accounting as at 31 December 2021:

| 31 December 2021<br>Closing balance   | Share<br>Capital     | Capital<br>reserve     | Share-based<br>payment<br>reserve | Retained<br>earnings and<br>reserves | Option<br>reserve | Treasury<br>Shares | Revaluation<br>reserve | Tied-up<br>reserve    | Net profit<br>for the year | Total                   |
|---|----------------------|------------------------|-----------------------------------|--------------------------------------|-------------------|--------------------|------------------------|-----------------------|----------------------------|-------------------------|
| <b>Components of Shareholder's<br/>equity in accordance with<br/>IFRS</b>                                     | <b>28,000</b>        | <b>52</b>              | <b>46,162</b>                     | <b>1,855,090</b>                     | <b>(55,468)</b>   | <b>(58,872)</b>    | -                      | -                     | -                          | <b>1,814,964</b>        |
| Unused portion of reserve for<br>developments   | -                    | -                      | -                                 | (497)                                | -                 | -                  | -                      | 497                   | -                          | -                       |
| Other comprehensive income  | -                    | -                      | -                                 | (5,078)                              | -                 | -                  | 5,078                  | -                     | -                          | -                       |
| Option reserve  | -                    | (55,468)               | -                                 | -                                    | 55,468            | -                  | -                      | -                     | -                          | -                       |
| Treasury shares   | -                    | (58,872)               | -                                 | -                                    | -                 | 58,872             | -                      | -                     | -                          | -                       |
| Share based payments  | -                    | 46,162                 | (46,162)                          | -                                    | -                 | -                  | -                      | -                     | -                          | -                       |
| Net profit for the year   | -                    | -                      | -                                 | (125,339)                            | -                 | -                  | -                      | -                     | 125,339                    | -                       |
| General reserve   | =                    | =                      | =                                 | <u>(117,905)</u>                     | =                 | =                  | =                      | <u>117,905</u>        | =                          | =                       |
| <b>Components of Shareholder's<br/>equity in accordance with<br/>paragraph 114/B of Act on<br/>Accounting</b> | <b><u>28,000</u></b> | <b><u>(68,126)</u></b> | <b>=</b>                          | <b><u>1,606,271</u></b>              | <b>=</b>          | <b>=</b>           | <b><u>5,078</u></b>    | <b><u>118,402</u></b> | <b><u>125,339</u></b>      | <b><u>1,814,964</u></b> |

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

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

The equity correlation table of the Bank based on paragraph 114/B of Act on Accounting as at 1 January 2021:

| 1 January 2021<br>Opening balance   | Share<br>Capital     | Capital<br>reserve     | Share-based<br>payment<br>reserve | Retained<br>earnings and<br>reserves | Option<br>reserve | Treasury<br>Shares | Revaluation<br>reserve | Tied-up<br>reserve    | Net profit for<br>the year | Total                   |
|---|----------------------|------------------------|-----------------------------------|--------------------------------------|-------------------|--------------------|------------------------|-----------------------|----------------------------|-------------------------|
| <b>Components of Shareholder's<br/>equity in accordance with IFRS</b>   | 28,000               | 52                     | 42,573                            | 1,709,976                            | (55,468)          | (46,799)           | -                      | -                     | -                          | 1,678,334               |
| Unused portion of reserve for<br>developments   | -                    | -                      | -                                 | (998)                                | -                 | -                  | -                      | 998                   | -                          | -                       |
| Other comprehensive income  | -                    | -                      | -                                 | (44,356)                             | -                 | -                  | 44,356                 | -                     | -                          | -                       |
| Portion of supplementary payment<br>recognised as an asset  | -                    | -                      | -                                 | -                                    | -                 | -                  | -                      | -                     | -                          | -                       |
| Option reserve  | -                    | (55,468)               | -                                 | -                                    | 55,468            | -                  | -                      | -                     | -                          | -                       |
| Treasury shares   | -                    | (46,799)               | -                                 | -                                    | -                 | 46,799             | -                      | -                     | -                          | -                       |
| Share based payments  | -                    | 42,573                 | (42,573)                          | -                                    | -                 | -                  | -                      | -                     | -                          | -                       |
| Net profit for the year   | -                    | -                      | -                                 | (92,474)                             | -                 | -                  | -                      | -                     | 92,474                     | -                       |
| General reserve   | -                    | -                      | -                                 | (105,371)                            | -                 | -                  | -                      | 105,371               | -                          | -                       |
| <b>Components of Shareholder's<br/>equity in accordance with<br/>paragraph 114/B of Act on<br/>Accounting</b> | <b><u>28,000</u></b> | <b><u>(59,642)</u></b> | <b>=</b>                          | <b><u>1,466,777</u></b>              | <b>=</b>          | <b>=</b>           | <b><u>44,356</u></b>   | <b><u>106,369</u></b> | <b><u>92,474</u></b>       | <b><u>1,678,334</u></b> |

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

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

**Calculated untied retained earnings in accordance with paragraph 114/B of Act on Accounting**

|                                 | <b>2021</b>             | <b>2020</b>             |
|---------------------------------|-------------------------|-------------------------|
| Retained earnings               | 1,606,271               | 1,466,777               |
| Net profit for the year         | <u>125,339</u>          | <u>92,474</u>           |
| <b>Untied retained earnings</b> | <b><u>1,731,610</u></b> | <b><u>1,559,251</u></b> |

**Items of retained earnings and other reserves**

|   | <b>2021</b>             | <b>2020</b>             |
|---|-------------------------|-------------------------|
| Retained earnings   | 1,606,770               | 1,465,037               |
| Capital reserve   | 52                      | 52                      |
| Option reserve  | (55,468)                | (55,468)                |
| Other reserves  | 117,903                 | 105,370                 |
| Fair value reserve of financial instruments measured at fair value through other comprehensive income | 8,646                   | 44,356                  |
| Share-based payment reserve   | 46,162                  | 42,573                  |
| Fair value reserve of derivative financial instruments designated as cash-flow hedge                  | (3,568)                 | 2,739                   |
| Net profit for the period   | <u>125,339</u>          | <u>92,474</u>           |
| <b>Retained earnings and other reserves</b>   | <b><u>1,845,836</u></b> | <b><u>1,697,133</u></b> |

**Fair value adjustment of securities at fair value through other comprehensive income**

|   | <b>2021</b>       | <b>2020</b>          |
|---|-------------------|----------------------|
| <b>Balance as at 1 January</b>                              | <b>36,441</b>     | <b>51,011</b>        |
| Change of fair value adjustment                             | (34,484)          | (22,069)             |
| Deferred tax related to change of fair value adjustment     | 2,801             | 1,973                |
| Other transfer to retained earnings                         | (5,070)           | -                    |
| Deferred tax related to other transfer to retained earnings | 457               | -                    |
| Transfer to p/l due to derecognition                        | -                 | 6,073                |
| Deferred tax related to accumulated transfer to p/l         | -                 | (547)                |
| <b>Closing balance</b>                                      | <b><u>145</u></b> | <b><u>36,441</u></b> |

**Expected credit loss on securities at fair value through other comprehensive income**

|                                | <b>2021</b>         | <b>2020</b>         |
|--------------------------------|---------------------|---------------------|
| <b>Balance as at 1 January</b> | <b>1,714</b>        | <b>1,702</b>        |
| Increase of loss allowance     | 1,103               | 795                 |
| Release of loss allowance      | (1,654)             | (783)               |
| FX movement                    | <u>11</u>           | -                   |
| <b>Closing balance</b>         | <b><u>1,174</u></b> | <b><u>1,714</u></b> |

**Fair value changes of equity instruments as at fair value through other comprehensive income**

|   | <b>2021</b>         | <b>2020</b>         |
|---|---------------------|---------------------|
| <b>Balance as at 1 January</b>                          | <b>6,201</b>        | <b>10,262</b>       |
| Change of fair value correction                         | 1,407               | (3,276)             |
| Deferred tax related to change of fair value correction | (281)               | 310                 |
| Transfer to retained earnings                           | -                   | (1,095)             |
| <b>Closing balance</b>                                  | <b><u>7,327</u></b> | <b><u>6,201</u></b> |

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

**NOTE 28:      TREASURY SHARES (in HUF mn)**

|                                    | <b>2021</b> | <b>2020</b> |
|------------------------------------|-------------|-------------|
| Nominal value (ordinary shares)    | 325         | 433         |
| Carrying value at acquisition cost | 58,872      | 46,799      |

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

Change in number of shares:

|  | <b>2021</b>             | <b>2020</b>             |
|--|-------------------------|-------------------------|
| <b>Number of shares as at 1 January</b>          | <b>4,331,169</b>        | <b>320,165</b>          |
| Additions  | 16,251,451              | 8,296,388               |
| Disposals  | <u>(17,332,636)</u>     | <u>(4,285,384)</u>      |
| <b>Number of shares at the end of the period</b> | <b><u>3,249,984</u></b> | <b><u>4,331,169</u></b> |

Change in carrying value:

|                                | <b>2021</b>          | <b>2020</b>          |
|--------------------------------|----------------------|----------------------|
| <b>Balance as at 1 January</b> | <b>46,799</b>        | <b>2,636</b>         |
| Additions                      | 276,433              | 85,922               |
| Disposals                      | <u>(264,360)</u>     | <u>(41,759)</u>      |
| <b>Closing Balance</b>         | <b><u>58,872</u></b> | <b><u>46,799</u></b> |

|   | <b>2021</b> | <b>2020</b> |
|---|-------------|-------------|
| Face value of treasury shares held by OTP Group members | 766         | 1,959       |

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

**NOTE 29: INTEREST INCOME AND EXPENSES (in HUF mn)**

|   | <b>2021</b>           | <b>2020</b>           |
|---|-----------------------|-----------------------|
| <b>Interest income accounted for using the effective interest rate method from / on</b> |                       |                       |
| Loans at amortised cost   | 168,388               | 143,652               |
| FVOCI securities  | 21,456                | 29,095                |
| Securities at amortised cost  | 61,085                | 48,654                |
| Placements with other banks   | 33,544                | 12,248                |
| Financial liabilities   | 3,337                 | 1,544                 |
| Amounts due from banks and balances with National Bank of Hungary                       | 14,245                | 4,391                 |
| Repo receivables  | <u>318</u>            | <u>49</u>             |
| <b>Subtotal</b>   | <b><u>302,373</u></b> | <b><u>239,633</u></b> |
| <b>Income similar to interest income</b>  |                       |                       |
| Loans mandatorily measured at fair value through profit or loss                         | 26,045                | 15,094                |
| Swap and forward deals related to Placements with other banks                           | 68,975                | 56,341                |
| Swap and forward deals related to Loans at amortised cost                               | 11,487                | 14,011                |
| Swap and forward deals related to FVOCI securities                                      | (850)                 | (3,789)               |
| Other   | <u>6</u>              | <u>6</u>              |
| <b>Subtotal</b>   | <b><u>105,663</u></b> | <b><u>81,663</u></b>  |
| <b>Interest income total</b>  | <b><u>408,036</u></b> | <b><u>321,296</u></b> |
| <b>Interest expense due to / from / on</b>  |                       |                       |
| Amounts due to banks and deposits from the National Bank of Hungary and other banks     | 107,928               | 67,747                |
| Deposits from customers   | 33,403                | 19,598                |
| Leasing liabilities   | 214                   | 257                   |
| Liabilities from issued securities  | 377                   | 414                   |
| Subordinated bonds and loans  | 7,890                 | 8,327                 |
| Other   | 92                    | 49                    |
| Financial assets  | 2,193                 | 1,622                 |
| Repo liabilities  | <u>3,394</u>          | <u>1,616</u>          |
| <b>Subtotal</b>   | <b><u>155,491</u></b> | <b><u>99,630</u></b>  |

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

**NOTE 30: RISK COST (in HUF mn)**

|   | <b>2021</b>          | <b>2020</b>          |
|---|----------------------|----------------------|
| <b>Loss allowance of loans at amortised cost</b>  |                      |                      |
| Loss allowance  | 218,534              | 211,543              |
| Release of loss allowance   | (181,270)            | (156,385)            |
|   | <b><u>37,264</u></b> | <b><u>55,158</u></b> |
| <b>Loss allowance of sight deposits and placements with other banks</b>   |                      |                      |
| Loss allowance  | 20,709               | 12,724               |
| Release of loss allowance   | (18,912)             | (10,497)             |
|   | <b><u>1,797</u></b>  | <b><u>2,227</u></b>  |
| <b>Loss allowance of placements with other banks</b>  |                      |                      |
| Loss allowance  | 449                  | 362                  |
| Release of loss allowance   | (669)                | (76)                 |
|   | <b><u>(220)</u></b>  | <b><u>286</u></b>    |
| <b>Loss allowance of FVOCI securities</b>   |                      |                      |
| Loss allowance  | 1,103                | 2,119                |
| Release of loss allowance   | (1,654)              | (2,116)              |
|   | <b><u>(551)</u></b>  | <b><u>3</u></b>      |
| <b>Loss allowance of securities at amortised cost</b>   |                      |                      |
| Loss allowance  | 4,404                | 4,822                |
| Release of loss allowance   | (2,369)              | (2,977)              |
|   | <b><u>2,035</u></b>  | <b><u>1,845</u></b>  |
| <b>Provision on loan commitments and financial guarantees</b>   |                      |                      |
| Provision for the period  | 47,626               | 57,246               |
| Release of provision  | (47,496)             | (54,044)             |
|   | <b><u>130</u></b>    | <b><u>3,202</u></b>  |
| <b>Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss</b> | <b><u>16,255</u></b> | <b><u>405</u></b>    |
| <b>Risk cost total</b>  | <b><u>56,710</u></b> | <b><u>63,126</u></b> |

**NOTE 31: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn)**

|   | <b>2021</b>           | <b>2020</b>           |
|---|-----------------------|-----------------------|
| <b>Income from fees and commissions:</b>                  |                       |                       |
| <b>Fees and commissions related to lending</b>            | <b>12,164</b>         | <b>11,141</b>         |
| Deposit and account maintenance fees and commissions      | 123,800               | 106,341               |
| Fees and commission related to the issued bank cards      | 89,243                | 77,115                |
| Fees and commissions related to security trading          | 28,227                | 25,414                |
| Fx margin   | 16,155                | 6,159                 |
| Fees and commissions paid by OTP Mortgage Bank Ltd.       | 11,187                | 8,725                 |
| Net insurance fee income                                  | 8,481                 | 7,155                 |
| Other   | 11,546                | 17,731                |
| <b>Fees and commissions from contracts with customers</b> | <b><u>288,639</u></b> | <b><u>248,640</u></b> |
| <b>Total Income from fees and commissions:</b>            | <b><u>300,803</u></b> | <b><u>259,781</u></b> |
| <b>Contract balances</b>                                  |                       |                       |
|   | <b>2021</b>           | <b>2020</b>           |
| Receivables, which are included in 'other assets'         | 16,391                | 7,625                 |
| Loss allowance  | 196                   | (103)                 |

**NOTE 31: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn) [continued]**

**Performance obligations and revenue recognition policies:**

| <b>Fee type</b>                                      | <b>Nature and timing of satisfaction of performance obligations, and the significant payment terms</b>   | <b>Revenue recognition under IFRS 15</b>   |
|--|--|--|
| Deposit and account maintenance fees and commissions | <p>The Bank provides a number of account management services for both retail and corporate customers in which they charge a fee. Fees related to these services can be typically account transaction fees (money transfer fees, direct debit fees, money standing order fees, etc.), internet banking fees (e.g. OTP Direct fee), account control fees (e.g. sms fee), or other fees for occasional services (account statement fees, other administration fees, etc.).</p> <p>Fees for ongoing account management services are charged to the customer's account on a monthly basis. The fees are commonly fix amounts that can be vary per account package and customer category.</p> <p>In the case of the transaction based fees where the services include money transfer the fee is charged when the transaction takes place. The rate of the fee is typically determined in a certain % of the transaction amount. In case of other transaction-based fees (e.g. SMS fee), the fee is settled monthly.</p> <p>In case of occasional services the Bank basically charges the fees when the services are used by the customer. The fees can be fixed fees or they can be set in %.</p> <p>The rates are reviewed by the Bank regularly.</p> | <p>Fees for ongoing account management services are charged on a monthly basis during the period when they are provided.</p> <p>Transaction-based fees are charged when the transaction takes places or charged monthly at the end of the month.</p> |
| Fees and commission related to the issued bank cards | <p>The Bank provides a variety of bank cards to its customers, for which different fees are charged. The fees are basically charged in connection with the issuance of cards and the related card transactions.</p> <p>The annual fees of the cards are charged in advance in a fixed amount. The amount of the annual card fee depends on the type of card.</p> <p>In case of transaction-based fees (e.g. cash withdrawal/payment fee, merchant fee, interchange fee, etc.), the settlement of the fees will take place immediately after the transaction or on a monthly basis. The fee is typically determined in % of the transaction with a fixed minimum amount.</p> <p>For all other cases where the Bank provides a continuous service to the customers (e.g. card closing fee), the fees are charged monthly. The fee is calculated in a fix amount.</p> <p>The rates are reviewed by the Bank regularly.</p>  | <p>Fees for ongoing services are charged on a monthly basis during the period when they are provided.</p> <p>Transaction-based fees are charged when the transaction takes places or charged monthly at the end of the month.</p>                    |

**NOTE 31: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn) [continued]**

**Performance obligations and revenue recognition policies: [continued]**

| Fee type   | Nature and timing of satisfaction of performance obligations, and the significant payment terms   | Revenue recognition under IFRS 15   |
|--|---|---|
| Fees and commissions related to security account management services | <p>The Bank provides its clients with security account management services. Fees will be charged for account management and transactions on accounts.</p> <p>Account management fees are typically charged quarterly or annually. The amount is determined in%, based on the stocks of securities managed by the clients on the account in a given period.</p> <p>Fees for transactions on the securities account are charged immediately after the transaction. They are determined in%, based on the transaction amount.</p> <p>Fees for complex services provided to clients (e.g. portfolio management or custody) are typically charged monthly or annually. The fees are fixed monthly amounts and in some cases a bonus fee are charged.</p>   | <p>Fees for ongoing services are charged quarterly or annually during the period when they are provided. The fees are accrued monthly.</p> <p>Transaction-based fees are charged when the transaction takes places.</p> |
| Fees and commissions paid by OTP Mortgage Bank Ltd.                  | <p>The Bank provides a number of services to its subsidiaries, in connection with fees are charged. These fees typically include services related to various warranties and guarantees, credit account management, agency activities, and marketing activities.</p> <p>The credit account management fee granted to OTP Mortgage Bank is settled on a monthly basis. It has a fixed part that is based on the number of the managed credit accounts, and a variable one determined by the profit split method.</p> <p>The fees for the guarantee services provided by the Bank are charged monthly. The fee is determined by% and based on the stock being guaranteed.</p> <p>Fees for agent services are charged monthly. The rate is %, based on the products sold during the period.</p> | <p>Fees for ongoing services are charged on a monthly basis during the period when they are provided.</p> <p>Transaction-based fees are charged when the transaction takes places.</p>                                  |
| Net insurance fee income   | <p>Due to the fact that the Bank does not provide insurance services to its clients, only acts as an agent, the fee income charged to the customers and fees payable to the insurance company are presented net in the fee income.</p> <p>In addition, agency fee charged for the sale of insurance contracts is also recorded in this line. The fee is charged on a monthly basis and determined in %.</p>   | <p>Fees for ongoing services are charged on a monthly basis during the period when they are provided.</p>   |
| Other  | <p>Fees that are not significant in the Banks total income are included in Other fees category. Such fees are safe lease, special procedure fee, account rent fee, adlak service fee, fee of a copy of document, etc.</p> <p>Other fees may include charges for continuous services or for ad hoc administration services. Continuous fees are charged monthly (e.g., safe lease fees) at the beginning of the period, typically at a fixed rate. Fees for ad hoc services are charged immediately after the service obligation had been met, typically also in a fixed amount.</p>   | <p>Fees for ongoing services are charged on a monthly basis during the period when they are provided.</p> <p>Fees for ad hoc services are charged when the transaction takes places.</p>                                |



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

**NOTE 31: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn) [continued]**

|   | <b>2021</b>           | <b>2020</b>           |
|---|-----------------------|-----------------------|
| Other fees and commissions related to issued bank cards | 39,835                | 31,701                |
| Insurance fees  | 771                   | 758                   |
| Fees and commissions related to lending                 | 5,011                 | 3,432                 |
| Fees and commissions related to security trading        | 618                   | 1,584                 |
| Fees and commissions relating to deposits               | 2,610                 | 1,355                 |
| Trust activities related to securities                  | 1,652                 | 566                   |
| Postal fees   | 224                   | 202                   |
| Money market transaction fees and commissions           | 265                   | 91                    |
| Other   | <u>1,290</u>          | <u>1,061</u>          |
| <b>Total</b>  | <b><u>52,276</u></b>  | <b><u>40,750</u></b>  |
|   | <b><u>248,527</u></b> | <b><u>219,031</u></b> |

**NOTE 32: GAINS AND LOSSES (in HUF mn)**

|  | <b>2021</b>           | <b>2020</b>           |
|--|-----------------------|-----------------------|
| <b>Losses arising from derecognition of financial assets measured at amortised cost</b>            |                       |                       |
| Gain from loans  | 93                    | 894                   |
| Loss from loans  | (818)                 | (4,533)               |
| Gain from securities   | 968                   | 360                   |
| Loss from securities   | (2,520)               | -                     |
| Other  | (423)                 | -                     |
| <b>Losses arising from derecognition of financial assets measured at amortised cost</b>            | <b><u>(2,700)</u></b> | <b><u>(3,279)</u></b> |
| <b>Additional information to Gains or losses from operating income:</b>                            |                       |                       |
|  | <b>2021</b>           | <b>2020</b>           |
| <b>Foreign exchange losses</b>   |                       |                       |
| Loss from foreign exchange   | (5,875)               | (5,302)               |
| Margin gains   | 3,597                 | 2,592                 |
| Margin losses  | <u>(3,360)</u>        | <u>(1,808)</u>        |
| <b>Total</b>   | <b><u>(5,638)</u></b> | <b><u>(4,518)</u></b> |
|  | <b>2021</b>           | <b>2020</b>           |
| <b>Gains on derivative instruments, net</b>  |                       |                       |
| Gains on FX spot, swap and option deals  | 41,224                | 53,171                |
| Losses from FX spot, swap and option deals   | (34,716)              | (46,329)              |
| Fees received related to option deals  | 2,203                 | 17,983                |
| Fees paid related to option deals  | (2,830)               | (17,912)              |
| Gains on commodity deals   | 91,487                | 22,122                |
| Losses from commodity deals  | (91,474)              | (22,123)              |
| Gains on futures transactions  | 580                   | 1,555                 |
| Losses from futures transactions   | (208)                 | (1,410)               |
| Losses from credit valuation adjustment related to FX spot, swap and option deals held for trading | (2,643)               | -                     |
| Losses from credit valuation adjustment related to commodity deals held for trading                | <u>(187)</u>          | -                     |
| <b>Total</b>   | <b><u>3,436</u></b>   | <b><u>7,057</u></b>   |
|  | <b>2021</b>           | <b>2020</b>           |
| <b>Losses on financial instruments at fair value through profit or loss</b>                        |                       |                       |
| Gains on securities mandatorily measured at fair value through profit or loss                      | 2,285                 | 2,725                 |
| Gains on loans mandatorily measured at fair value through profit or loss                           | 12,069                | 2,328                 |
| Losses on loans mandatorily measured at fair value through profit or loss                          | (24,760)              | (4,453)               |
| Gains on financial liabilities designated at fair value through profit or loss                     | 4,353                 | 2,443                 |
| Losses on financial liabilities designated at fair value through profit or loss                    | <u>(438)</u>          | <u>(3,713)</u>        |
| <b>Total</b>   | <b><u>(6,491)</u></b> | <b><u>(670)</u></b>   |

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

**NOTE 32: GAINS AND LOSSES (in HUF mn) [continued]**

**Additional information to Gains or losses from operating income: [continued]**

|  | <b>2021</b>          | <b>2020</b>          |
|--|----------------------|----------------------|
| <b>Gains on securities, net</b>  |                      |                      |
| Interest income from held for trading securities                                     | 277                  | 368                  |
| Gains on held for trading securities   | 8,018                | 5,948                |
| Losses on held for trading securities  | (3,646)              | (3,697)              |
| Gains on FVOCI securities  | 2,138                | 6,639                |
| Losses on FVOCI securities   | (6,797)              | (566)                |
| Gains on derecognition of investments in subsidiaries                                | 1,311                | 23,028               |
| Losses on derecognition of investments in subsidiaries                               | (1,963)              | (16,485)             |
| Gains/losses from other securities   | <u>2,766</u>         | <u>2,360</u>         |
| <b>Total</b>   | <b><u>2,104</u></b>  | <b><u>17,595</u></b> |
|  | <b>2021</b>          | <b>2020</b>          |
| <b>Dividend income</b>   |                      |                      |
| Distribution from investments in subsidiaries  | 95,042               | 60,913               |
| Distribution from held for trading securities  | 3,844                | 8                    |
| Distribution from FVOCI equity instruments   | <u>151</u>           | <u>52</u>            |
| <b>Total</b>   | <b><u>99,037</u></b> | <b><u>60,973</u></b> |
| <b>Total gains and losses from operating income (without other operating income)</b> | <b><u>92,445</u></b> | <b><u>80,436</u></b> |

**NOTE 33: OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn)**

| <b>Other operating income:</b>  | <b>2021</b>            | <b>2020</b>            |
|---|------------------------|------------------------|
| Intermediary and other services   | 2,272                  | 2,677                  |
| Derecognition of financial liabilities at amortised cost                          | 2,290                  | 710                    |
| Non-repayable assets received   | 1,174                  | 26                     |
| Income from lease of tangible assets  | 1,009                  | 749                    |
| Gains on derecognition of deposits  | 281                    | 710                    |
| Gains on discount from advertising agency fees                                    | 182                    | 171                    |
| Income from written off receivables   | 281                    | 206                    |
| Gains on sale of receivables  | -                      | 377                    |
| Gains on transactions related to property activities                              | 239                    | 266                    |
| Gains on IT services provided to subsidiaries                                     | 940                    | -                      |
| Other operating income from OTP Employee Stock Ownership Program (OTP ESOP)       | 2,234                  | 236                    |
| Gains on sale of tangible assets  | (81)                   | 150                    |
| Other   | <u>444</u>             | <u>1,772</u>           |
| <b>Total</b>  | <b><u>11,265</u></b>   | <b><u>7,900</u></b>    |
| <b>Net other operating expenses:</b>  | <b>2021</b>            | <b>2020</b>            |
| Release of loss allowance on other assets   | 961                    | (3,521)                |
| Non-repayable assets contributed  | (862)                  | (4,055)                |
| Release of provision for off-balance sheet commitments and contingent liabilities | (1,343)                | 92                     |
| Financial support for sport association and organization of public utility        | (10,960)               | (7,999)                |
| Losses on other assets  | -                      | (697)                  |
| Loss allowance on investments in subsidiaries                                     | (27,420)               | (10,042)               |
| Other   | <u>(2,012)</u>         | <u>(1,842)</u>         |
| <b>Total other operating expenses</b>   | <b><u>(41,636)</u></b> | <b><u>(28,064)</u></b> |

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**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

**NOTE 33: OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn) [continued]**

|  | 2021                  | 2020<br>Reclassified  |
|--|-----------------------|-----------------------|
| <b>Other administrative expenses:</b>          |                       |                       |
| <b>Personnel expenses:</b>                     |                       |                       |
| Wages  | 105,176               | 89,705                |
| Taxes related to personnel expenses            | 16,709                | 16,308                |
| Other personnel expenses                       | <u>14,241</u>         | <u>12,485</u>         |
| <b>Subtotal</b>                                | <b><u>136,126</u></b> | <b><u>118,498</u></b> |
| <b>Depreciation and amortization</b>           | <b><u>40,692</u></b>  | <b><u>38,948</u></b>  |
| <b>Other administrative expenses:</b>          |                       |                       |
| Taxes, other than income tax <sup>1</sup>      | 81,171                | 73,384                |
| Services                                       | 57,290                | 41,590                |
| Fees payable to authorities and other fees     | 17,362                | 13,769                |
| Administration expenses, including rental fees | 7,439                 | 15,517                |
| Professional fees                              | 6,714                 | 2,500                 |
| Advertising                                    | <u>8,635</u>          | <u>7,405</u>          |
| <b>Subtotal</b>                                | <b><u>178,611</u></b> | <b><u>154,165</u></b> |
| <b>Total</b>                                   | <b><u>355,429</u></b> | <b><u>311,611</u></b> |

**NOTE 34: INCOME TAX (in HUF mn)**

The Bank is presently liable for income tax at a rate of 9% of taxable income, local taxes at a rate of 2.3% of taxable revenue.

A breakdown of the income tax expense is:

|                                | 2021                 | 2020<br>Reclassified |
|--------------------------------|----------------------|----------------------|
| Current tax expense            | 14,528               | 14,198               |
| Deferred tax expense/(benefit) | <u>1,423</u>         | <u>(1,077)</u>       |
| <b>Total</b>                   | <b><u>15,951</u></b> | <b><u>13,121</u></b> |

A reconciliation of the deferred tax liability is as follows:

|   | 2021                  | 2020                  |
|---|-----------------------|-----------------------|
| <b>Balance as at 1 January</b>  | <b>(3,062)</b>        | <b>(5,875)</b>        |
| Deferred tax (expense)/ benefit   | (1,423)               | 1,077                 |
| Tax effect of fair value adjustment of FVOCI securities and ICES recognised in comprehensive income | <u>2,978</u>          | <u>1,736</u>          |
| <b>Closing balance</b>  | <b><u>(1,507)</u></b> | <b><u>(3,062)</u></b> |

<sup>1</sup> Special tax of financial institutions was paid by OTP Bank in the amount of HUF 13.1 and 11.6 billion for the for the year ended 31 December 2021 and 2020, recognized as an expense thus decreased the corporate tax base. For the year ended 31 December 2021 financial transaction duty was paid by the Bank in the amount of HUF 68 billion.

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

**NOTE 34: INCOME TAX (in HUF mn) [continued]**

A breakdown of the deferred tax liability is as follows:

|   | <b>2021</b>           | <b>2020</b>           |
|---|-----------------------|-----------------------|
| Unused tax allowance  | -                     | 1,321                 |
| Provision for untaken leave   | 282                   | -                     |
| Provision for termination benefits and jubilee  | 644                   | -                     |
| Amounts unenforceable by tax law  | -                     | <u>247</u>            |
| <b>Deferred tax asset</b>   | <b><u>926</u></b>     | <b><u>1,568</u></b>   |
| Fair value adjustment of held for trading and securities at fair value through other comprehensive income | (1,312)               | (4,199)               |
| Difference in depreciation and amortization   | (1,076)               | (329)                 |
| Provision for developments  | (45)                  | -                     |
| Amounts unenforceable by tax law  | -                     | <u>(102)</u>          |
| <b>Deferred tax liabilities</b>   | <b><u>(2,433)</u></b> | <b><u>(4,630)</u></b> |
| <b>Net deferred tax assets/(liabilities)</b>  | <b>(1,507)</b>        | <b>(3,062)</b>        |

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

|                                       | <b>2021</b> | <b>2020</b> |
|---------------------------------------|-------------|-------------|
| Profit before income tax              | 141,290     | 93,246      |
| Income tax at statutory tax rate (9%) | 12,717      | 8,392       |

A reconciliation of effective tax rate as follows:

|  |                     |                   |
|--|---------------------|-------------------|
| Share-based payment                            | 323                 | 305               |
| Deferred use of tax allowance                  | 90                  | -                 |
| Dividend income                                | (8,787)             | (5,488)           |
| Use of tax                                     | (3,461)             | (2,023)           |
| Amounts unenforceable by tax law               | (847)               | (38)              |
| Change due to accounting policy (Visa)         | -                   | 69                |
| Use of tax losses                              | -                   | (167)             |
| Deferred tax asset due to unused tax allowance | -                   | (1,039)           |
| Other  | <u>1,618</u>        | <u>761</u>        |
| <b>Income tax</b>                              | <b><u>1,653</u></b> | <b><u>772</u></b> |
| Effective tax rate                             | 1.2%                | 0.8%              |

|   | <b>2021</b>           | <b>2020</b>         |
|---|-----------------------|---------------------|
| <b>(as presented in the separate statement of financial position)</b> |                       |                     |
| Current tax assets  | -                     | 593                 |
| Current tax liabilities   | <u>4,776</u>          | <u>1,464</u>        |
| <b>Net tax liabilities</b>  | <b><u>(4,776)</u></b> | <b><u>(871)</u></b> |

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

**NOTE 35: LEASE (in HUF mn)**

**The Bank as a lessee:**

| <b>Amounts recognised in profit and loss</b>   | <b>2021</b>          | <b>2020</b>          |
|--|----------------------|----------------------|
| Interest expense on lease liabilities  | 214                  | 257                  |
| Expense relating to short-term leases  | 2,143                | 2,128                |
| Expense relating to variable lease payments not included in the measurement of lease liabilities | 1,271                | 1,084                |
| <br>Leasing liabilities by maturities:   |                      |                      |
|  | <b>2021</b>          | <b>2020</b>          |
| Within one year  | 4,868                | 4,423                |
| Over one year  | <u>13,064</u>        | <u>9,683</u>         |
| <b>Total</b>   | <b><u>17,932</u></b> | <b><u>14,106</u></b> |

An analysis of movement in the carrying amount of right-of-use assets by category is as follows:

|  | <b>Right-of-use of<br/>real estate</b> | <b>Right-of-use of<br/>machinery and<br/>equipment</b> | <b>Total</b>         |
|--|--|--|----------------------|
| <b>Gross carrying amount</b>               |  |  |                      |
| <b>Balance as at 1 January 2020</b>        | 17,790                                 | 37   | 17,827               |
| Additions due to new contracts             | 3,707                                  | -  | 3,707                |
| Derecognition due to matured contracts     | (18)                                   | -  | (18)                 |
| Change due to revaluation and modification | <u>927</u>                             | -  | <u>927</u>           |
| <b>Balance as at 31 December 2020</b>      | <b><u>22,406</u></b>                   | <b><u>37</u></b>                                       | <b><u>22,443</u></b> |
| Additions due to new contracts             | 5,788                                  | -  | 5,788                |
| Derecognition due to matured contracts     | (263)                                  | -  | (263)                |
| Change due to revaluation and modification | <u>3,150</u>                           | -  | <u>3,150</u>         |
| <b>Balance as at 31 December 2021</b>      | <b><u>31,081</u></b>                   | <b><u>37</u></b>                                       | <b><u>31,118</u></b> |
| <br><b>Depreciation</b>                    |  |  |                      |
| <b>Balance as at 1 January</b>             | 4,214                                  |  | 4,220                |
| Depreciation charge                        | 4,744                                  | 6  | 4,750                |
| Derecognition due to matured contracts     | (6)                                    | -  | (6)                  |
| <b>Balance as at 31 December 2021</b>      | <b><u>8,952</u></b>                    | <b><u>12</u></b>                                       | <b><u>8,964</u></b>  |
| Depreciation charge                        | 5,155                                  | 6  | 5,161                |
| Derecognition due to matured contracts     | (238)                                  | -  | (238)                |
| <b>Balance as at 31 December 2021</b>      | <b><u>13,869</u></b>                   | <b><u>18</u></b>                                       | <b><u>13,887</u></b> |
| <br><b>Net carrying amount</b>             |  |  |                      |
| <b>Balance as at 31 December 2020</b>      | <b><u>13,454</u></b>                   | <b><u>25</u></b>                                       | <b><u>13,479</u></b> |
| <b>Balance as at 31 December 2021</b>      | <b><u>17,212</u></b>                   | <b><u>19</u></b>                                       | <b><u>17,231</u></b> |

**NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn)**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments may result in certain risks to the Bank. The most significant risks the Bank faces include:

**36.1. Credit risk**

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

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

**36.1.1. Financial instruments by stages**

**Defining the expected credit loss on individual and collective basis**

**On individual basis:**

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

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

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

The expected credit loss of the exposure equals the difference of the receivable's AC (gross book value) on the valuation date and the present value of the receivable's expected cash flows discounted to the valuation date by the exposure's original effective interest rate (EIR) (calculated at the initial recognition, or in the case of variable rate, recalculated due to the last interest rate change). The estimation of the expected future cash flows should be forward looking, it must also contain the effects of the possible change of macroeconomic outlook.

At least two scenarios must be used for the estimation of the expected cash flow. At least one scenarios should anticipate that realised cash flows will be significantly different from the contractual cash flows. Probability weights must be allocated to the individual scenarios. The estimation must reflect the probability of the occurrence and non-occurrence of the credit loss, even if the most probable result is the non-occurrence of the loss.

**On collective basis:**

The following exposures are subject to collective assessment:

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

**NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**36.1. Credit risk [continued]**

**36.1.1. Financial instruments by stages [continued]**

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

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

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

The impairment parameters should be backtested at least annually.

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

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

**NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**36.1. Credit risk [continued]**

**36.1.1. Financial instruments by stages [continued]**

Gross carrying amount and accumulated loss allowance of financial assets at amortized cost and fair value through other comprehensive income by IFRS 9 stages as at 31 December 2021:

|   | Carrying amount/<br>Exposure | Gross carrying amount / Notional amount |                |                |   |                   | Loss allowance |               |               |   |                | Write-off     |
|---|------------------------------|---|----------------|----------------|---|-------------------|----------------|---------------|---------------|---|----------------|---------------|
|   |                              | Stage 1                                 | Stage 2        | Stage 3        | Purchased or originated credit impaired | Total             | Stage 1        | Stage 2       | Stage 3       | Purchased or originated credit impaired | Total          |               |
| Cash, amounts due from banks and balances with the National Bank of Hungary | 474,945                      | 475,130                                 | -              | -              | -                                       | 475,130           | 185            | -             | -             | -                                       | 185            | -             |
| Placements with other banks, net of allowance for placement losses          | 2,567,212                    | 2,573,226                               | -              | 1,476          | -                                       | 2,574,702         | 6,014          | -             | 1,476         | -                                       | 7,490          | -             |
| Repo receivables  | 33,638                       | 33,710                                  | -              | -              | -                                       | 33,710            | 72             | -             | -             | -                                       | 72             | -             |
| <i>Retail consumer loans</i>  | 598,699                      | 488,639                                 | 139,193        | 33,687         | 3                                       | 661,522           | 11,168         | 27,597        | 24,056        | 2                                       | 62,823         | -             |
| <i>Mortgage loans</i>   | 81,471                       | 33,254                                  | 39,220         | 8,377          | 2,724                                   | 83,575            | 25             | 309           | 1,503         | 267                                     | 2,104          | -             |
| <i>Municipal loans</i>  | 71,328                       | 70,311                                  | 1,346          | -              | -                                       | 71,657            | 223            | 106           | -             | -                                       | 329            | -             |
| <i>Corporate loans</i>  | 3,280,967                    | 2,909,439                               | 384,223        | 66,915         | 10,691                                  | 3,371,268         | 17,945         | 39,260        | 31,528        | 1,568                                   | 90,301         | 21,838        |
| Loans at amortised cost   | 4,032,465                    | 3,501,643                               | 563,982        | 108,979        | 13,418                                  | 4,188,022         | 29,361         | 67,272        | 57,087        | 1,837                                   | 155,557        | 21,838        |
| FVOCI securities  | 641,939                      | 641,939                                 | -              | -              | -                                       | 641,939           | 1,174          | -             | -             | -                                       | 1,174          | -             |
| Securities at amortised cost  | 3,071,038                    | 3,064,500                               | 13,223         | -              | -                                       | 3,077,723         | 5,882          | 803           | -             | -                                       | 6,685          | -             |
| Other financial assets  | 153,748                      | 119,174                                 | 38,964         | 735            | 23                                      | 158,896           | 1,696          | 2,840         | 598           | 14                                      | 5,148          | -             |
| <b>Total as at 31 December 2021</b>   | <b>10,974,985</b>            | <b>10,409,322</b>                       | <b>616,169</b> | <b>111,190</b> | <b>13,441</b>                           | <b>11,150,122</b> | <b>44,384</b>  | <b>70,915</b> | <b>59,161</b> | <b>1,851</b>                            | <b>176,311</b> | <b>21,838</b> |
| Loan commitments  | 1,665,288                    | 1,615,196                               | 56,838         | 4,996          | -                                       | 1,677,030         | 5,620          | 3,968         | 2,154         | -                                       | 11,742         | -             |
| Financial guarantees  | 1,500,977                    | 1,491,470                               | 14,883         | 244            | -                                       | 1,506,597         | 4,820          | 749           | 51            | -                                       | 5,620          | -             |
| Factoring loan commitments  | 423,267                      | 412,692                                 | 5,847          | 5,133          | -                                       | 423,672           | 228            | 32            | 145           | -                                       | 405            | -             |
| Bill of credit  | 30,380                       | 30,381                                  | -              | -              | -                                       | 30,381            | 1              | -             | -             | -                                       | 1              | -             |
| <b>Loan commitments and financial guarantees total</b>                      | <b>3,619,912</b>             | <b>3,549,739</b>                        | <b>77,568</b>  | <b>10,373</b>  | <b>=</b>                                | <b>3,637,680</b>  | <b>10,669</b>  | <b>4,749</b>  | <b>2,350</b>  | <b>=</b>                                | <b>17,768</b>  | <b>=</b>      |



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

**NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**36.1. Credit risk [continued]**

**36.1.1. Financial instruments by stages [continued]**

Gross carrying amount and accumulated loss allowance of financial assets at amortized cost and fair value through other comprehensive income by IFRS 9 stages as at 31 December 2020:

| Assets measured at amortised cost and FVOCI as at 31 December 2020          | Carrying amount/<br>Exposure | Gross carrying amount / Notional amount |                |               |   |                  | Loss allowance |               |               |   |                | Write-off     |
|---|------------------------------|---|----------------|---------------|---|------------------|----------------|---------------|---------------|---|----------------|---------------|
|   |                              | Stage 1                                 | Stage 2        | Stage 3       | Purchased or originated credit impaired | Total            | Stage 1        | Stage 2       | Stage 3       | Purchased or originated credit impaired | Total          |               |
| Cash, amounts due from banks and balances with the National Bank of Hungary | 579,120                      | 579,120                                 | -              | -             | -                                       | 579,120          | -              | -             | -             | -                                       | -              | -             |
| Placements with other banks, net of allowance for placement losses          | 1,535,884                    | 1,540,240                               | 2              | 1,461         | -                                       | 1,541,703        | 4,356          | 2             | 1,461         | -                                       | 5,819          | -             |
| Repo receivables  | 183,364                      | 183,656                                 | -              | -             | -                                       | 183,656          | 292            | -             | -             | -                                       | 292            | -             |
| <i>Retail consumer loans</i>  | 531,115                      | 456,034                                 | 98,027         | 10,632        | 5                                       | 564,698          | 5,945          | 20,866        | 6,770         | 2                                       | 33,583         | -             |
| <i>Mortgage loans</i>   | 95,762                       | 29,857                                  | 58,609         | 6,602         | 2,909                                   | 97,977           | 20             | 688           | 1,313         | 194                                     | 2,215          | -             |
| <i>Municipal loans</i>  | 86,061                       | 72,406                                  | 15,564         | 43            | -                                       | 88,013           | 227            | 1,709         | 16            | -                                       | 1,952          | -             |
| <i>Corporate loans</i>  | 2,704,822                    | 2,361,979                               | 380,458        | 37,177        | 11,128                                  | 2,790,742        | 16,314         | 43,034        | 25,127        | 1,445                                   | 85,920         | 25,720        |
| Loans at amortised cost   | 3,417,760                    | 2,920,276                               | 552,658        | 54,454        | 14,042                                  | 3,541,430        | 22,506         | 66,297        | 33,226        | 1,641                                   | 123,670        | 25,720        |
| FVOCI securities  | 911,950                      | 911,950                                 | -              | -             | -                                       | 911,950          | 1,714          | -             | -             | -                                       | 1,714          | -             |
| Securities at amortised cost  | 2,007,692                    | 2,010,980                               | -              | -             | -                                       | 2,010,980        | 3,288          | -             | -             | -                                       | 3,288          | -             |
| Other financial assets  | 127,179                      | 93,491                                  | 40,452         | 1,133         | 31                                      | 135,107          | 2,407          | 4,504         | 996           | 21                                      | 7,928          | -             |
| <b>Total as at 31 December 2020</b>   | <b>8,762,949</b>             | <b>8,239,713</b>                        | <b>593,112</b> | <b>57,048</b> | <b>14,073</b>                           | <b>8,903,946</b> | <b>34,563</b>  | <b>70,803</b> | <b>35,683</b> | <b>1,662</b>                            | <b>142,711</b> | <b>25,720</b> |
| Loan commitments  | 1,429,732                    | 1,369,379                               | 69,998         | 1,683         | -                                       | 1,441,060        | 5,442          | 5,047         | 839           | -                                       | 11,328         | -             |
| Financial guarantees  | 1,412,663                    | 1,409,766                               | 8,609          | 161           | -                                       | 1,418,536        | 5,087          | 738           | 48            | -                                       | 5,873          | -             |
| Factoring loan commitments  | 304,993                      | 299,908                                 | 3,551          | 1,810         | -                                       | 305,269          | 175            | 35            | 66            | -                                       | 276            | -             |
| Bill of credit  | 5,026                        | 5,039                                   | -              | -             | -                                       | 5,039            | 13             | -             | -             | -                                       | 13             | -             |
| <b>Loan commitments and financial guarantees total</b>                      | <b>3,152,414</b>             | <b>3,084,092</b>                        | <b>82,158</b>  | <b>3,654</b>  | <b>=</b>                                | <b>3,169,904</b> | <b>10,717</b>  | <b>5,820</b>  | <b>953</b>    | <b>=</b>                                | <b>17,490</b>  | <b>=</b>      |

**NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**36.1. Credit risk [continued]**

**36.1.1. Financial instruments by stages [continued]**

Changes in the Loss allowance of financial assets at amortised cost and fair value through other comprehensive income by IFRS 9 stages

**Loans at amortised cost**

|   | Stage 1              | Stage 2              | Stage 3              | POCI                | Total                 |
|---|----------------------|----------------------|----------------------|---------------------|-----------------------|
| <b>Loss allowance as at 1 January 2020</b>            | <b>26,777</b>        | <b>18,678</b>        | <b>25,841</b>        | <b>770</b>          | <b>72,066</b>         |
| Transfer to Stage 1                                   | 633                  | (612)                | (21)                 | -                   | -                     |
| Transfer to Stage 2                                   | (4,374)              | 5,682                | (1,308)              | -                   | -                     |
| Transfer to Stage 3                                   | (188)                | (1,683)              | 1,871                | -                   | -                     |
| Net remeasurement of loss allowance                   | (2,736)              | 40,164               | 9,196                | 839                 | 47,463                |
| New financial assets originated or purchased          | 11,393               | 7,498                | 2,918                | 45                  | 21,854                |
| Financial assets derecognised (other than write-offs) | (8,975)              | (3,354)              | (3,717)              | (11)                | (16,057)              |
| Unwind of discount                                    | -                    | -                    | 1,613                | 217                 | 1,830                 |
| Write-offs  | (24)                 | (76)                 | (3,167)              | (219)               | (3,486)               |
| <b>Loss allowance as at 31 December 2020</b>          | <b><u>22,506</u></b> | <b><u>66,297</u></b> | <b><u>33,226</u></b> | <b><u>1,641</u></b> | <b><u>123,670</u></b> |
| Modification  | -                    | (1,281)              | -                    | -                   | (1,281)               |
| <b>Loss allowance as at 31 December 2020</b>          | <b><u>22,506</u></b> | <b><u>65,016</u></b> | <b><u>33,226</u></b> | <b><u>1,641</u></b> | <b><u>122,389</u></b> |
| Transfer to Stage 1                                   | 12,289               | (11,919)             | (370)                | -                   | -                     |
| Transfer to Stage 2                                   | (1,867)              | 3,241                | (1,374)              | -                   | -                     |
| Transfer to Stage 3                                   | (369)                | (5,636)              | 6,005                | -                   | -                     |
| Net remeasurement of loss allowance                   | (10,705)             | 18,125               | 20,779               | 221                 | 28,420                |
| New financial assets originated or purchased          | 15,197               | 6,326                | 4,292                | 1                   | 25,816                |
| Financial assets derecognised (other than write-offs) | (7,638)              | (7,540)              | (5,323)              | (16)                | (20,517)              |
| Unwind of discount                                    | -                    | -                    | 947                  | 9                   | 956                   |
| Write-offs  | (52)                 | (341)                | (1,095)              | (19)                | (1,507)               |
| <b>Loss allowance as at 31 December 2021</b>          | <b><u>29,361</u></b> | <b><u>67,272</u></b> | <b><u>57,087</u></b> | <b><u>1,837</u></b> | <b><u>155,557</u></b> |

**NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**36.1. Credit risk [continued]**

**36.1.1. Financial instruments by stages [continued]**

**Changes in the Loss allowance of financial assets at amortised cost and fair value through other comprehensive income by IFRS 9 stages [continued]**

**Loan commitments and financial guarantees**

|  | Stage 1              | Stage 2             | Stage 3             | Total                |
|--|----------------------|---------------------|---------------------|----------------------|
| <b>Provision as at 1 January 2020</b>        | <b>11,564</b>        | <b>1,077</b>        | <b>1,647</b>        | <b>14,288</b>        |
| Transfer to Stage 1                          | 142                  | (125)               | (17)                | -                    |
| Transfer to Stage 2                          | (501)                | 522                 | (21)                | -                    |
| Transfer to Stage 3                          | (9)                  | (28)                | 37                  | -                    |
| Net remeasurement of loss allowance          | (939)                | 3,651               | (642)               | 2,070                |
| New financial assets originated or purchased | 2,843                | 796                 | 67                  | 3,706                |
| Decrease                                     | <u>(2,383)</u>       | <u>(73)</u>         | <u>(118)</u>        | <u>(2,574)</u>       |
| <b>Provision as at 31 December 2020</b>      | <b><u>10,717</u></b> | <b><u>5,820</u></b> | <b><u>953</u></b>   | <b><u>17,490</u></b> |
| Transfer to Stage 1                          | 2,910                | (2,840)             | (70)                | -                    |
| Transfer to Stage 2                          | (200)                | 322                 | (122)               | -                    |
| Transfer to Stage 3                          | (21)                 | (109)               | 130                 | -                    |
| Net remeasurement of loss allowance          | (4,628)              | 1,371               | 1,500               | (1,757)              |
| New financial assets originated or purchased | 3,215                | 904                 | 98                  | 4,217                |
| Decrease                                     | <u>(1,324)</u>       | <u>(719)</u>        | <u>(139)</u>        | <u>(2,182)</u>       |
| <b>Loss allowance as at 31 December 2021</b> | <b><u>10,669</u></b> | <b><u>4,749</u></b> | <b><u>2,350</u></b> | <b><u>17,768</u></b> |

**Placements with other banks, net of allowance for placement losses**

|   | Stage 1             | Stage 2         | Stage 3             | Total               |
|---|---------------------|-----------------|---------------------|---------------------|
| <b>Loss allowance as at 1 January 2020</b>            | <b>3,590</b>        | <b>2</b>        | <b>-</b>            | <b>3,592</b>        |
| Net remeasurement of loss allowance                   | 515                 | -               | -                   | 515                 |
| New financial assets originated or purchased          | 2,321               | -               | 1,461               | 3,782               |
| Financial assets derecognised (other than write-offs) | <u>(2,070)</u>      | -               | -                   | <u>(2,070)</u>      |
| <b>Loss allowance as at 31 December 2020</b>          | <b><u>4,356</u></b> | <b><u>2</u></b> | <b><u>1,461</u></b> | <b><u>5,819</u></b> |
| Net remeasurement of loss allowance                   | (303)               | -               | 15                  | (288)               |
| New financial assets originated or purchased          | 4,566               | -               | -                   | 4,566               |
| Financial assets derecognised (other than write-offs) | <u>(2,605)</u>      | <u>(2)</u>      | -                   | <u>(2,607)</u>      |
| <b>Loss allowance as at 31 December 2021</b>          | <b><u>6,014</u></b> | <b><u>=</u></b> | <b><u>1,476</u></b> | <b><u>7,490</u></b> |

**NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**36.1. Credit risk [continued]**

**36.1.1. Financial instruments by stages [continued]**

**Changes in the Loss allowance of financial assets at amortised cost and fair value through other comprehensive income by IFRS 9 stages [continued]**

**Repo Receivables**

|   | Stage 1           | Total             |
|---|-------------------|-------------------|
| <b>Loss allowance as at 1 January 2020</b>            | <b>6</b>          | <b>6</b>          |
| New financial assets originated or purchased          | 362               | 362               |
| Financial assets derecognised (other than write-offs) | (76)              | (76)              |
| <b>Loss allowance as at 31 December 2020</b>          | <b><u>292</u></b> | <b><u>292</u></b> |
| New financial assets originated or purchased          | 449               | 449               |
| Financial assets derecognised (other than write-offs) | (669)             | (669)             |
| <b>Loss allowance as at 31 December 2021</b>          | <b><u>72</u></b>  | <b><u>72</u></b>  |

**Securities at amortised cost**

|   | Stage 1             | Stage 2             | Total               |
|---|---------------------|---------------------|---------------------|
| <b>Loss allowance as at 1 January 2020</b>            | <b>1,443</b>        | -                   | <b>1,443</b>        |
| Net remeasurement of loss allowance                   | 1,334               | -                   | 1,334               |
| New financial assets originated or purchased          | 595                 | -                   | 595                 |
| Financial assets derecognised (other than write-offs) | <u>(84)</u>         | -                   | <u>(84)</u>         |
| <b>Loss allowance as at 31 December 2020</b>          | <b><u>3,288</u></b> | -                   | <b><u>3,288</u></b> |
| Modification  | -                   | 1,281               | <u>1,281</u>        |
| <b>Loss allowance as at 31 December 2020</b>          | <b><u>3,288</u></b> | <b><u>1,281</u></b> | <b><u>4,569</u></b> |
| Net remeasurement of loss allowance                   | 898                 | (478)               | 420                 |
| New financial assets originated or purchased          | 1,761               | -                   | 1,761               |
| Financial assets derecognised (other than write-offs) | <u>(65)</u>         | -                   | <u>(65)</u>         |
| <b>Loss allowance as at 31 December 2021</b>          | <b><u>5,882</u></b> | <b><u>803</u></b>   | <b><u>6,685</u></b> |

**FVOCI Securities**

|   | Stage 1             | Total               |
|---|---------------------|---------------------|
| <b>Loss allowance as at 1 January 2020</b>            | <b>1,702</b>        | <b>1,702</b>        |
| Net remeasurement of loss allowance                   | 286                 | 286                 |
| New financial assets originated or purchased          | 509                 | 509                 |
| Financial assets derecognised (other than write-offs) | <u>(783)</u>        | <u>(783)</u>        |
| <b>Loss allowance as at 31 December 2020</b>          | <b><u>1,714</u></b> | <b><u>1,714</u></b> |
| Net remeasurement of loss allowance                   | (483)               | (483)               |
| New financial assets originated or purchased          | 348                 | 348                 |
| Financial assets derecognised (other than write-offs) | <u>(405)</u>        | <u>(405)</u>        |
| <b>Loss allowance as at 31 December 2021</b>          | <b><u>1,174</u></b> | <b><u>1,174</u></b> |

**NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**36.1. Credit risk [continued]**

**36.1.1. Financial instruments by stages [continued]**

**Loan portfolio by internal ratings**

| Internal rating grade | Gross carrying amount   |                       |                       |                      | Total                   |
|-----------------------|-------------------------|-----------------------|-----------------------|----------------------|-------------------------|
|                       | Stage1                  | Stage2                | Stage3                | POCI                 |                         |
| High grade (1-4)      | 1,930,488               | 215,519               | -                     | 224                  | <b>2,146,231</b>        |
| Medium grade (5-7)    | 1,459,861               | 238,767               | -                     | 10,522               | <b>1,709,150</b>        |
| Low grade (8-9)       | 111,294                 | 109,696               | -                     | 253                  | <b>221,243</b>          |
| Non performing        | =                       | =                     | <u>108,979</u>        | <u>2,419</u>         | <b><u>111,398</u></b>   |
| <b>Total</b>          | <b><u>3,501,643</u></b> | <b><u>563,982</u></b> | <b><u>108,979</u></b> | <b><u>13,418</u></b> | <b><u>4,188,022</u></b> |

| Internal rating grade | Accumulated loss allowance |                      |                      |                     | Total                 |
|-----------------------|----------------------------|----------------------|----------------------|---------------------|-----------------------|
|                       | Stage1                     | Stage2               | Stage3               | POCI                |                       |
| High grade (1-4)      | 11,870                     | 21,906               | -                    | 4                   | <b>33,780</b>         |
| Medium grade (5-7)    | 15,929                     | 24,853               | -                    | 1,234               | <b>42,016</b>         |
| Low grade (8-9)       | 1,562                      | 20,513               | -                    | 12                  | <b>22,087</b>         |
| Non performing        | =                          | =                    | <u>57,087</u>        | <u>587</u>          | <b><u>57,674</u></b>  |
| <b>Total</b>          | <b><u>29,361</u></b>       | <b><u>67,272</u></b> | <b><u>57,087</u></b> | <b><u>1,837</u></b> | <b><u>155,557</u></b> |

**Loan portfolio by countries**

An analysis of carrying amount of the non-qualified and qualified gross loan portfolio by country is as follows:

| Country  | 31 December 2021                                     |                         | 31 December 2020                                     |                         |
|--|--|-------------------------|--|-------------------------|
|  | Gross loan and placements with other banks portfolio | Loss allowance          | Gross loan and placements with other banks portfolio | Loss allowance          |
| Hungary  | 5,039,601  | (130,588)               | 3,797,729  | (99,295)                |
| Malta  | 792,943  | (2,556)                 | 759,425  | (3,985)                 |
| Serbia   | 148,599  | (2,048)                 | -  | -                       |
| Romania  | 113,517  | (3,695)                 | 40,143   | (4,220)                 |
| France   | 112,810  | (321)                   | 38,876   | (8)                     |
| Bulgaria   | 105,899  | (11,786)                | 102,067  | (9,158)                 |
| Russia   | 85,420   | (961)                   | 124  | (5)                     |
| Slovakia   | 76,373   | (263)                   | 73,808   | (207)                   |
| Other  | <u>321,272</u>                                       | <u>(10,901)</u>         | <u>454,617</u>                                       | <u>(12,903)</u>         |
| <b>Loans, placements with other banks and repo receivables at amortised cost total</b> | <b><u>6,796,434</u></b>                              | <b><u>(163,119)</u></b> | <b><u>5,266,789</u></b>                              | <b><u>(129,781)</u></b> |
| Hungary  | 662,008  | -                       | 480,933  | -                       |
| Other  | 4  | -                       | 4  | -                       |
| <b>Loans at fair value total</b>   | <b><u>662,012</u></b>                                | <b>=</b>                | <b><u>480,937</u></b>                                | <b>=</b>                |
| <b>Loans, placements with other banks and repo receivables total</b>                   | <b><u>7,458,446</u></b>                              | <b><u>(163,119)</u></b> | <b><u>5,747,726</u></b>                              | <b><u>(129,781)</u></b> |

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

**NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**36.1. Credit risk [continued]**

**Loan portfolio classification by economic activities**

| Loans at amortised cost by economic activities   | 31 December 2021        |                       | 31 December 2020        |                       |
|--|-------------------------|-----------------------|-------------------------|-----------------------|
|  | Gross amount            | Loss allowance        | Gross amount            | Loss allowance        |
| Retail   | 708,355                 | 63,843                | 647,323                 | 34,289                |
| Agriculture, forestry and fishing  | 177,202                 | 4,976                 | 152,152                 | 2,074                 |
| Manufacturing, mining and quarrying and other industry   | 320,990                 | 7,249                 | 241,763                 | 6,765                 |
| Construction   | 172,441                 | 4,919                 | 136,353                 | 3,626                 |
| Wholesale and retail trade, transportation and storage accommodation and food service activities | 657,273                 | 18,490                | 506,561                 | 16,813                |
| Information and communication  | 23,072                  | 1,136                 | 19,846                  | 681                   |
| Financial and insurance activities   | 211,292                 | 9,444                 | 147,849                 | 11,338                |
| Real estate activities   | 305,100                 | 13,143                | 291,475                 | 13,595                |
| Professional, scientific, technical, administration  | 136,876                 | 3,109                 | 105,159                 | 1,979                 |
| Real estate activities   | 72,027                  | 472                   | 70,640                  | 672                   |
| Professional, scientific, technical, administration  | <u>1,403,394</u>        | <u>28,776</u>         | <u>1,222,309</u>        | <u>31,838</u>         |
| <b>Total</b>   | <b><u>4,188,022</u></b> | <b><u>155,557</u></b> | <b><u>3,541,430</u></b> | <b><u>123,670</u></b> |

**36.1.2. Collaterals**

The collateral value held by the Bank by collateral types is as follows (**total collateral value**). The collaterals cover loans as well as off-balance sheet exposures.

| Types of collateral       | 2021                    | 2020                    |
|---------------------------|-------------------------|-------------------------|
| Mortgages                 | 1,602,913               | 1,450,951               |
| Guarantees and warranties | 1,554,921               | 1,074,420               |
| Deposit                   | 229,041                 | 191,268                 |
| <i>from this: Cash</i>    | 80,598                  | 62,469                  |
| <i>Securities</i>         | 148,443                 | 128,799                 |
| Other                     | <u>387</u>              | <u>563</u>              |
| <b>Total</b>              | <b><u>3,387,262</u></b> | <b><u>2,717,202</u></b> |

The collateral value held by the Bank by collateral types is as follows (**to the extent of the exposures**). The collaterals cover loans as well as off-balance sheet exposures.

| Types of collateral       | 2021                    | 2020                    |
|---------------------------|-------------------------|-------------------------|
| Mortgage                  | 753,222                 | 687,688                 |
| Guarantees and warranties | 1,196,385               | 836,874                 |
| Deposit                   | 106,620                 | 94,397                  |
| <i>from this: Cash</i>    | 12,756                  | 8,204                   |
| <i>Securities</i>         | 93,864                  | 86,193                  |
| Other                     | <u>305</u>              | <u>423</u>              |
| <b>Total</b>              | <b><u>2,056,532</u></b> | <b><u>1,619,382</u></b> |

The coverage level of loan portfolio to the extent of the exposures increased from 31.86% to 30.41% as at 2021, while the coverage to the total collateral value decreased from 53.46% to 50.09%.

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

**NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**36.1. Credit risk [continued]**

The collateral value (**total collateral value**) held by the Bank related to impaired loan portfolio (Stage 3 and POCI loans) is as follows:

| <b>For the year ended 31<br/>December 2021</b> | <b>Gross carrying<br/>amount</b> | <b>Loss allowance</b>  | <b>Carrying amount</b> | <b>Collateral value</b> |
|--|----------------------------------|------------------------|------------------------|-------------------------|
| Retail consumer loans                          | 33,690                           | (24,058)               | 9,632                  | 387                     |
| Mortgage loans                                 | 11,101                           | (1,770)                | 9,331                  | 39,263                  |
| Corporate loans                                | <u>77,606</u>                    | <u>(33,096)</u>        | <u>44,510</u>          | <u>56,960</u>           |
| <b>Total</b>                                   | <b><u>122,397</u></b>            | <b><u>(58,924)</u></b> | <b><u>63,473</u></b>   | <b><u>96,610</u></b>    |

| <b>For the year ended 31<br/>December 2020</b> | <b>Gross carrying<br/>amount</b> | <b>Loss allowance</b>  | <b>Carrying amount</b> | <b>Collateral value</b> |
|--|----------------------------------|------------------------|------------------------|-------------------------|
| Retail consumer loans                          | 10,637                           | (6,772)                | 3,865                  | 128                     |
| Mortgage loans                                 | 9,511                            | (1,507)                | 8,004                  | 32,302                  |
| Municipal loans                                | 43                               | (16)                   | 27                     | 104                     |
| Corporate loans                                | <u>48,305</u>                    | <u>(26,572)</u>        | <u>21,733</u>          | <u>46,210</u>           |
| <b>Total</b>                                   | <b><u>68,496</u></b>             | <b><u>(34,867)</u></b> | <b><u>33,629</u></b>   | <b><u>78,744</u></b>    |

**36.1.3. Restructured loans**

|                 | <b>31 December 2021</b> |                        | <b>31 December 2020</b> |                        |
|-----------------|-------------------------|------------------------|-------------------------|------------------------|
|                 | <b>Gross portfolio</b>  | <b>Loss allowance</b>  | <b>Gross portfolio</b>  | <b>Loss allowance</b>  |
| Consumer loans  | 118,094                 | (21,816)               | 5,399                   | (2,575)                |
| Mortgage loans  | 36,413                  | (266)                  | 2,156                   | (68)                   |
| Corporate loans | 193,571                 | (25,865)               | 27,963                  | (8,283)                |
| SME loans       | 33,388                  | (4,487)                | 6,295                   | (1,278)                |
| Municipal loans | =                       | =                      | 41                      | (16)                   |
| <b>Total</b>    | <b><u>381,466</u></b>   | <b><u>(52,434)</u></b> | <b><u>41,854</u></b>    | <b><u>(12,220)</u></b> |

**Restructured portfolio definition**

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

The significant increase of the performing forbore loan volume is due to the forbore classification rules set by the MNB executive circulars of 21 January 2021 and 25 November 2021 for loans participating in phase 2 and phase 3 of the moratoria. The loan volume classified as performing forbore exclusively due to moratoria participation is HUF 290 billion. For the affected portfolios the earliest possible exit from the forbore status is 6 months after the exit from moratorium for retail and 2 years after the exit from moratorium for corporate exposures.

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

**NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**36.1. Credit risk [continued]**

**Financial instruments by rating categories<sup>1</sup>**

**Held-for-trading securities as at 31 December 2021**

|  | A1        | A2        | A3         | B1       | Aa3       | Ba2          | Baa1      | Baa2          | Baa3         | N/A          | Total         |
|--|-----------|-----------|------------|----------|-----------|--------------|-----------|---------------|--------------|--------------|---------------|
| Government bonds                               | -         | 16        | -          | -        | -         | 3,634        | -         | 26,024        | 1,153        | -            | 30,827        |
| Other bonds                                    | -         | -         | 485        | -        | -         | -            | -         | 1,348         | 97           | 158          | 2,088         |
| Other non-interest bearing securities          | -         | -         | -          | -        | -         | -            | -         | -             | -            | 1,134        | 1,134         |
| Hungarian government discounted Treasury Bills | -         | -         | -          | -        | -         | -            | -         | 869           | -            | -            | 869           |
| Shares   | 49        | 59        | 35         | 6        | 19        | 2            | 12        | 24            | 83           | 310          | 599           |
| Mortgage bonds                                 | =         | =         | =          | =        | =         | =            | =         | 16            | =            | 100          | 116           |
| <b>Total</b>                                   | <b>49</b> | <b>75</b> | <b>520</b> | <b>6</b> | <b>19</b> | <b>3,636</b> | <b>12</b> | <b>28,281</b> | <b>1,333</b> | <b>1,702</b> | <b>35,633</b> |

**Held-for-trading securities 31 December 2020**

|  | A2        | A3         | B1       | Ba2      | Ba3        | Baa1      | Baa2     | Baa3         | N/A          | Total         |
|--|-----------|------------|----------|----------|------------|-----------|----------|--------------|--------------|---------------|
| Other non-interest bearing securities                | -         | -          | -        | -        | -          | -         | -        | -            | 1,964        | 1,964         |
| Government bonds                                     | -         | -          | -        | -        | 465        | -         | -        | 5,566        | -            | 6,031         |
| Mortgage bonds                                       | -         | -          | -        | -        | -          | -         | -        | -            | -            | -             |
| Hungarian government discounted Treasury Bills       | -         | -          | -        | -        | -          | -         | -        | 1,233        | -            | 1,233         |
| Hungarian government interest bearing Treasury Bills | -         | -          | -        | -        | -          | -         | -        | -            | -            | -             |
| Shares   | 36        | 33         | 5        | 7        | -          | 45        | 7        | 36           | 257          | 426           |
| Other bonds  | =         | 495        | =        | =        | =          | =         | =        | 998          | 582          | 2,075         |
| <b>Total</b>   | <b>36</b> | <b>528</b> | <b>5</b> | <b>7</b> | <b>465</b> | <b>45</b> | <b>7</b> | <b>7,833</b> | <b>2,803</b> | <b>11,729</b> |

**Securities mandatorily measured at fair value through profit or loss as at 31 December 2021**

|                  | N/A           | Total         |
|------------------|---------------|---------------|
| Government bonds | 25,126        | 25,126        |
| Mortgage bonds   | 2,935         | 2,935         |
| <b>Total</b>     | <b>28,061</b> | <b>28,061</b> |

<sup>1</sup> Moody's ratings



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

**NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**36.1. Credit risk [continued]**

**Financial instruments by rating categories<sup>1</sup>**

**Securities mandatorily measured at fair value through profit or loss as at 31 December 2020**

|                  | N/A                  | Total                |
|------------------|----------------------|----------------------|
| Government bonds | 23,818               | 23,818               |
| Mortgage bonds   | 5,342                | 5,342                |
| Shares           | <u>2,776</u>         | <u>2,776</u>         |
| <b>Total</b>     | <b><u>31,936</u></b> | <b><u>31,936</u></b> |

**FVOCI securities as at 31 December 2021**

|                                | A1                   | A2                  | A3                  | Ba1                  | Ba2                 | Baa1                | Baa2                  | Baa3                  | N/A                  | Total                 |
|--------------------------------|----------------------|---------------------|---------------------|----------------------|---------------------|---------------------|-----------------------|-----------------------|----------------------|-----------------------|
| Government bonds               | 740                  | 2,471               | -                   | 15,209               | 6,784               | 5,032               | 182,439               | 66,201                | -                    | 278,876               |
| Mortgage bonds                 | 47,568               | -                   | -                   | -                    | -                   | -                   | 156,027               | -                     | 14,346               | 217,941               |
| Other bonds                    | -                    | -                   | 2,896               | 4,001                | -                   | -                   | 1,622                 | 37,606                | 18,745               | 64,870                |
| Hungarian Treasury Bills       | -                    | -                   | -                   | -                    | -                   | -                   | 63,115                | -                     | -                    | 63,115                |
| Non-trading equity instruments | -                    | -                   | -                   | -                    | -                   | -                   | -                     | -                     | <u>17,137</u>        | <u>17,137</u>         |
| <b>Total</b>                   | <b><u>48,308</u></b> | <b><u>2,471</u></b> | <b><u>2,896</u></b> | <b><u>19,210</u></b> | <b><u>6,784</u></b> | <b><u>5,032</u></b> | <b><u>403,203</u></b> | <b><u>103,807</u></b> | <b><u>50,228</u></b> | <b><u>641,939</u></b> |

**FVOCI securities as at 31 December 2020**

|   | A2                   | A3                   | Ba1                 | Ba3                  | Baa2                  | Baa3                  | N/A                  | Total                 |
|---|----------------------|----------------------|---------------------|----------------------|-----------------------|-----------------------|----------------------|-----------------------|
| Mortgage bonds                            | 63,577               | -                    | -                   | -                    | 250,673               | -                     | 18,417               | 332,667               |
| Government bonds                          | 226                  | 7,391                | 4,624               | 15,055               | -                     | 461,163               | -                    | 488,459               |
| Hungarian interest bearing Treasury Bills | -                    | -                    | -                   | -                    | -                     | 9,957                 | -                    | 9,957                 |
| Shares                                    | -                    | -                    | -                   | -                    | -                     | -                     | 15,731               | 15,731                |
| Other bonds                               | -                    | <u>4,815</u>         | <u>3,958</u>        | -                    | <u>1,620</u>          | <u>37,961</u>         | <u>16,782</u>        | <u>65,136</u>         |
| <b>Total</b>                              | <b><u>63,803</u></b> | <b><u>12,206</u></b> | <b><u>8,582</u></b> | <b><u>15,055</u></b> | <b><u>252,293</u></b> | <b><u>509,081</u></b> | <b><u>50,930</u></b> | <b><u>911,950</u></b> |

<sup>1</sup> Moody's ratings

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

**NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**36.1. Credit risk [continued]**

**Financial instruments by rating categories<sup>1</sup>**

**Securities at amortised cost as at 31 December 2021**

|                  | <b>A1</b>            | <b>A2</b>           | <b>Aaa</b>            | <b>Ba1</b>           | <b>Ba2</b>           | <b>Baa1</b>          | <b>Baa2</b> | <b>Baa3</b>          | <b>N/A</b>            | <b>Total</b>            |
|------------------|----------------------|---------------------|-----------------------|----------------------|----------------------|----------------------|-------------|----------------------|-----------------------|-------------------------|
| Government bonds | 9,002                | -                   | 185,261               | 18,871               | 12,663               | 25,986               | 2,550,824   | 55,256               | -                     | 2,857,863               |
| Corporate bonds  | -                    | 8,210               | -                     | -                    | -                    | 7,343                | 3,682       | 14,780               | 154,886               | 188,901                 |
| Mortgage bonds   | <u>12,992</u>        | =                   | =                     | =                    | =                    | =                    | =           | =                    | <u>11,282</u>         | <u>24,274</u>           |
| <b>Total</b>     | <b><u>21,994</u></b> | <b><u>8,210</u></b> | <b><u>185,261</u></b> | <b><u>18,871</u></b> | <b><u>12,663</u></b> | <b><u>33,329</u></b> | <b>=</b>    | <b><u>70,036</u></b> | <b><u>166,168</u></b> | <b><u>3,071,038</u></b> |

**Securities at amortised cost as at 31 December 2020**

|                  | <b>Ba2</b>          | <b>Baa3</b>             | <b>N/A</b>           | <b>Total</b>            |
|------------------|---------------------|-------------------------|----------------------|-------------------------|
| Government bonds | 2,816               | 1,941,855               | -                    | 1,944,671               |
| Mortgage bonds   | =                   | <u>14,579</u>           | <u>48,442</u>        | <u>63,021</u>           |
| <b>Total</b>     | <b><u>2,816</u></b> | <b><u>1,956,434</u></b> | <b><u>48,442</u></b> | <b><u>2,007,692</u></b> |

<sup>1</sup> Moody's ratings

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

**NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**36.1. Credit risk [continued]**

An analysis of securities (held for trading, mandatorily FVTPL, FVOCI and amortised cost) in a country breakdown is as follows:

| Country  | 2021                    |                       | 2020                    |                       |
|--|-------------------------|-----------------------|-------------------------|-----------------------|
|  | Gross carrying amount   | Loss allowance        | Gross carrying amount   | Loss allowance        |
| Hungary  | 2,709,786               | (5,823)               | 1,986,362               | (3,194)               |
| United States of America   | 194,518                 | (149)                 | 1,069                   | (4)                   |
| Portugal   | 36,268                  | (177)                 | -                       | -                     |
| Spain  | 33,659                  | (178)                 | -                       | -                     |
| Russia   | 32,901                  | (46)                  | 2,757                   | (3)                   |
| Romania  | 22,527                  | (126)                 | -                       | -                     |
| Croatia  | 18,917                  | (46)                  | -                       | -                     |
| Luxembourg   | -                       | -                     | 20,792                  | (87)                  |
| Other  | <u>29,147</u>           | <u>(140)</u>          | =                       | =                     |
| <b>Securities at amortised cost total</b>  | <b><u>3,077,723</u></b> | <b><u>(6,685)</u></b> | <b><u>2,010,980</u></b> | <b><u>(3,288)</u></b> |
| Hungary  | 517,462                 | -                     | 761,472                 | -                     |
| Russia   | 65,275                  | -                     | 29,697                  | -                     |
| Croatia  | 15,209                  | -                     | -                       | -                     |
| Serbia   | 6,784                   | -                     | -                       | -                     |
| Spain  | 5,032                   | -                     | -                       | -                     |
| Luxembourg   | -                       | -                     | 85,006                  | -                     |
| Other  | <u>15,040</u>           | =                     | <u>20,044</u>           | =                     |
| <b>FVOCI securities total</b>  | <b><u>624,802</u></b>   | <b>=</b>              | <b><u>896,219</u></b>   | <b>=</b>              |
| Austria  | 13,223                  | -                     | 3,122                   | -                     |
| United States of America   | 3,388                   | -                     | 12,079                  | -                     |
| Other  | <u>526</u>              | =                     | <u>530</u>              | =                     |
| <b>Non-trading equity instruments designated to measure at fair value through other comprehensive income</b> | <b><u>17,137</u></b>    | <b>=</b>              | <b><u>15,731</u></b>    | <b>=</b>              |
| Hungary  | 29,814                  | -                     | 8,613                   | -                     |
| Serbia   | 3,634                   | -                     | 465                     | -                     |
| Russia   | 1,278                   | -                     | 808                     | -                     |
| Germany  | 420                     | -                     | 410                     | -                     |
| Luxembourg   | -                       | -                     | 771                     | -                     |
| Other  | <u>487</u>              | =                     | <u>662</u>              | =                     |
| <b>Held for trading securities total</b>   | <b><u>35,633</u></b>    | <b>=</b>              | <b><u>11,729</u></b>    | <b>=</b>              |
| Hungary  | 18,807                  | -                     | 18,470                  | -                     |
| Luxembourg   | 5,542                   | -                     | 10,428                  | -                     |
| United States of America   | 2,935                   | -                     | 2,776                   | -                     |
| Portugal   | <u>777</u>              | =                     | <u>262</u>              | =                     |
| <b>Securities mandatorily measured at fair value through profit or loss</b>                                  | <b><u>28,061</u></b>    | <b>=</b>              | <b><u>31,936</u></b>    | <b>=</b>              |
| <b>Securities total</b>  | <b><u>3,783,356</u></b> | <b><u>(6,685)</u></b> | <b><u>2,966,595</u></b> | <b><u>(3,288)</u></b> |

**NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**36.2. Maturity analysis of assets and liabilities and liquidity risk**

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

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

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

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

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

Due to the balance sheet adjustment process (deleveraging) experienced in the last few years, the liquidity reserves of the Bank increased significantly while the liquidity risk exposure has decreased considerably. Currently the (over)coverage of risk liquidity risk exposure by high quality liquid assets is at all-time record highs. There were no material changes in the liquidity risk management process for the year ended 31 December 2021.

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

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

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

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**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

**NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**36.2. Maturity analysis of assets and liabilities and liquidity risk [continued]**

| <b>As at 31 December 2021</b>  | <b>Within 3 months</b>   | <b>Within one year and over 3 months</b> | <b>Within 5 years and over one year</b> | <b>Over 5 years</b>     | <b>Without maturity</b> | <b>Total</b>             |
|--|--------------------------|--|---|-------------------------|-------------------------|--------------------------|
| Cash, amounts due from banks and balances with the National Bank of Hungary              | 475,130                  | -  | -                                       | -                       | -                       | 475,130                  |
| Placements with other banks, net of allowance for placement losses                       | 1,176,184                | 585,499                                  | 609,182                                 | 204,493                 | -                       | 2,575,358                |
| Repo receivables   | 33,710                   | -  | -                                       | -                       | -                       | 33,710                   |
| Financial assets at fair value through profit or loss                                    | 908                      | 3,709                                    | 19,804                                  | 10,259                  | 29,794                  | 64,474                   |
| Securities at fair value through other comprehensive income                              | 16,329                   | 58,446                                   | 358,805                                 | 199,854                 | 17,138                  | 650,572                  |
| Loans at amortised cost  | 1,327,629                | 873,169                                  | 1,377,885                               | 726,016                 | -                       | 4,304,699                |
| Loans mandatorily measured at fair value through profit or loss                          | 16,516                   | 15,575                                   | 121,104                                 | 553,569                 | -                       | 706,764                  |
| Securities at amortised cost   | 28,514                   | 308,921                                  | 1,792,058                               | 938,902                 | -                       | 3,068,395                |
| Investments in subsidiaries, associates and other investments                            | -                        | -  | -                                       | -                       | 1,573,008               | 1,573,008                |
| Other financial assets   | <u>157,669</u>           | <u>1,227</u>                             | -                                       | -                       | -                       | <u>158,896</u>           |
| <b>TOTAL ASSETS</b>  | <b><u>3,232,589</u></b>  | <b><u>1,846,546</u></b>                  | <b><u>4,278,838</u></b>                 | <b><u>2,633,093</u></b> | <b><u>1,619,940</u></b> | <b><u>13,611,006</u></b> |
| Amounts due to banks and deposits from the National Bank of Hungary and other banks      | 297,779                  | 138,418                                  | 506,233                                 | 108,773                 | -                       | 1,051,203                |
| Deposits from customers  | 9,844,911                | 57,851                                   | 33,112                                  | 12,658                  | -                       | 9,948,532                |
| Repo liabilities   | 49,726                   | -  | 36,854                                  | -                       | -                       | 86,580                   |
| Liabilities from issued securities   | 5,258                    | 6,812                                    | 8,812                                   | 2,065                   | -                       | 22,947                   |
| Subordinated bonds and loans   | 2,841                    | -  | -                                       | 269,698                 | -                       | 272,539                  |
| Financial liabilities at fair value through profit or loss                               | 531                      | 1,253                                    | 4,422                                   | 13,927                  | -                       | 20,133                   |
| Leasing liabilities  | 1,078                    | 3,791                                    | 9,356                                   | 3,707                   | -                       | 17,932                   |
| Other financial liabilities  | <u>193,315</u>           | <u>5,337</u>                             | <u>876</u>                              | -                       | -                       | <u>199,528</u>           |
| <b>TOTAL LIABILITIES</b>   | <b><u>10,395,439</u></b> | <b><u>213,462</u></b>                    | <b><u>599,665</u></b>                   | <b><u>410,828</u></b>   | <b><u>=</u></b>         | <b><u>11,619,394</u></b> |
| <b>NET POSITION<sup>1</sup></b>  | <b><u>-7,162,850</u></b> | <b><u>1,633,084</u></b>                  | <b><u>3,679,173</u></b>                 | <b><u>2,222,265</u></b> | <b><u>1,619,940</u></b> | <b><u>1,991,612</u></b>  |
| Receivables from derivative financial instruments classified as held for trading         | 4,573,312                | 1,957,498                                | 339,869                                 | 135,728                 | -                       | 7,006,407                |
| Liabilities from derivative financial instruments classified as held for trading         | <u>(4,581,312)</u>       | <u>(1,951,622)</u>                       | <u>(328,607)</u>                        | <u>(132,345)</u>        | -                       | <u>(6,993,886)</u>       |
| <i>Net position of derivative financial instruments classified as held for trading</i>   | <u><i>(8,000)</i></u>    | <u><i>5,876</i></u>                      | <u><i>11,262</i></u>                    | <u><i>3,383</i></u>     | <u><i>=</i></u>         | <u><i>12,521</i></u>     |
| Receivables from derivative financial instruments designated as hedge accounting         | 5,693                    | 37,436                                   | 580,280                                 | 16,195                  | -                       | 639,604                  |
| Liabilities from derivative financial instruments designated as hedge accounting         | <u>(7,658)</u>           | <u>(46,925)</u>                          | <u>(595,692)</u>                        | <u>(16,417)</u>         | -                       | <u>(666,692)</u>         |
| <b>Net position of derivative financial instruments designated as hedging accounting</b> | <b><u>(1,965)</u></b>    | <b><u>(9,489)</u></b>                    | <b><u>(15,412)</u></b>                  | <b><u>(222)</u></b>     | <b><u>=</u></b>         | <b><u>(27,088)</u></b>   |
| <b>Net position of derivative financial instruments total</b>                            | <b><u>(9,965)</u></b>    | <b><u>(3,613)</u></b>                    | <b><u>(4,150)</u></b>                   | <b><u>3,161</u></b>     | <b><u>=</u></b>         | <b><u>(14,567)</u></b>   |
| Commitments to extend credit   | 1,677,030                | -  | -                                       | -                       | -                       | 1,677,030                |
| Confirmed letters of credit  | 30,381                   | -  | -                                       | -                       | -                       | 30,381                   |
| Factoring loan commitment  | 423,673                  | -  | -                                       | -                       | -                       | 423,673                  |
| Bank guarantees  | <u>133,460</u>           | <u>189,747</u>                           | <u>247,886</u>                          | <u>936,824</u>          | -                       | <u>1,507,917</u>         |
| <b>Off-balance sheet commitments</b>   | <b><u>2,264,544</u></b>  | <b><u>189,747</u></b>                    | <b><u>247,886</u></b>                   | <b><u>936,824</u></b>   | <b><u>=</u></b>         | <b><u>3,639,001</u></b>  |

<sup>1</sup> Analysis for net position of assets and liabilities are calculated in accordance with IFRS 7, therefore certain financial instruments are presented in the earliest period in which the Bank could be required to pay. On-demand deposits are presented in the earliest (within 3 month) period category, however based on Management's discretion the Bank has appropriate liquidity reserves as maintenance and management of liquidity risk.

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

**NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**36.2. Maturity analysis of assets and liabilities and liquidity risk [continued]**

| <b>As at 31 December 2020</b>  | <b>Within 3 months</b>    | <b>Within one year and over 3 months</b> | <b>Within 5 years and over one year</b> | <b>Over 5 years</b>     | <b>Without maturity</b> | <b>Total</b>             |
|--|---------------------------|--|---|-------------------------|-------------------------|--------------------------|
| Cash, amounts due from banks and balances with the National Bank of Hungary              | 579,120                   | -  | -                                       | -                       | -                       | 579,120                  |
| Placements with other banks, net of allowance for placement losses                       | 578,907                   | 656,143                                  | 273,834                                 | 33,027                  | -                       | 1,541,911                |
| Repo receivables   | 183,656                   | -  | -                                       | -                       | -                       | 183,656                  |
| Financial assets at fair value through profit or loss                                    | 1,401                     | 1,151                                    | 3,576                                   | 9,042                   | 22,121                  | 37,291                   |
| Securities at fair value through other comprehensive income                              | 14,453                    | 111,117                                  | 402,797                                 | 305,507                 | 15,731                  | 849,605                  |
| Loans at amortised cost  | 1,134,542                 | 728,410                                  | 1,132,083                               | 645,980                 | -                       | 3,641,015                |
| Loans mandatorily measured at fair value through profit or loss                          | 14,850                    | 11,674                                   | 85,000                                  | 383,775                 | -                       | 495,299                  |
| Securities at amortised cost   | 19,735                    | 37,950                                   | 1,354,479                               | 559,171                 | -                       | 1,971,335                |
| Investment properties  | -                         | -  | -                                       | -                       | 1,936                   | 1,936                    |
| Investments in subsidiaries, associates and other investments                            | -                         | -  | -                                       | -                       | 1,548,972               | 1,548,972                |
| Other financial assets   | <u>133,832</u>            | <u>1,277</u>                             | -                                       | -                       | -                       | <u>135,109</u>           |
| <b>TOTAL ASSETS</b>  | <b><u>2,660,496</u></b>   | <b><u>1,547,722</u></b>                  | <b><u>3,251,769</u></b>                 | <b><u>1,936,502</u></b> | <b><u>1,588,760</u></b> | <b><u>10,985,249</u></b> |
| Amounts due to banks and deposits from the National Bank of Hungary and other banks      | 152,633                   | 62,871                                   | 492,291                                 | 73,574                  | -                       | 781,369                  |
| Deposits from customers  | 7,716,000                 | 131,890                                  | 30,628                                  | 14,115                  | -                       | 7,892,633                |
| Repo liabilities   | -                         | -  | 109,612                                 | -                       | -                       | 109,612                  |
| Liabilities from issued securities   | 636                       | 11,835                                   | 15,256                                  | 487                     | -                       | 28,214                   |
| Subordinated bonds and loans   | 2,972                     | -  | -                                       | 302,182                 | -                       | 305,154                  |
| Financial liabilities at fair value through profit or loss                               | 3,159                     | 1,421                                    | 6,115                                   | 15,207                  | -                       | 25,902                   |
| Leasing liabilities  | 1,073                     | 3,350                                    | 7,213                                   | 2,470                   | -                       | 14,106                   |
| Other financial liabilities  | <u>161,652</u>            | <u>4,877</u>                             | <u>1,417</u>                            | -                       | -                       | <u>167,946</u>           |
| <b>TOTAL LIABILITIES</b>   | <b><u>8,038,125</u></b>   | <b><u>216,244</u></b>                    | <b><u>662,532</u></b>                   | <b><u>408,035</u></b>   | <b><u>-</u></b>         | <b><u>9,324,936</u></b>  |
| <b>NET POSITION<sup>1</sup></b>  | <b><u>(5,377,629)</u></b> | <b><u>1,331,478</u></b>                  | <b><u>2,589,237</u></b>                 | <b><u>1,528,467</u></b> | <b><u>1,588,760</u></b> | <b><u>1,660,313</u></b>  |
| Receivables from derivative financial instruments classified as held for trading         | 160,910                   | 3,156,604                                | 552,687                                 | 270,557                 | -                       | 4,140,758                |
| Liabilities from derivative financial instruments classified as held for trading         | (88,685)                  | (3,774,109)                              | (490,468)                               | (226,529)               | -                       | (4,579,791)              |
| <b>Net position of derivative financial instruments classified as held for trading</b>   | <b><u>72,225</u></b>      | <b><u>(617,505)</u></b>                  | <b><u>62,219</u></b>                    | <b><u>44,028</u></b>    | <b><u>=</u></b>         | <b><u>(439,033)</u></b>  |
| Receivables from derivative financial instruments designated as hedge accounting         | 183                       | 7,286                                    | 168,912                                 | 173,109                 | -                       | 349,490                  |
| Liabilities from derivative financial instruments designated as hedge accounting         | (40,485)                  | (114,512)                                | (472,245)                               | (88,720)                | -                       | (715,962)                |
| <b>Net position of derivative financial instruments designated as hedging accounting</b> | <b><u>(40,302)</u></b>    | <b><u>(107,226)</u></b>                  | <b><u>(303,333)</u></b>                 | <b><u>84,389</u></b>    | <b><u>=</u></b>         | <b><u>(366,472)</u></b>  |
| <b>Net position of derivative financial instruments total</b>                            | <b><u>31,923</u></b>      | <b><u>(724,731)</u></b>                  | <b><u>(241,114)</u></b>                 | <b><u>128,417</u></b>   | <b><u>=</u></b>         | <b><u>(805,505)</u></b>  |
| Commitments to extend credit   | 1,441,060                 | -  | -                                       | -                       | -                       | 1,441,060                |
| Confirmed letters of credit  | 5,039                     | -  | -                                       | -                       | -                       | 5,039                    |
| Factoring loan commitment  | 305,269                   | -  | -                                       | -                       | -                       | 305,269                  |
| Bank guarantees  | 115,485                   | 136,569                                  | 305,714                                 | 861,775                 | -                       | 1,419,543                |
| <b>Off-balance sheet commitments</b>   | <b><u>1,866,853</u></b>   | <b><u>136,569</u></b>                    | <b><u>305,714</u></b>                   | <b><u>861,775</u></b>   | <b><u>=</u></b>         | <b><u>3,170,911</u></b>  |

<sup>1</sup> Analysis for net position of assets and liabilities are calculated in accordance with IFRS 7, therefore certain financial instruments are presented in the earliest period in which the Bank could be required to pay. On-demand deposits are presented in the earliest (within 3 month) period category, however based on Management's discretion the Bank has appropriate liquidity reserves as maintenance and management of liquidity risk.

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

**NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**36.3. Net foreign currency position and foreign currency risk**

**As at 31 December 2021**

|                                  | <b>USD</b>            | <b>EUR</b>          | <b>CHF</b>        | <b>Others</b>       | <b>Total</b>      |
|----------------------------------|-----------------------|---------------------|-------------------|---------------------|-------------------|
| Assets                           | 486,225               | 2,448,729           | 14,989            | 290,504             | 3,240,447         |
| Liabilities                      | (296,903)             | (2,121,543)         | (42,590)          | (59,350)            | (2,520,386)       |
| Derivative financial instruments | <u>(197,080)</u>      | <u>(321,377)</u>    | <u>27,953</u>     | <u>(229,089)</u>    | <u>(719,593)</u>  |
| <b>Net position</b>              | <b><u>(7,758)</u></b> | <b><u>5,809</u></b> | <b><u>352</u></b> | <b><u>2,065</u></b> | <b><u>468</u></b> |

**As at 31 December 2020**

|                                  | <b>USD</b>        | <b>EUR</b>             | <b>CHF</b>        | <b>Others</b>     | <b>Total</b>           |
|----------------------------------|-------------------|------------------------|-------------------|-------------------|------------------------|
| Assets                           | 174,993           | 1,929,758              | 17,509            | 251,877           | 2,374,137              |
| Liabilities                      | (291,985)         | (1,623,605)            | (35,701)          | (105,346)         | (2,056,637)            |
| Derivative financial instruments | <u>116,987</u>    | <u>(350,237)</u>       | <u>18,614</u>     | <u>(146,208)</u>  | <u>(360,844)</u>       |
| <b>Net position</b>              | <b><u>(5)</u></b> | <b><u>(44,084)</u></b> | <b><u>422</u></b> | <b><u>323</u></b> | <b><u>(43,344)</u></b> |

The table above provides an analysis of the Bank's main foreign currency exposures. The remaining foreign currencies are shown within 'Others'. The Bank monitors its foreign exchange position for compliance with the regulatory requirements of the NBH and its own limit system established in respect of limits on open positions. The measurement of the Bank's open its currency position involves monitoring the VaR limit on the foreign exchange exposure of the Bank.

In the table Derivative financial instruments are stated at fair value.

**36.4. Interest rate risk management**

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

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

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

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

OTP BANK PLC.

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

**NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**36.4. Interest rate risk management [continued]**

| As at 31 December 2021<br>ASSETS   | within 1 month   |                  | within 3 months over 1 month |                  | within 1 year over 3 months |                  | within 2 years over 1 year |                  | over 2 years   |                  | Non-interest-bearing |                  | Total            |                  | Total            |                  |
|--|------------------|------------------|------------------------------|------------------|-----------------------------|------------------|----------------------------|------------------|----------------|------------------|----------------------|------------------|------------------|------------------|------------------|------------------|
|  | HUF              | foreign currency | HUF                          | foreign currency | HUF                         | foreign currency | HUF                        | foreign currency | HUF            | foreign currency | HUF                  | foreign currency | HUF              | foreign currency |                  |                  |
| <b>Cash, amounts due from banks and balances with the National Bank of Hungary</b> | <b>31,228</b>    | <b>289,008</b>   | -                            | -                | -                           | -                | -                          | -                | -              | -                | -                    | 133,053          | 21,655           | <b>164,281</b>   | <b>310,663</b>   | <b>474,944</b>   |
| fixed interest   | 31,228           | 289,008          | -                            | -                | -                           | -                | -                          | -                | -              | -                | -                    | -                | -                | 31,228           | 289,008          | <b>320,236</b>   |
| non-interest-bearing   | -                | -                | -                            | -                | -                           | -                | -                          | -                | -              | -                | -                    | 133,053          | 21,655           | 133,053          | 21,655           | <b>154,708</b>   |
| <b>Placements with other banks</b>   | <b>1,353,059</b> | <b>127,852</b>   | <b>148,091</b>               | <b>165,940</b>   | <b>31,821</b>               | <b>79,243</b>    | <b>76,105</b>              | <b>29,677</b>    | <b>499,636</b> | <b>27,178</b>    | <b>24,416</b>        | <b>4,194</b>     | <b>2,133,128</b> | <b>434,084</b>   | <b>2,567,212</b> | <b>2,567,212</b> |
| fixed interest   | 774,315          | 34,420           | 449                          | 156,755          | 2,446                       | 79,243           | 76,105                     | 29,677           | 499,636        | 27,178           | -                    | -                | 1,352,951        | 327,273          | <b>1,680,224</b> | <b>1,680,224</b> |
| variable interest  | 578,744          | 93,432           | 147,642                      | 9,185            | 29,375                      | -                | -                          | -                | -              | -                | -                    | -                | 755,761          | 102,617          | <b>858,378</b>   | <b>858,378</b>   |
| non-interest-bearing   | -                | -                | -                            | -                | -                           | -                | -                          | -                | -              | -                | 24,416               | 4,194            | 24,416           | 4,194            | <b>28,610</b>    | <b>28,610</b>    |
| <b>Repo receivables</b>  | <b>33,638</b>    | -                | -                            | -                | -                           | -                | -                          | -                | -              | -                | -                    | -                | -                | <b>33,638</b>    | -                | <b>33,638</b>    |
| fixed interest   | 33,638           | -                | -                            | -                | -                           | -                | -                          | -                | -              | -                | -                    | -                | -                | 33,638           | -                | <b>33,638</b>    |
| <b>Securities held for trading</b>   | <b>1,237</b>     | -                | <b>664</b>                   | -                | <b>2,481</b>                | <b>1,242</b>     | <b>360</b>                 | <b>3,508</b>     | <b>22,931</b>  | <b>1,478</b>     | <b>1,200</b>         | <b>532</b>       | <b>28,873</b>    | <b>6,760</b>     | <b>35,633</b>    | <b>35,633</b>    |
| fixed interest   | 32               | -                | 487                          | -                | 2,208                       | 1,242            | 360                        | 3,508            | 22,931         | 1,478            | -                    | -                | 26,018           | 6,228            | <b>32,246</b>    | <b>32,246</b>    |
| variable interest  | 1,205            | -                | 177                          | -                | 273                         | -                | -                          | -                | -              | -                | -                    | -                | 1,655            | -                | <b>1,655</b>     | <b>1,655</b>     |
| non-interest-bearing   | -                | -                | -                            | -                | -                           | -                | -                          | -                | -              | -                | 1,200                | 532              | 1,200            | 532              | <b>1,732</b>     | <b>1,732</b>     |
| <b>Securities mandatorily measured at fair value through profit or loss</b>        | -                | -                | -                            | -                | -                           | -                | -                          | -                | -              | -                | 18,807               | 9,254            | 18,807           | 9,254            | <b>28,061</b>    | <b>28,061</b>    |
| non-interest-bearing   | -                | -                | -                            | -                | -                           | -                | -                          | -                | -              | -                | 18,807               | 9,254            | 18,807           | 9,254            | <b>28,061</b>    | <b>28,061</b>    |
| <b>Securities at fair value through other comprehensive income</b>                 | <b>50,774</b>    | -                | <b>22,420</b>                | -                | <b>65,666</b>               | <b>432</b>       | <b>40,185</b>              | <b>39,228</b>    | <b>289,634</b> | <b>116,463</b>   | <b>528</b>           | <b>16,609</b>    | <b>469,207</b>   | <b>172,732</b>   | <b>641,939</b>   | <b>641,939</b>   |
| fixed interest   | 2,437            | -                | 6,897                        | -                | 57,092                      | 432              | 40,185                     | 39,228           | 289,634        | 116,463          | -                    | -                | 396,245          | 156,123          | <b>552,368</b>   | <b>552,368</b>   |
| variable interest  | 48,337           | -                | 15,523                       | -                | 8,574                       | -                | -                          | -                | -              | -                | -                    | -                | 72,434           | -                | <b>72,434</b>    | <b>72,434</b>    |
| non-interest-bearing   | -                | -                | -                            | -                | -                           | -                | -                          | -                | -              | -                | 528                  | 16,609           | 528              | 16,609           | <b>17,137</b>    | <b>17,137</b>    |



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**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

**NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**36.4. Interest rate risk management [continued]**

| As at 31 December 2021   | within 1 month   |                  | within 3 months over 1 month |                  | within 1 year over 3 months |                  | within 2 years over 1 year |                  | over 2 years     |                  | Non-interest -bearing |                  | Total            |                  | Total            |
|--|------------------|------------------|------------------------------|------------------|-----------------------------|------------------|----------------------------|------------------|------------------|------------------|-----------------------|------------------|------------------|------------------|------------------|
|  | HUF              | foreign currency | HUF                          | foreign currency | HUF                         | foreign currency | HUF                        | foreign currency | HUF              | foreign currency | HUF                   | foreign currency | HUF              | foreign currency |                  |
| <b>ASSETS [continued]</b>  |                  |                  |                              |                  |                             |                  |                            |                  |                  |                  |                       |                  |                  |                  |                  |
| <b>Loans measured at amortised cost</b>                                | <b>639,477</b>   | <b>339,611</b>   | <b>424,299</b>               | <b>1,161,425</b> | <b>53,018</b>               | <b>126,963</b>   | <b>185,264</b>             | <b>10,912</b>    | <b>829,049</b>   | <b>89,993</b>    | <b>121,277</b>        | <b>51,177</b>    | <b>2,252,384</b> | <b>1,780,081</b> | <b>4,032,465</b> |
| fixed interest   | 295              | 286              | 894                          | 9,746            | 13,723                      | 57,602           | 183,818                    | 10,912           | 819,629          | 89,993           | -                     | -                | 1,018,359        | 168,539          | <b>1,186,898</b> |
| variable interest  | 639,182          | 339,325          | 423,405                      | 1,151,679        | 39,295                      | 69,361           | 1,446                      | -                | 9,420            | -                | -                     | -                | 1,112,748        | 1,560,365        | <b>2,673,113</b> |
| non-interest-bearing   | -                | -                | -                            | -                | -                           | -                | -                          | -                | -                | -                | 121,277               | 51,177           | 121,277          | 51,177           | <b>172,454</b>   |
| <b>Loans mandatorily measured at fair value through profit or loss</b> | <b>19,371</b>    | -                | <b>136</b>                   | -                | <b>829</b>                  | -                | <b>755</b>                 | -                | <b>640,921</b>   | -                | -                     | -                | <b>662,012</b>   | -                | <b>662,012</b>   |
| variable interest  | 19,371           | -                | 136                          | -                | 829                         | -                | 755                        | -                | 640,921          | -                | -                     | -                | 662,012          | -                | <b>662,012</b>   |
| <b>Securities at amortised cost</b>                                    | -                | <b>7,609</b>     | -                            | <b>4,811</b>     | <b>304,051</b>              | <b>1,069</b>     | <b>215,615</b>             | <b>343</b>       | <b>2,044,502</b> | <b>493,038</b>   | -                     | -                | <b>2,564,168</b> | <b>506,870</b>   | <b>3,071,038</b> |
| fixed interest   | -                | -                | -                            | -                | 304,051                     | 1,069            | 215,615                    | 343              | 2,044,502        | 493,038          | -                     | -                | 2,564,168        | 494,450          | <b>3,058,618</b> |
| variable interest  | -                | 7,609            | -                            | 4,811            | -                           | -                | -                          | -                | -                | -                | -                     | -                | -                | 12,420           | <b>12,420</b>    |
| <b>Other financial assets</b>  | -                | -                | -                            | -                | -                           | -                | -                          | -                | -                | -                | <b>133,896</b>        | <b>19,852</b>    | <b>133,896</b>   | <b>19,852</b>    | <b>153,748</b>   |
| non-interest-bearing   | -                | -                | -                            | -                | -                           | -                | -                          | -                | -                | -                | 133,896               | 19,852           | 133,896          | 19,852           | <b>153,748</b>   |
| <b>Derivative financial instruments</b>                                | <b>1,507,306</b> | <b>1,256,601</b> | <b>395,623</b>               | <b>936,093</b>   | <b>675,976</b>              | <b>863,692</b>   | <b>10,760</b>              | <b>57,437</b>    | <b>183,617</b>   | <b>54,913</b>    | <b>181,095</b>        | <b>675,035</b>   | <b>2,954,377</b> | <b>3,843,771</b> | <b>6,798,148</b> |
| fixed interest   | 1,400,852        | 1,133,429        | 188,144                      | 551,308          | 570,718                     | 861,983          | 10,760                     | 57,378           | 183,617          | 54,913           | -                     | -                | 2,354,091        | 2,659,011        | <b>5,013,102</b> |
| variable interest  | 106,454          | 123,172          | 207,479                      | 384,785          | 105,258                     | 1,709            | -                          | 59               | -                | -                | -                     | -                | 419,191          | 509,725          | <b>928,916</b>   |
| non-interest-bearing   | -                | -                | -                            | -                | -                           | -                | -                          | -                | -                | -                | 181,095               | 675,035          | 181,095          | 675,035          | <b>856,130</b>   |

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

**NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**36.4. Interest rate risk management [continued]**

| As at 31 December 2021   | within 1 month     |                    | within 3 months over 1 month |                  | within 1 year over 3 months |                  | within 2 years over 1 year |                  | over 2 years     |                  | Non-interest -bearing |                  | Total            |                  | Total            |
|--|--------------------|--------------------|------------------------------|------------------|-----------------------------|------------------|----------------------------|------------------|------------------|------------------|-----------------------|------------------|------------------|------------------|------------------|
|  | HUF                | foreign currency   | HUF                          | foreign currency | HUF                         | foreign currency | HUF                        | foreign currency | HUF              | foreign currency | HUF                   | foreign currency | HUF              | foreign currency |                  |
| <b>LIABILITIES</b>   |                    |                    |                              |                  |                             |                  |                            |                  |                  |                  |                       |                  |                  |                  |                  |
| <b>Amounts due to banks and deposits with the National Bank of Hungary and other banks</b> | <b>151,809</b>     | <b>95,432</b>      | <b>12,344</b>                | <b>10,405</b>    | <b>52,872</b>               | <b>577</b>       | <b>224,479</b>             | <b>1,140</b>     | <b>471,620</b>   | -                | <b>29,684</b>         | <b>841</b>       | <b>942,808</b>   | <b>108,395</b>   | <b>1,051,203</b> |
| fixed interest   | 106,028            | 22,624             | 12,344                       | 10,405           | 52,872                      | 577              | 224,479                    | 1,140            | 471,620          | -                | -                     | -                | 867,343          | 34,746           | 902,089          |
| variable interest  | 45,781             | 72,808             | -                            | -                | -                           | -                | -                          | -                | -                | -                | -                     | -                | 45,781           | 72,808           | 118,589          |
| non-interest-bearing   | -                  | -                  | -                            | -                | -                           | -                | -                          | -                | -                | -                | 29,684                | 841              | 29,684           | 841              | 30,525           |
| <b>Financial liabilities designated to measure at fair value through profit or loss</b>    | <b>20,133</b>      | -                  | -                            | -                | -                           | -                | -                          | -                | -                | -                | -                     | -                | <b>20,133</b>    | -                | <b>20,133</b>    |
| variable interest  | 20,133             | -                  | -                            | -                | -                           | -                | -                          | -                | -                | -                | -                     | -                | 20,133           | -                | 20,133           |
| <b>Repo liabilities</b>  | <b>49,726</b>      | <b>36,854</b>      | -                            | -                | -                           | -                | -                          | -                | -                | -                | -                     | -                | <b>49,726</b>    | <b>36,854</b>    | <b>86,580</b>    |
| fixed interest   | 49,726             | 36,854             | -                            | -                | -                           | -                | -                          | -                | -                | -                | -                     | -                | 49,726           | 36,854           | 86,580           |
| <b>Deposits from customers</b>   | <b>7,628,098</b>   | <b>2,039,650</b>   | <b>197,780</b>               | <b>18,468</b>    | <b>30,063</b>               | <b>11,066</b>    | -                          | -                | -                | -                | <b>12,948</b>         | <b>10,459</b>    | <b>7,868,889</b> | <b>2,079,643</b> | <b>9,948,532</b> |
| fixed interest   | 496,069            | 131,836            | 197,780                      | 18,468           | 30,063                      | 11,066           | -                          | -                | -                | -                | -                     | -                | 723,912          | 161,370          | 885,282          |
| variable interest  | 7,132,029          | 1,907,814          | -                            | -                | -                           | -                | -                          | -                | -                | -                | -                     | -                | 7,132,029        | 1,907,814        | 9,039,843        |
| non-interest-bearing   | -                  | -                  | -                            | -                | -                           | -                | -                          | -                | -                | -                | 12,948                | 10,459           | 12,948           | 10,459           | 23,407           |
| <b>Liabilities from issued securities</b>  | <b>865</b>         | -                  | <b>8,514</b>                 | -                | <b>4,696</b>                | -                | <b>1,676</b>               | -                | <b>6,402</b>     | -                | -                     | -                | <b>22,153</b>    | -                | <b>22,153</b>    |
| fixed interest   | 212                | -                  | -                            | -                | 4,147                       | -                | 1,676                      | -                | 6,402            | -                | -                     | -                | 12,437           | -                | 12,437           |
| variable interest  | 653                | -                  | 8,514                        | -                | 549                         | -                | -                          | -                | -                | -                | -                     | -                | 9,716            | -                | 9,716            |
| <b>Subordinated bonds and loans</b>  | -                  | -                  | -                            | <b>85,551</b>    | -                           | <b>186,225</b>   | -                          | -                | -                | -                | -                     | -                | -                | <b>271,776</b>   | <b>271,776</b>   |
| variable interest  | -                  | -                  | -                            | 85,551           | -                           | 186,225          | -                          | -                | -                | -                | -                     | -                | -                | 271,776          | 271,776          |
| <b>Leasing liabilities</b>   | <b>192</b>         | <b>380</b>         | <b>236</b>                   | <b>522</b>       | <b>1,004</b>                | <b>2,535</b>     | <b>1,362</b>               | <b>1,321</b>     | <b>4,838</b>     | <b>5,542</b>     | -                     | -                | <b>7,632</b>     | <b>10,300</b>    | <b>17,932</b>    |
| fixed interest   | 108                | 25                 | 72                           | 34               | 538                         | 123              | 717                        | 144              | 2,118            | 485              | -                     | -                | 3,553            | 811              | 4,364            |
| variable interest  | 84                 | 355                | 164                          | 488              | 466                         | 2,412            | 645                        | 1,177            | 2,720            | 5,057            | -                     | -                | 4,079            | 9,489            | 13,568           |
| <b>Other financial liabilities</b>   | -                  | -                  | -                            | -                | -                           | -                | -                          | -                | -                | -                | <b>156,012</b>        | <b>38,499</b>    | <b>156,012</b>   | <b>38,499</b>    | <b>194,511</b>   |
| non-interest-bearing   | -                  | -                  | -                            | -                | -                           | -                | -                          | -                | -                | -                | 156,012               | 38,499           | 156,012          | 38,499           | 194,511          |
| <b>Derivative financial instruments</b>  | <b>840,797</b>     | <b>2,004,808</b>   | <b>220,053</b>               | <b>1,083,211</b> | <b>709,776</b>              | <b>870,457</b>   | <b>12,937</b>              | <b>54,862</b>    | <b>96,350</b>    | <b>73,700</b>    | <b>411,167</b>        | <b>430,486</b>   | <b>2,291,080</b> | <b>4,517,524</b> | <b>6,808,604</b> |
| fixed interest   | 728,548            | 1,814,645          | 151,791                      | 579,843          | 525,835                     | 868,689          | 12,360                     | 54,789           | 96,350           | 73,700           | -                     | -                | 1,514,884        | 3,391,666        | 4,906,550        |
| variable interest  | 112,249            | 190,163            | 68,262                       | 503,368          | 183,941                     | 1,768            | 577                        | 73               | -                | -                | -                     | -                | 365,029          | 695,372          | 1,060,401        |
| non-interest-bearing   | -                  | -                  | -                            | -                | -                           | -                | -                          | -                | -                | -                | 411,167               | 430,486          | 411,167          | 430,486          | 841,653          |
| <b>NET POSITION</b>  | <b>(5,055,530)</b> | <b>(2,156,443)</b> | <b>552,306</b>               | <b>1,070,112</b> | <b>335,431</b>              | <b>1,781</b>     | <b>288,590</b>             | <b>83,782</b>    | <b>3,931,080</b> | <b>703,821</b>   | <b>4,461</b>          | <b>318,023</b>   | <b>56,338</b>    | <b>21,076</b>    | <b>77,414</b>    |

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

**NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**36.4. Interest rate risk management [continued]**

| As at 31 December 2020   | within 1 month |                  | within 3 months over 1 month |                  | within 1 year over 3 months |                  | within 2 years over 1 year |                  | over 2 years   |                  | Non-interest -bearing |                  | Total            |                  | Total            |                |
|--|----------------|------------------|------------------------------|------------------|-----------------------------|------------------|----------------------------|------------------|----------------|------------------|-----------------------|------------------|------------------|------------------|------------------|----------------|
|  | HUF            | foreign currency | HUF                          | foreign currency | HUF                         | foreign currency | HUF                        | foreign currency | HUF            | foreign currency | HUF                   | foreign currency | HUF              | foreign currency |                  |                |
| <b>Cash, amounts due from banks and balances with the National Bank of Hungary</b> | <b>144,030</b> | <b>239,960</b>   | -                            | -                | -                           | -                | -                          | -                | -              | -                | -                     | <b>168,435</b>   | <b>26,695</b>    | <b>312,465</b>   | <b>266,655</b>   | <b>579,120</b> |
| fixed interest   | 144,030        | 239,960          | -                            | -                | -                           | -                | -                          | -                | -              | -                | -                     | -                | -                | 144,030          | 239,960          | <b>383,990</b> |
| non-interest-bearing   | -              | -                | -                            | -                | -                           | -                | -                          | -                | -              | -                | -                     | 168,435          | 26,695           | 168,435          | 26,695           | <b>195,130</b> |
| <b>Placements with other banks</b>   | <b>783,024</b> | <b>80,732</b>    | <b>177,155</b>               | <b>189,231</b>   | <b>43,239</b>               | <b>64,447</b>    | <b>23,378</b>              | <b>3,629</b>     | <b>122,035</b> | <b>27,080</b>    | <b>19,194</b>         | <b>2,740</b>     | <b>1,168,025</b> | <b>367,859</b>   | <b>1,535,884</b> |                |
| fixed interest   | 220,175        | 17,719           | 15,106                       | 179,174          | 13,934                      | 64,447           | 23,378                     | 3,629            | 122,035        | 27,080           | -                     | -                | 394,628          | 292,049          | <b>686,677</b>   |                |
| variable interest  | 562,849        | 63,013           | 162,049                      | 10,057           | 29,305                      | -                | -                          | -                | -              | -                | -                     | -                | 754,203          | 73,070           | <b>827,273</b>   |                |
| non-interest-bearing   | -              | -                | -                            | -                | -                           | -                | -                          | -                | -              | -                | 19,194                | 2,740            | 19,194           | 2,740            | <b>21,934</b>    |                |
| <b>Repo receivables</b>  | <b>183,364</b> | -                | -                            | -                | -                           | -                | -                          | -                | -              | -                | -                     | -                | <b>183,364</b>   | -                | <b>183,364</b>   |                |
| fixed interest   | 183,364        | -                | -                            | -                | -                           | -                | -                          | -                | -              | -                | -                     | -                | 183,364          | -                | <b>183,364</b>   |                |
| <b>Securities held for trading</b>   | <b>1,260</b>   | <b>526</b>       | <b>287</b>                   | <b>567</b>       | <b>608</b>                  | <b>465</b>       | <b>1,250</b>               | <b>298</b>       | <b>2,983</b>   | <b>1,095</b>     | <b>1,926</b>          | <b>464</b>       | <b>8,314</b>     | <b>3,415</b>     | <b>11,729</b>    |                |
| fixed interest   | 354            | -                | 287                          | 567              | 608                         | 465              | 1,250                      | 298              | 2,983          | 1,095            | -                     | -                | 5,482            | 2,425            | <b>7,907</b>     |                |
| variable interest  | 906            | 526              | -                            | -                | -                           | -                | -                          | -                | -              | -                | -                     | -                | 906              | 526              | <b>1,432</b>     |                |
| non-interest-bearing   | -              | -                | -                            | -                | -                           | -                | -                          | -                | -              | -                | 1,926                 | 464              | 1,926            | 464              | <b>2,390</b>     |                |
| <b>Securities mandatorily measured at fair value through profit or loss</b>        | -              | <b>5,342</b>     | -                            | -                | -                           | -                | -                          | -                | -              | -                | <b>18,470</b>         | <b>8,124</b>     | <b>18,470</b>    | <b>13,466</b>    | <b>31,936</b>    |                |
| variable interest  | -              | 5,342            | -                            | -                | -                           | -                | -                          | -                | -              | -                | -                     | -                | -                | 5,342            | <b>5,342</b>     |                |
| non-interest-bearing   | -              | -                | -                            | -                | -                           | -                | -                          | -                | -              | -                | 18,470                | 8,124            | 18,470           | 8,124            | <b>26,594</b>    |                |
| <b>Securities at fair value through other comprehensive income</b>                 | <b>79,240</b>  | <b>5,717</b>     | <b>16,218</b>                | -                | <b>111,153</b>              | <b>10,223</b>    | <b>3,533</b>               | <b>19,578</b>    | <b>551,328</b> | <b>99,229</b>    | <b>528</b>            | <b>15,203</b>    | <b>762,000</b>   | <b>149,950</b>   | <b>911,950</b>   |                |
| fixed interest   | 600            | 5,717            | 673                          | -                | 100,003                     | 10,223           | 3,533                      | 19,578           | 551,328        | 99,229           | -                     | -                | 656,137          | 134,747          | <b>790,884</b>   |                |
| variable interest  | 78,640         | -                | 15,545                       | -                | 11,150                      | -                | -                          | -                | -              | -                | -                     | -                | 105,335          | -                | <b>105,335</b>   |                |
| non-interest-bearing   | -              | -                | -                            | -                | -                           | -                | -                          | -                | -              | -                | 528                   | 15,203           | 528              | 15,203           | <b>15,731</b>    |                |

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

**NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**36.4. Interest rate risk management [continued]**

| As at 31 December 2020   | within 1 month |                  | within 3 months over 1 month |                  | within 1 year over 3 months |                  | within 2 years over 1 year |                  | over 2 years     |                  | Non-interest - bearing |                  | Total            |                  | Total            |
|--|----------------|------------------|------------------------------|------------------|-----------------------------|------------------|----------------------------|------------------|------------------|------------------|------------------------|------------------|------------------|------------------|------------------|
|  | HUF            | foreign currency | HUF                          | foreign currency | HUF                         | foreign currency | HUF                        | foreign currency | HUF              | foreign currency | HUF                    | foreign currency | HUF              | foreign currency |                  |
| <b>ASSETS [continued]</b>  |                |                  |                              |                  |                             |                  |                            |                  |                  |                  |                        |                  |                  |                  |                  |
| <b>Loans measured at amortised cost</b>                                | <b>555,311</b> | <b>252,682</b>   | <b>391,295</b>               | <b>1,112,003</b> | <b>54,263</b>               | <b>66,998</b>    | <b>45,539</b>              | <b>15,984</b>    | <b>709,929</b>   | <b>56,172</b>    | <b>125,861</b>         | <b>31,723</b>    | <b>1,882,198</b> | <b>1,535,562</b> | <b>3,417,760</b> |
| fixed interest   | 2,769          | 8,967            | 1,285                        | 74,088           | 11,731                      | 8,970            | 33,604                     | 15,984           | 700,585          | 56,172           | -                      | -                | 749,974          | 164,181          | <b>914,155</b>   |
| variable interest  | 552,542        | 243,715          | 390,010                      | 1,037,915        | 42,532                      | 58,028           | 11,935                     | -                | 9,344            | -                | -                      | -                | 1,006,363        | 1,339,658        | <b>2,346,021</b> |
| non-interest-bearing   | -              | -                | -                            | -                | -                           | -                | -                          | -                | -                | -                | 125,861                | 31,723           | 125,861          | 31,723           | <b>157,584</b>   |
| <b>Loans mandatorily measured at fair value through profit or loss</b> | <b>24,870</b>  | -                | <b>59</b>                    | -                | <b>334</b>                  | -                | <b>368</b>                 | -                | <b>455,306</b>   | -                | -                      | -                | <b>480,937</b>   | -                | <b>480,937</b>   |
| variable interest  | 24,870         | -                | 59                           | -                | 334                         | -                | 368                        | -                | 455,306          | -                | -                      | -                | 480,937          | -                | <b>480,937</b>   |
| <b>Securities at amortised cost</b>                                    | -              | -                | -                            | <b>1,065</b>     | <b>38,112</b>               | -                | <b>393,442</b>             | <b>1,092</b>     | <b>1,551,614</b> | <b>22,367</b>    | -                      | -                | <b>1,983,168</b> | <b>24,524</b>    | <b>2,007,692</b> |
| fixed interest   | -              | -                | -                            | 1,065            | 38,112                      | -                | 393,442                    | 1,092            | 1,551,614        | 22,367           | -                      | -                | 1,983,168        | 24,524           | <b>2,007,692</b> |
| <b>Other financial assets</b>  | -              | -                | -                            | -                | -                           | -                | -                          | -                | -                | -                | <b>112,055</b>         | <b>15,124</b>    | <b>112,055</b>   | <b>15,124</b>    | <b>127,179</b>   |
| non-interest-bearing   | -              | -                | -                            | -                | -                           | -                | -                          | -                | -                | -                | 112,055                | 15,124           | 112,055          | 15,124           | <b>127,179</b>   |
| <b>Derivative financial instruments</b>                                | <b>936,413</b> | <b>706,442</b>   | <b>880,140</b>               | <b>378,405</b>   | <b>557,115</b>              | <b>419,548</b>   | <b>26,738</b>              | <b>7,333</b>     | <b>39,765</b>    | <b>101,640</b>   | <b>733,551</b>         | <b>248,095</b>   | <b>3,173,724</b> | <b>1,861,463</b> | <b>5,035,187</b> |
| fixed interest   | 920,404        | 567,652          | 658,754                      | 183,228          | 559,258                     | 387,941          | 26,799                     | 7,333            | 40,012           | 101,640          | -                      | -                | 2,205,227        | 1,247,793        | <b>3,453,020</b> |
| variable interest  | 16,010         | 138,790          | 221,387                      | 195,178          | (2,143)                     | 31,607           | (61)                       | -                | (247)            | -                | -                      | -                | 234,945          | 365,575          | <b>600,520</b>   |
| non-interest-bearing   | -              | -                | -                            | -                | -                           | -                | -                          | -                | -                | -                | 733,551                | 248,095          | 733,551          | 248,095          | <b>981,646</b>   |

OTP BANK PLC.

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

**NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**36.4. Interest rate risk management [continued]**

| As at 31 December 2020   | within 1 month     |                  | within 3 months over 1 month |                  | within 1 year over 3 months |                  | within 2 years over 1 year |                  | over 2 years     |                  | Non-interest-bearing |                  | Total            |                  | Total            |
|--|--------------------|------------------|------------------------------|------------------|-----------------------------|------------------|----------------------------|------------------|------------------|------------------|----------------------|------------------|------------------|------------------|------------------|
|  | HUF                | foreign currency | HUF                          | foreign currency | HUF                         | foreign currency | HUF                        | foreign currency | HUF              | foreign currency | HUF                  | foreign currency | HUF              | foreign currency |                  |
| <b>LIABILITIES</b>   |                    |                  |                              |                  |                             |                  |                            |                  |                  |                  |                      |                  |                  |                  |                  |
| <b>Amounts due to banks and deposits with the National Bank of Hungary and other banks</b> | <b>106,883</b>     | <b>86,885</b>    | <b>12,008</b>                | <b>40,429</b>    | <b>3,363</b>                | <b>7,491</b>     | <b>39,270</b>              | -                | <b>467,479</b>   | -                | <b>1,678</b>         | <b>1,491</b>     | <b>630,681</b>   | <b>136,296</b>   | <b>766,977</b>   |
| fixed interest   | 36,937             | 15,136           | 12,008                       | 8,569            | 3,363                       | 1,490            | 39,270                     | -                | 467,479          | -                | -                    | -                | 559,057          | 25,195           | 584,252          |
| variable interest  | 69,946             | 71,749           | -                            | 31,860           | -                           | 6,001            | -                          | -                | -                | -                | -                    | -                | 69,946           | 109,610          | 179,556          |
| non-interest-bearing   | -                  | -                | -                            | -                | -                           | -                | -                          | -                | -                | -                | 1,678                | 1,491            | 1,678            | 1,491            | 3,169            |
| <b>Financial liabilities designated to measure at fair value through profit or loss</b>    | <b>25,902</b>      | -                | -                            | -                | -                           | -                | -                          | -                | -                | -                | -                    | -                | <b>25,902</b>    | -                | <b>25,902</b>    |
| fixed interest   | 79                 | -                | -                            | -                | -                           | -                | -                          | -                | -                | -                | -                    | -                | 79               | -                | 79               |
| variable interest  | 25,823             | -                | -                            | -                | -                           | -                | -                          | -                | -                | -                | -                    | -                | 25,823           | -                | 25,823           |
| <b>Repo liabilities</b>  | -                  | -                | -                            | -                | -                           | <b>109,612</b>   | -                          | -                | -                | -                | -                    | -                | -                | <b>109,612</b>   | <b>109,612</b>   |
| variable interest  | -                  | -                | -                            | -                | -                           | 109,612          | -                          | -                | -                | -                | -                    | -                | -                | 109,612          | 109,612          |
| <b>Deposits from customers</b>   | <b>6,211,090</b>   | <b>1,404,362</b> | <b>133,886</b>               | <b>15,540</b>    | <b>101,496</b>              | <b>13,367</b>    | <b>227</b>                 | -                | -                | -                | <b>10,782</b>        | <b>4,985</b>     | <b>6,457,481</b> | <b>1,438,254</b> | <b>7,895,735</b> |
| fixed interest   | 325,464            | 116,385          | 133,886                      | 15,540           | 101,496                     | 13,367           | 227                        | -                | -                | -                | -                    | -                | 561,073          | 145,292          | 706,365          |
| variable interest  | 5,885,626          | 1,287,977        | -                            | -                | -                           | -                | -                          | -                | -                | -                | -                    | -                | 5,885,626        | 1,287,977        | 7,173,603        |
| non-interest-bearing   | -                  | -                | -                            | -                | -                           | -                | -                          | -                | -                | -                | 10,782               | 4,985            | 10,782           | 4,985            | 15,767           |
| <b>Liabilities from issued securities</b>  | <b>3,090</b>       | <b>221</b>       | <b>11,691</b>                | <b>414</b>       | <b>4,502</b>                | <b>721</b>       | <b>4,098</b>               | -                | <b>3,698</b>     | -                | -                    | -                | <b>27,079</b>    | <b>1,356</b>     | <b>28,435</b>    |
| fixed interest   | 213                | -                | -                            | -                | 3,500                       | -                | 4,098                      | -                | 3,698            | -                | -                    | -                | 11,509           | -                | 11,509           |
| variable interest  | 2,877              | 221              | 11,691                       | 414              | 1,002                       | 721              | -                          | -                | -                | -                | -                    | -                | 15,570           | 1,356            | 16,926           |
| <b>Subordinated bonds and loans</b>  | -                  | -                | -                            | <b>120,153</b>   | -                           | <b>184,090</b>   | -                          | -                | -                | -                | -                    | -                | -                | <b>304,243</b>   | <b>304,243</b>   |
| variable interest  | -                  | -                | -                            | 120,153          | -                           | 184,090          | -                          | -                | -                | -                | -                    | -                | -                | 304,243          | 304,243          |
| <b>Leasing liabilities</b>   | <b>149</b>         | <b>187</b>       | <b>260</b>                   | <b>477</b>       | <b>1,267</b>                | <b>2,082</b>     | <b>1,333</b>               | <b>1,233</b>     | <b>5,747</b>     | <b>1,371</b>     | -                    | -                | <b>8,756</b>     | <b>5,350</b>     | <b>14,106</b>    |
| fixed interest   | 103                | 11               | 69                           | 40               | 528                         | 170              | 707                        | 65               | 2,796            | 37               | -                    | -                | 4,203            | 323              | 4,526            |
| variable interest  | 46                 | 176              | 191                          | 437              | 739                         | 1,912            | 626                        | 1,168            | 2,951            | 1,334            | -                    | -                | 4,553            | 5,027            | 9,580            |
| <b>Other financial liabilities</b>   | -                  | -                | -                            | -                | -                           | -                | -                          | -                | -                | -                | <b>138,508</b>       | <b>29,032</b>    | <b>138,508</b>   | <b>29,032</b>    | <b>167,540</b>   |
| non-interest-bearing   | -                  | -                | -                            | -                | -                           | -                | -                          | -                | -                | -                | 138,508              | 29,032           | 138,508          | 29,032           | 167,540          |
| <b>Derivative financial instruments</b>  | <b>1,264,723</b>   | <b>383,260</b>   | <b>1,035,481</b>             | <b>206,796</b>   | <b>479,506</b>              | <b>492,403</b>   | <b>9,453</b>               | <b>24,907</b>    | <b>49,757</b>    | <b>89,983</b>    | <b>724,945</b>       | <b>253,430</b>   | <b>3,563,865</b> | <b>1,450,778</b> | <b>5,014,643</b> |
| fixed interest   | 1,111,371          | 376,748          | 648,762                      | 188,722          | 481,293                     | 469,699          | 9,514                      | 24,907           | 50,004           | 89,802           | -                    | -                | 2,300,945        | 1,149,878        | 3,450,822        |
| variable interest  | 153,351            | 6,512            | 386,719                      | 18,074           | (1,787)                     | 22,704           | (61)                       | -                | (247)            | 181              | -                    | -                | 537,975          | 47,471           | 585,446          |
| non-interest-bearing   | -                  | -                | -                            | -                | -                           | -                | -                          | -                | -                | -                | 724,945              | 253,430          | 724,945          | 253,430          | 978,374          |
| <b>NET POSITION</b>  | <b>(4,904,324)</b> | <b>(583,514)</b> | <b>271,828</b>               | <b>1,297,462</b> | <b>214,690</b>              | <b>(248,085)</b> | <b>439,867</b>             | <b>21,774</b>    | <b>2,906,279</b> | <b>216,230</b>   | <b>304,108</b>       | <b>59,231</b>    | <b>(767,552)</b> | <b>763,097</b>   | <b>(4,455)</b>   |

**NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**36.5. Market risk**

The Bank takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Bank applies a Value-at-Risk ("VaR") methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Management Board sets limits on the value of risk that may be accepted, which is monitored on a daily basis. (Analysis of liquidity risk, foreign currency risk and interest rate risk is detailed in Notes 36.2, 36.3 and 36.4 respectively.)

**36.5.1. Market risk sensitivity analysis**

The VaR risk measure estimates the potential loss in pre-tax profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by the Group reflects the 99% probability that the daily loss will not exceed the reported VaR.

VaR methodologies are employed to calculate daily risk numbers include the historical and variance-covariance approach. The diversification effect has not been validated among the various market risk types when capital calculation happens.

The VaR of the trading portfolio can be summarized as follows (in HUF mn):

| <b>Historical VaR (99%, one-day) by risk type</b> | <b>Average</b>      |                     |
|---|---------------------|---------------------|
|   | <b>2021</b>         | <b>2020</b>         |
| Foreign exchange                                  | 1,560               | 1,507               |
| Interest rate                                     | 135                 | 77                  |
| Equity instruments                                | 20                  | 141                 |
| Diversification                                   | -                   | -                   |
| <b>Total VaR exposure</b>                         | <b><u>1,715</u></b> | <b><u>1,725</u></b> |

While VaR captures the OTP's daily exposure to currency and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in interest or foreign currency rates over a year. The longer time frame of sensitivity analysis complements VaR and helps the OTP to assess its market risk exposures. Details of sensitivity analysis for foreign currency risk are set out in Note 36.5.2., for interest rate risk in Note 36.5.3., and for equity price sensitivity analysis in Note 36.5.4.

**NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**36.5. Market risk [continued]**

**36.5.2. Foreign currency sensitivity analysis**

The Bank changed its methodology of foreign currency sensitivity analysis and has been using a historical VaR calculation since 31 March 2021. The former Monte Carlo simulation represented the Group's sensitivity to the rise and fall in the HUF exchange rate against EUR, over a 3 months period. The sensitivity analysis included only outstanding foreign currency denominated monetary items as strategic open positions related to foreign activities. In line with the Management's intention, the former EUR -310 million strategic open position was fully closed as of 31 March 2021.

Since the closing of the strategic open position, the Group has been using a historical VaR calculation with 1 day holding period. The analysis includes the same net open foreign exchange position as used under the internal capital adequacy assessment process (ICAAP). The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets.

Additionally, the Bank determines the foreign currency risk of assets evaluated through the Other Comprehensive Income (OCI), which includes securities valued on FVOCI and the foreign currency translation reserves.

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

| Probability | Effects to the P&L in 3 months period |                |
|-------------|---------------------------------------|----------------|
|             | 2021                                  | 2020           |
|             | In HUF billion                        | In HUF billion |
| 1%          | (178)                                 | (274)          |
| 5%          | (119)                                 | (151)          |
| 25%         | (39)                                  | (44)           |
| 50%         | 2                                     | 4              |
| 25%         | 49                                    | 57             |
| 5%          | 126                                   | 157            |
| 1%          | 187                                   | 197            |

Notes:

(1) Historical VaR simulation is based on the empirical distribution of the historical exchange rate movements between 31 December 2020 and 31 December 2021.

**NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**36.5. Market risk [continued]**

**36.5.3. Interest rate sensitivity analysis**

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

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

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

- (1) HUF base rate and BUBOR increases gradually by 100 bps over the next year (probable scenario)
- (2) HUF base rate and BUBOR decreases gradually by 50 bps over the next year (alternative scenario)

The net interest income in a one year period after 1 January 2022 would be increased by HUF 1,238 million (probable scenario) and decreased by HUF 919 million (alternative scenario) as a result of these simulation. The same simulation indicated HUF 1,476 million (probable scenario) and HUF 6,420 million (alternative scenario) decrease in the Net interest income in a one year period after 1 January 2021. This effect is counterbalanced by capital gains HUF -619 million (or probable scenario), HUF 322 million (for alternative scenario) as at 31 December 2021 and (HUF 584 million for probable scenario, HUF 2,329 million for alternative scenario as at 31 December 2020) on the government bond portfolio held for hedging (economic).

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

| Description               | 2021   |  | 2020   |  |
|---------------------------|--|--|--|--|
|                           | Effects to the net interest income (one-year period) | Effects to the net interest income (one-year period) | Effects to the net interest income (one-year period) | Effects to the net interest income (one-year period) |
| HUF (0.1%) parallel shift | (25)   | 64   | (1,991)  | 389  |
| HUF 0.1% parallel shift   | (40)   | (64)   | 1,715  | 389  |
| EUR (0.1%) parallel shift | (483)  | -  | (676)  | -  |
| USD (0.1%) parallel shift | (23)   | -  | (165)  | -  |
| <b>Total</b>              | <b><u>(546)</u></b>                                  | <b><u>(64)</u></b>                                   | <b><u>(2,832)</u></b>                                | <b><u>389</u></b>                                    |



**NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**36.5. Market risk [continued]**

**36.5.4. Equity price sensitivity analysis**

The following table shows the effect of the equity price sensitivity. The Bank uses VaR calculation with 1 day holding period and a 99% confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. The daily loss will not exceed the reported VaR number with 99% of probability.

The stress test assumes the largest price movement of the last year and calculates with it as the adverse direction. These scenarios show the loss of the portfolio when all prices change with the maximum amount of the last year.

| <b>Description</b>              | <b>2021</b> | <b>2020</b> |
|---------------------------------|-------------|-------------|
| VaR (99%, one day, million HUF) | 12          | 141         |
| Stress test (million HUF)       | (21)        | (233)       |

**36.6. Capital management**

**Capital management**

The primary objective of the capital management of the Bank is to ensure the prudent operation, the entire compliance with the prescriptions of the regulator for a persistent business operation and maximising the shareholder value, accompanied by an optimal financing structure.

The capital management of the Bank includes the management and evaluation of the shareholders' equity available for hedging risks, other types of funds to be recorded in the equity and all material risks to be covered by the capital.

The basis of the capital management of the Bank in the short run is the continuous monitoring of its capital position, in the long run the strategic and the business planning, which includes the monitoring and forecast of the capital position of the Bank.

The Bank maintains the capital adequacy required by the regulatory bodies and the planned risk taking mainly by means of ensuring and developing its profitability. In case the planned risk level of the Bank exceeded its Core and Supplementary capital, the Bank ensures the prudent operation by occasional measures. A further tool in the capital management of the Bank is the dividend policy, and the transactions performed with the treasury shares.

**Capital adequacy**

The Capital Requirements Directive package (CRDIV/CRR) transposes the global standards on banking regulation (commonly known as the Basel III agreement) into the EU legal framework. The rules are applied from 1 January 2014. They set stronger prudential requirements for institutions, requiring them to keep sufficient capital reserves and liquidity. This framework makes institutions in the EU more solid and strengthens their capacity to adequately manage the risks linked to their activities, and absorb any losses they may incur in doing business.

The Bank has entirely complied with the regulatory capital requirements in 2021 as well as in 2020.

The Bank's capital adequacy calculation is in line with IFRS and based on Basel III as at 31 December 2021 and 2020. The Bank uses the standard method for determining the regulatory capital requirements of the credit risk and market risk while in case of the operational risk the Advanced Measurement Approach (AMA).

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

**NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**36.6. Capital management [continued]**

**Capital adequacy [continued]<sup>1</sup>**

The calculation of the Capital Adequacy ratio as at 31 December 2021 and 2020 is as follows:

|  | <b>2021</b>             | <b>2020</b>             |
|--|-------------------------|-------------------------|
|  | <b>Basel III</b>        | <b>Basel III</b>        |
| Core capital (Tier 1)                    | 1,747,480               | 1,598,295               |
| Primary core capital (CET1)              | 1,747,480               | 1,598,295               |
| Supplementary capital (Tier 2)           | 264,396                 | 295,795                 |
| <b>Regulatory capital</b>                | <b><u>2,011,876</u></b> | <b><u>1,894,090</u></b> |
| Credit risk capital requirement          | 603,253                 | 526,283                 |
| Market risk capital requirement          | 7,519                   | 11,550                  |
| Operational risk capital requirement     | 31,629                  | 27,597                  |
| <b>Total eligible regulatory capital</b> | <b><u>642,401</u></b>   | <b><u>565,430</u></b>   |
| <b>Surplus capital</b>                   | <b><u>1,369,475</u></b> | <b><u>1,328,660</u></b> |
| CET 1 ratio                              | 21.76%                  | 22.61%                  |
| <b>Capital adequacy ratio</b>            | <b><u>25.05%</u></b>    | <b><u>26.80%</u></b>    |

**Basel III:**

Common equity Tier 1 capital (CET1):

Issued capital, Capital reserve, useable part of Tied-up reserve, General reserve, Profit reserve, Profit for the year, Treasury shares, Intangible assets, deductions due to investments, adjustments due to temporary disposals

Tier 2 capital:

Subsidiary loan capital, Subordinated loan capital, deductions due to repurchased loan capital and Subordinated loan capital issued by the OTP Bank, adjustments due to temporary disposals.

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<sup>1</sup> The dividend amount planned to pay out after the profit of financial year 2019, 2020 and 2021 is also deducted from CET 1 capital.

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

**NOTE 37:      TRANSFER AND RECLASSIFICATION OF FINANCIAL INSTRUMENTS (in HUF mn)**

**Reclassification from securities held-for-trading to securities measured at fair value through other comprehensive income**

**As at 31 December 2021**

| <b>Date of reclassification</b> | <b>Reason</b>            | <b>Type of securities</b>         | <b>Nominal value at reclassification</b> | <b>Fair value at the date of reclassification</b> | <b>EIR at the date of reclassification</b> | <b>Interest income</b> |
|---------------------------------|--------------------------|-----------------------------------|--|---|--|------------------------|
| 1 September 2018                | Change in business model | retail hungarian government bonds | 1,069                                    | 1,087   | 2%-3%                                      | 38                     |

During the year 2018, securities issued by the Hungarian Government with the nominal value of HUF 66.506 million were transferred from the trading portfolio to the securities measured at fair value through other comprehensive income, of which HUF 1,087 million remaining amount was presented as at 31 December 2021. The Bank has previously held retail government bonds in the portfolio measured at fair value through other comprehensive income. During 2018 the Bank changed the business model of the retail government bonds to manage all on the basis of a single business model aimed at collecting the future contractual cash flows and/or selling them.

In 2018, the terms and conditions of sale of retail government bonds and the pricing environment have changed significantly, as a result of which the Bank is no longer able to maintain its sole trading intent with these securities that the Bank applied earlier. Furthermore there is an option-agreement between the Bank and the Government Debt Management Agency (“GDMA”) that GDMA will buy back this portfolio therefore it has been reclassified.

**Financial assets transferred but not derecognised**

|                                    | <b>2021</b>               |                               | <b>2020</b>               |                               |
|------------------------------------|---------------------------|-------------------------------|---------------------------|-------------------------------|
|                                    | <b>Transferred assets</b> | <b>Associated liabilities</b> | <b>Transferred assets</b> | <b>Associated liabilities</b> |
|                                    | <b>Carrying amount</b>    |                               |                           |                               |
| Financial assets at amortised cost |                           |                               |                           |                               |
| Debt securities                    | <u>88,181</u>             | <u>86,580</u>                 | <u>125,244</u>            | <u>109,612</u>                |
| <b>Total:</b>                      | <b><u>88,181</u></b>      | <b><u>86,580</u></b>          | <b><u>125,244</u></b>     | <b><u>109,612</u></b>         |
| <b>Total:</b>                      | <b><u>88,181</u></b>      | <b><u>86,580</u></b>          | <b><u>125,244</u></b>     | <b><u>109,612</u></b>         |

As at 31 December 2021 and 2020, the Bank had obligation from repurchase agreements about HUF 87 billion and HUF 110 billion respectively. Securities sold temporarily under repurchase agreements will continue to be recognized in the Statement of Financial Position of the Bank in the appropriate securities category. The related liability is measured at amortized cost in the Statement of Financial Position as ‘Amounts due to banks and deposits from the National Bank of Hungary and other banks’. Under these repurchase agreements only Hungarian and foreign government bonds were transferred.

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

**NOTE 38: OFF-BALANCE SHEET ITEMS (in HUF mn)**

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

**Contingent liabilities and commitments**

|   | <b>2021</b>             | <b>2020</b>             |
|---|-------------------------|-------------------------|
| Loan commitments  | 1,677,030               | 1,441,060               |
| Guarantees arising from banking activities  | 1,507,917               | 1,419,543               |
| <i>from this: Payment undertaking liabilities (related to issue of mortgage bonds) of OTP Mortgage Bank</i> | 746,476                 | 683,736                 |
| Factoring loan commitments  | 423,673                 | 305,269                 |
| Confirmed letters of credit   | <u>30,381</u>           | <u>5,039</u>            |
| <b>Contingent liabilities and commitments total in accordance with IFRS 9</b>                               | <b><u>3,639,001</u></b> | <b><u>3,170,911</u></b> |
| Legal disputes (disputed value)   | 3,204                   | 4,720                   |
| Contingent liabilities related to payments from shares in venture capital fund                              | 47,550                  | 32,712                  |
| Other   | <u>408</u>              | <u>602</u>              |
| <b>Contingent liabilities and commitments total in accordance with IAS 37</b>                               | <b><u>51,162</u></b>    | <b><u>38,034</u></b>    |
| <b>Total</b>  | <b><u>3,690,163</u></b> | <b><u>3,208,945</u></b> |

**Legal disputes**

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

The Bank believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation.

Provision due to legal disputes was HUF 259 million and HUF 199 million as at 2021 and 2020, respectively. (See Note 24.)

**Commitments to extend credit, guarantees and letter of credit**

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

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

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

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

**NOTE 38: OFF-BALANCE SHEET ITEMS (in HUF mn) [continued]**

**Guarantees, payment undertakings arising from banking activities**

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

If the surety is required to pay or perform due to the principal's failure to do so, the law will usually give the surety a right of subrogation, allowing the surety to use the surety's contractual rights to recover the cost of making payment or performing on the principal's behalf, even in the absence of an express agreement to that effect between the surety and the principal.

**Contingent liabilities related to OTP Mortgage Bank Ltd.**

Under a syndication agreement with its wholly owned subsidiary, OTP Mortgage Bank Ltd., the Bank had guaranteed, in return for an annual fee, to purchase all mortgage loans held by OTP Mortgage Bank Ltd. that become non-performing. The repurchase guarantee contract of non-performing loans between OTP Mortgage Bank Ltd. and OTP Bank Plc. was modified in 2010. According to the arrangement the repurchase guarantee was cancelled and OTP Bank Plc. gives bail to the loans originated or purchased by the Bank.

**NOTE 39: SHARE-BASED PAYMENT AND EMPLOYEE BENEFIT (in HUF mn)**

Previously approved option program required a modification thanks to the introduction of the Bank Group Policy on Payments accepted in resolution of Annual General Meeting regarding to the amendment of CRD III. Directives and Act on Credit Institutions and Financial Enterprises.

Key management personnel affected by the Bank Group Policy receive compensation based on performance assessment generally in the form of cash bonus and equity shares in a ratio of 50-50%. Assignment is based on OTP shares, furthermore performance based payments are deferred in accordance with the rules of Credit Institutions Act.

OTP Bank ensures the share-based payment part for the management personnel of OTP Group members.

During implementation of the Remuneration Policy of the Group it became apparent that in case of certain foreign subsidiaries it is not possible to ensure the originally determined share-based payment because of legal reasons – incompatible with relevant EU-directives –, therefore a decision was made to cancel the share-based payment in affected countries, and virtual share based payment – cash payment fixed to share price - was made from 2017. In case of foreign subsidiaries virtual share based payment was made uniformly from 2021 (in case of payments related to 2021).

The quantity of usable shares for individuals calculated for settlement of share-based payment shall be determined as the ratio of the amount of share-based payment and share price determined by Supervisory Board.

The value of the share-based payment at the performance assessment is determined within 10 days by Supervisory Board based on the average of the three previous trade day's middle rate of OTP Bank's equity shares fixed on the Budapest Stock Exchange.

At the same time the conditions of discounted share-based payment are determined, and share-based payment shall contain maximum HUF 6,000 discount at the assessment date, and earnings for the shares at the payment date is maximum HUF 12,000.

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. IAS 19 Employee Benefits shall be applied in accounting for all employee benefits, except those to which IFRS 2 Share-based Payment applies.

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Post-employment benefits are employee benefits (other than termination and short-term employee benefits) that are payable after the completion of employment. Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees. Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans, depending on the economic substance of the plan as derived from its principal terms and conditions.

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**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

**NOTE 39: SHARE-BASED PAYMENT AND EMPLOYEE BENEFIT (in HUF mn) [continued]**

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

The parameters for the share-based payment relating to ongoing years 2016-2020 by Supervisory Board for periods of each year as follows:

| Year | Share purchasing at a discounted price |                            | Price of remuneration exchanged to share | Share purchasing at a discounted price |                            | Price of remuneration exchanged to share | Share purchasing at a discounted price |                            | Price of remuneration exchanged to share |
|------|--|----------------------------|--|--|----------------------------|--|--|----------------------------|--|
|      | Exercise price                         | Maximum earnings per share |  | Exercise price                         | Maximum earnings per share |  | Exercise price                         | Maximum earnings per share |  |
|      | for the year 2016                      |                            |  | for the year 2017                      |                            |  | for the year 2018                      |                            |  |
| 2017 | 7,200                                  | 2,500                      | 9,200                                    | -                                      | -                          | -  | -                                      | -                          | -  |
| 2018 | 7,200                                  | 3,000                      | 9,200                                    | 8,064                                  | 3,000                      | 10,064                                   | -                                      | -                          | -  |
| 2019 | 7,200                                  | 3,500                      | 9,200                                    | 8,064                                  | 3,500                      | 10,064                                   | 10,413                                 | 4,000                      | 12,413                                   |
| 2020 | 7,200                                  | 4,000                      | 9,200                                    | 8,064                                  | 4,000                      | 10,064                                   | 10,413                                 | 4,000                      | 12,413                                   |
| 2021 | -                                      | -                          | -  | 8,064                                  | 4,000                      | 10,064                                   | 10,413                                 | 4,000                      | 12,413                                   |
| 2022 | -                                      | -                          | -  | 8,064                                  | 4,000                      | 10,064                                   | 10,913                                 | 4,000                      | 12,413                                   |
| 2023 | -                                      | -                          | -  | -                                      | -                          | -  | 10,913                                 | 4,000                      | 12,413                                   |
| 2024 | -                                      | -                          | -  | -                                      | -                          | -  | 10,913                                 | 4,000                      | 12,413                                   |
| 2025 | -                                      | -                          | -  | -                                      | -                          | -  | 10,913                                 | 4,000                      | 12,413                                   |

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

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

| Year | Reference price | Assumed volatility | Risk-free interest rate (HUF) |      |      |      |      |      |      |
|------|-----------------|--------------------|-------------------------------|------|------|------|------|------|------|
|      |                 |                    | 1Y                            | 2Y   | 3Y   | 4Y   | 5Y   | 6Y   | 7Y   |
| 2017 | 9,200           | 21.3%              | 0.1%                          | 0.5% | 0.7% | 1.0% | 1.3% | 1.3% | 1.3% |
| 2018 | 10,064          | 26.0%              | 0.2%                          | 0.6% | 1.0% | 1.3% | 1.6% | 1.9% | 2.1% |
| 2019 | 12,413          | 19.2%              | 0.2%                          | 0.7% | 0.9% | 1.1% | 1.3% | 1.4% | 1.6% |
| 2020 | 11,553          | 33.6%              | 0.6%                          | 0.4% | 0.5% | 0.6% | 0.8% | 0.9% | 1.0% |
| 2021 | 16,644          | 28.6%              | 1.0%                          | 1.6% | 1.8% | 1.9% | 2.0% | 2.1% | 2.1% |

  

| Év   | Expected dividends (HUF/Share) |     |     |     |     |     |     | Pricing model |
|------|--------------------------------|-----|-----|-----|-----|-----|-----|---------------|
|      | 1Y                             | 2Y  | 3Y  | 4Y  | 5Y  | 6Y  | 7Y  |               |
| 2017 | 219                            | 219 | 252 | 290 | 334 | 384 | 442 | Binomial      |
| 2018 | 219                            | 219 | 219 | 219 | 219 | 219 | 219 | Binomial      |
| 2019 | 252                            | 290 | 333 | 383 | 440 | 507 | 583 | Binomial      |
| 2020 | 219                            | 252 | 290 | 333 | 383 | 440 | 507 | Binomial      |
| 2021 | 371                            | 321 | 357 | 393 | 432 | 475 | 523 | Binomial      |

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

**NOTE 39: SHARE-BASED PAYMENT AND EMPLOYEE BENEFIT (in HUF mn) [continued]**

Based on parameters accepted by Supervisory Board, relating to the year 2016 effective pieces are follows As at 31 December 2021:

|  | Approved<br>pieces of shares | Exercised until<br>31 December<br>2021 | Weighted<br>average share<br>price at the<br>date of exercise<br>(in HUF) | Expired<br>pieces | Exercisable at 31<br>December 2021 |
|--|------------------------------|--|---|-------------------|------------------------------------|
| Share-purchasing period started in 2017          | 147,984                      | 147,984                                | 9,544   | -                 | -                                  |
| Remuneration exchanged to share provided in 2017 | 4,288                        | 4,288                                  | 9,194   | -                 | -                                  |
| Share-purchasing period started in 2018          | 321,528                      | 321,528                                | 10,387  | -                 | -                                  |
| Remuneration exchanged to share provided in 2018 | 8,241                        | 8,241                                  | 10,098  | -                 | -                                  |
| Share-purchasing period started in 2019          | 161,446                      | 161,446                                | 12,415  | -                 | -                                  |
| Remuneration exchanged to share provided in 2019 | 4,033                        | 4,033                                  | 11,813  | -                 | -                                  |
| Share-purchasing period starting in 2020         | 166,231                      | 166,231                                | 13,629  | -                 | -                                  |
| Remuneration exchanged to share applying in 2020 | 4,303                        | 4,303                                  | 11,897  | -                 | -                                  |

Based on parameters accepted by Supervisory Board, relating to the year 2017 effective pieces are follows As at 31 December 2021:

|  | Approved<br>pieces of shares | Exercised until<br>31 December<br>2021 | Weighted<br>average share<br>price at the<br>date of exercise<br>(in HUF) | Expired<br>pieces | Exercisable at 31<br>December 2021 |
|--|------------------------------|--|---|-------------------|------------------------------------|
| Share-purchasing period started in 2018          | 108,243                      | 108,243                                | 11,005  | -                 | -                                  |
| Remuneration exchanged to share provided in 2018 | 11,926                       | 11,926                                 | 10,098  | -                 | -                                  |
| Share-purchasing period started in 2019          | 212,282                      | 212,282                                | 12,096  | -                 | -                                  |
| Remuneration exchanged to share provided in 2019 | 26,538                       | 26,538                                 | 11,813  | -                 | -                                  |
| Share-purchasing period starting in 2020         | 101,571                      | 101,565                                | 12,084  | 6                 | -                                  |
| Remuneration exchanged to share applying in 2020 | 11,584                       | 11,584                                 | 11,897  | -                 | -                                  |
| Share-purchasing period starting in 2021         | 109,460                      | 106,719                                | 16,441  | -                 | 2,741                              |
| Remuneration exchanged to share applying in 2021 | 11,531                       | 11,531                                 | 16,477  | -                 | -                                  |
| Share-purchasing period starting in 2022         | -                            | -                                      | -   | -                 | 42,820                             |
| Remuneration exchanged to share applying in 2022 | -                            | -                                      | -   | -                 | 3,003                              |

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

**NOTE 39: SHARE-BASED PAYMENT AND EMPLOYEE BENEFIT (in HUF mn) [continued]**

Based on parameters accepted by Supervisory Board, relating to the year 2018 effective pieces are follows As at 31 December 2021:

|   | Approved<br>pieces of shares | Exercised until<br>31 December<br>2021 | Weighted<br>average share<br>price at the<br>date of exercise<br>(in HUF) | Expired<br>pieces | Exercisable at 31<br>December 2021 |
|---|------------------------------|--|---|-------------------|------------------------------------|
| Share-purchasing period started in 2019             | 82,854                       | 82,854                                 | 13,843  | -                 | -                                  |
| Remuneration exchanged to share<br>provided in 2019 | 17,017                       | 17,017                                 | 11,829  | -                 | -                                  |
| Share-purchasing period starting in 2020            | 150,230                      | 150,230                                | 14,294  | -                 | -                                  |
| Remuneration exchanged to share<br>applying in 2020 | 33,024                       | 33,024                                 | 11,897  | -                 | -                                  |
| Share-purchasing period starting in 2021            | 73,799                       | 73,799                                 | 16,314  | -                 | -                                  |
| Remuneration exchanged to share<br>applying in 2021 | 14,618                       | 14,618                                 | 16,468  | -                 | -                                  |
| Share-purchasing period starting in 2022            | -                            | -                                      | -   | -                 | 99,341                             |
| Remuneration exchanged to share<br>applying in 2022 | -                            | -                                      | -   | -                 | 17,042                             |
| Share-purchasing period starting in 2023            | -                            | -                                      | -   | -                 | 45,155                             |
| Remuneration exchanged to share<br>applying in 2023 | -                            | -                                      | -   | -                 | 4,114                              |
| Remuneration exchanged to share<br>applying in 2024 | -                            | -                                      | -   | -                 | 864                                |
| Remuneration exchanged to share<br>applying in 2025 | -                            | -                                      | -   | -                 | 432                                |

Based on parameters accepted by Supervisory Board, relating to the year 2019 effective pieces are follows As at 31 December 2021:

|   | Approved<br>pieces of shares | Exercised until<br>31 December<br>2021 | Weighted<br>average share<br>price at the<br>date of exercise<br>(in HUF) | Expired<br>pieces | Exercisable at 31<br>December 2021 |
|---|------------------------------|--|---|-------------------|------------------------------------|
| Share-purchasing period started in 2020             | 91,403                       | 91,403                                 | 12,218  | -                 | -                                  |
| Remuneration exchanged to share<br>provided in 2020 | 22,806                       | 22,806                                 | 11,897  | -                 | -                                  |
| Share-purchasing period starting in 2021            | 201,273                      | 192,577                                | 16,523  | -                 | 8,696                              |
| Remuneration exchanged to share<br>applying in 2021 | 30,834                       | 30,834                                 | 17,618  | -                 | -                                  |
| Share-purchasing period starting in 2022            | -                            | -                                      | -   | -                 | 109,567                            |
| Remuneration exchanged to share<br>applying in 2022 | -                            | -                                      | -   | -                 | 15,554                             |
| Share-purchasing period starting in 2023            | -                            | -                                      | -   | -                 | 125,771                            |
| Remuneration exchanged to share<br>applying in 2023 | -                            | -                                      | -   | -                 | 18,025                             |
| Share-purchasing period starting in 2024            | -                            | -                                      | -   | -                 | 44,421                             |
| Remuneration exchanged to share<br>applying in 2024 | -                            | -                                      | -   | -                 | 6,279                              |
| Remuneration exchanged to share<br>applying in 2025 | -                            | -                                      | -   | -                 | 1,000                              |
| Remuneration exchanged to share<br>applying in 2026 | -                            | -                                      | -   | -                 | 500                                |



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

**NOTE 39: SHARE-BASED PAYMENT AND EMPLOYEE BENEFIT (in HUF mn) [continued]**

Based on parameters accepted by Supervisory Board, relating to the year 2020 effective pieces are follows As at 31 December 2021:

|  | Approved<br>pieces of shares | Exercised until<br>31 December<br>2021 | Weighted<br>average share<br>price at the<br>date of exercise<br>(in HUF) | Expired<br>pieces | Exercisable at 31<br>December 2021 |
|--|------------------------------|--|---|-------------------|------------------------------------|
| Share-purchasing period started in 2021          | 41,098                       | 8,184                                  | 18,471  | -                 | 32,914                             |
| Remuneration exchanged to share provided in 2021 | 17,881                       | 17,881                                 | 17,498  | -                 | -                                  |
| Share-purchasing period starting in 2022         | -                            | -                                      | -   | -                 | 82,826                             |
| Remuneration exchanged to share applying in 2022 | -                            | -                                      | -   | -                 | 19,390                             |
| Share-purchasing period starting in 2023         | -                            | -                                      | -   | -                 | 47,826                             |
| Remuneration exchanged to share applying in 2023 | -                            | -                                      | -   | -                 | 9,292                              |
| Share-purchasing period starting in 2024         | -                            | -                                      | -   | -                 | 51,002                             |
| Remuneration exchanged to share applying in 2024 | -                            | -                                      | -   | -                 | 9,518                              |
| Share-purchasing period starting in 2025         | -                            | -                                      | -   | -                 | 13,080                             |
| Remuneration exchanged to share applying in 2025 | -                            | -                                      | -   | -                 | 3,443                              |
| Remuneration exchanged to share applying in 2026 | -                            | -                                      | -   | -                 | 680                                |
| Remuneration exchanged to share applying in 2027 | -                            | -                                      | -   | -                 | 680                                |

Effective pieces relating to the periods starting in 2022-2027 settled during valuation of performance of year 2017-2020, can be modified based on risk assessment and personal changes.

In connection with the share-based compensation for Board of Directors and connecting compensation, shares given as a part of payments detailed above and for the year 2021 based on performance assessment accounted as equity-settled share based transactions HUF 3,589 million was recognized as expense for the year ended 31 December 2021.

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

**NOTE 40: RELATED PARTY TRANSACTIONS (in HUF mn)**

**Outstanding balances and transactions with related parties are summarized below in aggregate:**

**Statement of financial position**

|   | <b>2021</b>   |                                      | <b>2020</b>   |                                      |
|---|---|--------------------------------------|---|--------------------------------------|
|   | <b>Associated<br/>companies<br/>and other<br/>companies</b> | <b>Other<br/>related<br/>parties</b> | <b>Associated<br/>companies<br/>and other<br/>companies</b> | <b>Other<br/>related<br/>parties</b> |
| Cash, amounts due from banks and balances with the National Bank of Hungary         | 1,675   | -                                    | 7,301   | -                                    |
| Placements with other banks, net of allowance for placement losses                  | 1,557,437   | -                                    | 1,177,504   | -                                    |
| Held for trading securities   | 16  | -                                    | 526   | -                                    |
| Securities mandatorily measured at fair value through profit or loss                | -   | -                                    | 5,342   | -                                    |
| Held for trading derivative financial instruments:                                  | 19,397  | -                                    | 21,587  | -                                    |
| Financial assets at fair value through other comprehensive income                   | 156,162   | -                                    | 250,673   | -                                    |
| Securities at amortised cost  | -   | 596                                  | -   | 590                                  |
| Loans at amortised cost   | 960,288   | 105,503                              | 834,555   | 92,889                               |
| Loans mandatorily measured at fair value through profit or loss                     | -   | 9                                    | -   | 10                                   |
| Right of use assets   | 5,713   | -                                    | 6,567   | -                                    |
| Derivative financial assets designated as hedge accounting relationships            | (9)   | -                                    | -   | -                                    |
| Other assets  | 101,569   | 5                                    | 67,077  | 557                                  |
| <b>Total Assets</b>   | <b>2,802,248</b>  | <b>106,113</b>                       | <b>2,371,132</b>  | <b>94,046</b>                        |
| Amounts due to banks and deposits from the National Bank of Hungary and other banks | (115,042)   | -                                    | (151,254)   | -                                    |
| Repo liabilities  | (36,854)  | -                                    | -   | -                                    |
| Deposits from customers   | (263,139)   | (27,174)                             | (249,410)   | (4,027)                              |
| Leasing liabilities   | (5,926)   | -                                    | (6,736)   | -                                    |
| Liabilities from issued securities  | (12,232)  | -                                    | (11,299)  | -                                    |
| Derivative financial liabilities designated as held for trading                     | (5,344)   | -                                    | (9,957)   | -                                    |
| Derivative financial liabilities designated as hedge accounting relationships       | (61)  | -                                    | -   | -                                    |
| Other liabilities   | (4,599)   | (551)                                | (7,014)   | (400)                                |
| <b>Total Liabilities</b>  | <b>(443,197)</b>  | <b>(27,725)</b>                      | <b>(435,670)</b>  | <b>(4,427)</b>                       |
| <b>Off balance sheet items</b>  |   |                                      |   |                                      |
| Guarantees  | (921,818)   | -                                    | (870,892)   | -                                    |
| Loan commitments  | (85,810)  | (44,812)                             | (96,032)  | (37,051)                             |
| Factoring loan commitments  | (1,475)   | -                                    | (37)  | -                                    |
| <b>Total</b>  | <b>(1,009,103)</b>  | <b>(44,812)</b>                      | <b>(966,961)</b>  | <b>(37,051)</b>                      |

**Statement of Profit or Loss**

|  | <b>2021</b> | <b>2020</b> |
|--|-------------|-------------|
| Interest Income  | 42,706      | 39,193      |
| Interest Expense   | (11,449)    | (11,186)    |
| Risk cost  | 904         | (1,925)     |
| (Losses)/Gains arising from derecognition of financial assets measured at amortised cost | (2,198)     | 914         |
| Income from fees and commissions   | 33,128      | 28,951      |
| Expenses from fees and commissions   | (2,859)     | (1,971)     |
| Other administrative expenses  | (7,570)     | (8,465)     |

**NOTE 40:      RELATED PARTY TRANSACTIONS (in HUF mn) [continued]**

**Related party transactions with key management**

The compensation of key management, such as the members of the Board of Directors, the members of the Supervisory Board and the employees involved in the decision-making process in accordance with the compensation categories defined in IAS 24 Related Party Disclosures, is summarised below:

|  | <b>2021</b>         | <b>2020</b>         |
|--|---------------------|---------------------|
| Short-term employee benefits                         | 2,957               | 2,923               |
| Share-based payment                                  | 2,740               | 2,619               |
| Long-term employee benefits (on the basis of IAS 19) | <u>246</u>          | <u>278</u>          |
| <b>Total</b>   | <b><u>5,943</u></b> | <b><u>5,820</u></b> |

|  | <b>2021</b> | <b>2021</b> |
|--|-------------|-------------|
| Loans provided to companies owned by the Management (in the normal course of business) | 105,503     | 92,889      |
| Commitments to extend credit and bank guarantees                                       | 44,812      | 37,051      |

**An analysis of payment to Executives related to their activity in Board of Directors and Supervisory Board is as follows (in HUF mn):**

|                               | <b>2021</b>         | <b>2020</b>         |
|-------------------------------|---------------------|---------------------|
| Members of Board of Directors | 1,489               | 969                 |
| Members of Supervisory Board  | <u>173</u>          | <u>57</u>           |
| <b>Total</b>                  | <b><u>1,662</u></b> | <b><u>1,026</u></b> |

In the normal course of business, OTP Bank enters into other transactions with its subsidiaries, the amounts and volumes of which are not significant to these financial statements taken as a whole.

**NOTE 41:      TRUST ACTIVITIES (in HUF mn)**

The Bank acts as a trustee for certain loans granted by companies or employers to their employees, mainly for housing purposes. The ultimate risk for these loans rests with the party advancing the funds. As these loans and related funds are not considered to be assets or liabilities of the Bank, they have been excluded from the accompanying separate statement of financial position.

|  | <b>2021</b> | <b>2020</b> |
|--|-------------|-------------|
| Loans managed by the Bank as a trustee | 27,532      | 28,055      |

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

**NOTE 42:      CONCENTRATION OF ASSETS AND LIABILITIES**

|   | <b>2021</b> | <b>2020</b> |
|---|-------------|-------------|
| <b>In the percentage of the total assets</b>                                  |             |             |
| Receivables from, or securities issued by the Hungarian Government or the NBH | 22.79%      | 22.69%      |
| Securities issued by the OTP Mortgage Bank Ltd.                               | 1.77%       | 2.24%       |
| Loans at amortised cost   | 6.51%       | 6.48%       |

There were no other significant concentrations of the assets or liabilities of the Bank as at 31 December 2021 or 31 December 2020.

OTP Bank continuously provides the Authority with reports on the extent of dependency on large depositors as well as the exposure of the largest 50 depositors towards OTP Bank. Further to this obligatory reporting to the Authority, OTP Bank pays particular attention on the exposure of its largest partners and cares for maintaining a closer relationship with these partners in order to secure the stability of the level of deposits.

The organisational unit of OTP Bank in charge of partner-risk management analyses the largest partners on a constant basis and sets limits on OTP Bank's and the Group's exposure separately partner-by-partner. If necessary, it modifies partner-limits in due course thereby reducing the room for manoeuvring of the Treasury and other business areas.

The Bank's internal regulation (Limit-management regulation) controls risk management which related to exposures of clients. Bank makes a difference between clients or clients who are economically connected with each other, partners, partners operating in the same geographical region or in the same economic sector, exposures from customers. Limit-management regulation includes a specific range provisions system used by Bank to control risk exposures. This regulation has to be used by the Bank for its business (lending) risk-taking activity in both the retail and corporate sector.

To specify credit risk limits, the Bank strives their clients get an acceptable margin of risk based on their financial situation. In the Bank limit system a lower level decision-making delegation has to be provided.

If an OTP group member takes risk against a client or group of clients (either inside the local economy or outside), the client will be qualified as a group level risk and these limits will be specified at group level.

The validity period of this policy is 12 months. The limit shall be reviewed prior to the expiry date but at least once a year based on the relevant information required to limit calculations.

The maximum credit exposure to any client or counterparty among Loans at amortised cost was HUF 893 billion and HUF 722 billion as at 31 December 2021 and 31 December 2020 respectively, before taking into account collateral or other credit enhancements.

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

**NOTE 43: EARNINGS PER SHARE**

Earnings per share attributable to the Bank's ordinary shares are determined by dividing Net profit for the year attributable to ordinary shareholders, after the deduction of declared preference dividends, by the weighted average number of ordinary shares outstanding during the year. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares.

|  | <b>2021</b>        | <b>2020</b>        |
|--|--------------------|--------------------|
| Net profit for the year attributable to ordinary shareholders (in HUF mn)  | 125,339            | 92,474             |
| Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)   | 275,523,535        | 277,301,936        |
| <b>Basic Earnings per share (in HUF)</b>   | <b><u>455</u></b>  | <b><u>333</u></b>  |
| Separate net profit for the year attributable to ordinary shareholders (in HUF mn)   | 125,339            | 92,474             |
| Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)                              | 275,538,262        | 277,310,069        |
| Diluted Earnings per share (in HUF)  | <b><u>455</u></b>  | <b><u>333</u></b>  |
|  | <b>2021</b>        | <b>2020</b>        |
| Weighted average number of ordinary shares   | 280,000,010        | 280,000,010        |
| Average number of Treasury shares  | (4,476,475)        | (2,698,074)        |
| <b>Weighted average number of ordinary shares outstanding during the year for calculating basic EPS</b>  | <b>275,523,535</b> | <b>277,301,936</b> |
| Dilutive effect of options issued in accordance with the Remuneration Policy / Management Option Program and convertible into ordinary shares <sup>1</sup> | 14,727             | 8,133              |
| <b>The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS</b>                                     | <b>275,538,262</b> | <b>277,310,069</b> |

The ICES bonds could potentially dilute basic EPS in the future, but were not included in the calculation of diluted EPS because they are antidilutive for the period presented.

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<sup>1</sup> In 2021 and 2020 dilutive effect is in connection with the Remuneration Policy.

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

**NOTE 44: NET GAIN OR LOSS REALISED ON FINANCIAL INSTRUMENTS (in HUF mn)**

| Year ended 31 December 2021   | Net interest<br>income and<br>expense | Net non-<br>interest gain<br>and loss | Loss<br>allowance    | Other<br>comprehensive<br>income |
|---|---------------------------------------|---------------------------------------|----------------------|----------------------------------|
| <b>Financial assets measured at amortised cost</b>                                      |                                       |                                       |                      |                                  |
| Cash, amounts due from banks and balances with the National Bank of Hungary             | 14,124                                | -                                     | -                    | -                                |
| Placements with other banks, net of allowance for placement losses                      | 31,981                                | -                                     | 1,797                | -                                |
| Repo receivables  | 315                                   | -                                     | (220)                | -                                |
| Loans at amortised cost   | 167,882                               | 13,591                                | 37,264               | -                                |
| Securities at amortised cost  | <u>61,085</u>                         | <u>(1,552)</u>                        | <u>2,035</u>         | =                                |
| <b>Financial assets measured at amortised cost total</b>                                | <b><u>275,387</u></b>                 | <b><u>12,039</u></b>                  | <b><u>40,876</u></b> | =                                |
| <b>Financial assets measured at fair value</b>  |                                       |                                       |                      |                                  |
| Securities held for trading   | 277                                   | 6,657                                 | -                    | -                                |
| Securities at fair value through other comprehensive income                             | 21,456                                | (4,659) <sup>1</sup>                  | (551)                | (35,756)                         |
| Loans mandatorily measured at fair value through profit or loss                         | 26,045                                | (8,671)                               | 16,255               | -                                |
| <b>Financial assets measured at fair value total</b>                                    | <b><u>47,778</u></b>                  | <b><u>(6,673)</u></b>                 | <b><u>15,704</u></b> | <b><u>(35,756)</u></b>           |
| <b>Financial liabilities measured at amortised cost</b>                                 |                                       |                                       |                      |                                  |
| Amounts due to banks and deposits from the National Bank of Hungary and other banks     | (11,177)                              | -                                     | -                    | -                                |
| Repo liabilities  | (2,860)                               | -                                     | -                    | -                                |
| Deposits from customers   | (10,162)                              | 170,598                               | -                    | -                                |
| Leasing liabilities   | (214)                                 | -                                     | -                    | -                                |
| Liabilities from issued securities  | (1,166)                               | -                                     | -                    | -                                |
| Subordinated bonds and loans  | <u>(7,890)</u>                        | =                                     | =                    | =                                |
| <b>Financial liabilities measured at amortised cost total</b>                           | <b><u>(33,469)</u></b>                | <b><u>170,598</u></b>                 | =                    | =                                |
| <b>Financial liabilities designated to measure at fair value through profit or loss</b> |                                       |                                       |                      |                                  |
|   | (493)                                 | 3,916                                 | -                    | -                                |
| <b>Derivative financial instruments<sup>2</sup></b>                                     | <b><u>(36,295)</u></b>                | <b><u>3,436</u></b>                   | =                    | =                                |
| <b>Total</b>  | <b><u>252,908</u></b>                 | <b><u>183,316</u></b>                 | <b><u>56,580</u></b> | <b><u>(35,756)</u></b>           |

<sup>1</sup> For the year ended 31 December 2021 HUF (4,659) million net non-interest gain on securities at fair value through other comprehensive income was transferred from other comprehensive income to profit or loss.

<sup>2</sup> Gains/losses from derivative financial instruments recognised in net interest income as Income similar to interest income.

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

**NOTE 44: NET GAIN OR LOSS REALISED ON FINANCIAL INSTRUMENTS**  
**(in HUF mn) [continued]**

| Year ended 31 December 2020   | Net interest<br>income and<br>expense | Net non-<br>interest gain<br>and loss | Loss<br>allowance    | Other<br>comprehensive<br>income |
|---|---------------------------------------|---------------------------------------|----------------------|----------------------------------|
| <b>Financial assets measured at amortised cost</b>  |                                       |                                       |                      |                                  |
| Cash, amounts due from banks and balances with the<br>National Bank of Hungary              | 4,369                                 | -                                     | -                    | -                                |
| Placements with other banks, net of allowance for<br>placement losses                       | 10,650                                | -                                     | 2,227                | -                                |
| Repo receivables  | 49                                    | -                                     | 286                  | -                                |
| Loans at amortised cost   | 143,650                               | 23,298                                | 55,444               | -                                |
| Securities at amortised cost  | <u>48,654</u>                         | <u>360</u>                            | <u>1,845</u>         | -                                |
| <b>Financial assets measured at amortised cost total</b>                                    | <b><u>207,372</u></b>                 | <b><u>23,658</u></b>                  | <b><u>59,802</u></b> | <b>:-</b>                        |
| <b>Financial assets measured at fair value</b>  |                                       |                                       |                      |                                  |
| Securities held for trading   | 368                                   | 2,251                                 | -                    | -                                |
| Securities at fair value through other comprehensive<br>income                              | 29,095                                | 6,073 <sup>1</sup>                    | 3                    | (17,734)                         |
| Loans mandatorily measured at fair value through<br>profit or loss                          | <u>15,094</u>                         | <u>2,125</u>                          | -                    | -                                |
| <b>Financial assets measured at fair value total</b>  | <b><u>44,557</u></b>                  | <b><u>10,449</u></b>                  | <b><u>3</u></b>      | <b><u>(17,734)</u></b>           |
| <b>Financial liabilities measured at amortised cost</b>                                     |                                       |                                       |                      |                                  |
| Amounts due to banks and deposits from the National<br>Bank of Hungary and other banks      | (9,862)                               | -                                     | -                    | -                                |
| Repo liabilities  | (1,476)                               | -                                     | -                    | -                                |
| Deposits from customers   | (3,985)                               | 216,512                               | -                    | -                                |
| Leasing liabilities   | (244)                                 | -                                     | -                    | -                                |
| Liabilities from issued securities  | (598)                                 | -                                     | -                    | -                                |
| Subordinated bonds and loans  | <u>(8,327)</u>                        | -                                     | -                    | -                                |
| <b>Financial liabilities measured at amortised cost<br/>total</b>                           | <b><u>(24,492)</u></b>                | <b><u>216,512</u></b>                 | <b>:-</b>            | <b>:-</b>                        |
| <b>Financial liabilities designated to measure at fair<br/>value through profit or loss</b> |                                       |                                       |                      |                                  |
|   | (307)                                 | 1,270                                 | -                    | -                                |
| <b>Derivative financial instruments<sup>2</sup></b>   | <b><u>(5,053)</u></b>                 | <b><u>5,818</u></b>                   | <b>:-</b>            | <b>:-</b>                        |
| <b>Total</b>  | <b><u>222,077</u></b>                 | <b><u>257,707</u></b>                 | <b><u>59,805</u></b> | <b><u>(17,734)</u></b>           |

<sup>1</sup> For the year ended 31 December 2020 HUF 6,073 million net non-interest gain on securities at fair value through other comprehensive income was transferred from other comprehensive income to profit or loss.

<sup>2</sup> Gains/losses from derivative financial instruments recognised in net interest income as Income similar to interest income.

**NOTE 45:      FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn)**

In determining the fair value of a financial asset or liability the Bank in the case of instruments that are quoted on an active market uses the market price. In most cases market price is not publicly available so the Bank has to make assumptions or use valuation techniques to determine the fair value of a financial instrument. See Note 45. d) for more information about fair value classes applied for financial assets and liabilities measured at fair value in these financial statements.

To provide a reliable estimate of the fair value of those financial instrument that are originally measured at amortised cost, the Bank used the discounted cash flow analysis (loans, placements with other banks, amounts due to banks, deposits from customers). The fair value of issued securities and subordinated bonds is based on quoted prices (e.g, Reuters), Cash and amounts due from banks and balances with the National Bank of Hungary represent amounts available immediately thus the fair value equals to the cost.

The assumptions used when calculating the fair value of financial assets and liabilities when using valuation technique are the following:

- the discount rates are the risk free rates related to the denomination currency adjusted by the appropriate risk premium as of the end of the reporting period,
- the contractual cash flows are considered for the performing loans and for the non-performing loans, the amortised cost less impairment is considered as fair value,
- the future cash flows for floating interest rate instruments are estimated from the yield curves as of the end of the reporting period,
- the fair value of the deposit which can be due in demand cannot be lower than the amount payable on demand.

For classes of assets and liabilities not measured at fair value in the statement of financial position, the income approach was used to convert future cash flows to a single current amount. Fair value of current assets is equal to carrying amount, fair value of liabilities from issued securities and other bond-type classes of assets and liabilities not measured at fair value measured based on Reuters market rates and, fair value of other classes not measured at fair value of the statement of financial position are measured using the discounted cash flow method. Fair value of loans, net of allowance for loan losses measured using discount rate adjustment technique, the discount rate is derived from observed rates of return for comparable assets or liabilities that are traded in the market.

Fair value measurements – in relation to instruments measured not at fair value – are categorized in level 3 of the fair value hierarchy.



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

**NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]**

**a) Fair value of financial assets and liabilities**

|  | 31 December 2021         |                          | 31 December 2020        |                         |
|--|--------------------------|--------------------------|-------------------------|-------------------------|
|  | Carrying amount          | Fair value               | Carrying amount         | Fair value              |
| Cash, amounts due from banks and balances with the National Bank of Hungary      | 474,945                  | 474,945                  | 579,120                 | 579,120                 |
| Placements with other banks, net of allowance for placement losses               | 2,567,212                | 2,548,809                | 1,535,884               | 1,550,747               |
| Repo receivables   | 33,638                   | 33,707                   | 183,364                 | 183,664                 |
| Financial assets at fair value through profit or loss                            | 246,462                  | 246,462                  | 160,483                 | 160,483                 |
| <i>Held for trading securities</i>   | <i>35,633</i>            | <i>35,633</i>            | <i>11,729</i>           | <i>11,729</i>           |
| <i>Derivative financial instruments classified as held for trading</i>           | <i>182,768</i>           | <i>182,768</i>           | <i>116,818</i>          | <i>116,818</i>          |
| <i>Securities mandatorily measured at fair value through profit or loss</i>      | <i>28,061</i>            | <i>28,061</i>            | <i>31,936</i>           | <i>31,936</i>           |
| Securities at fair value through other comprehensive income                      | 641,939                  | 641,939                  | 911,950                 | 911,950                 |
| Securities at amortised cost   | 3,071,038                | 2,877,380                | 2,007,692               | 2,085,881               |
| Loans at amortised cost  | 4,032,465                | 3,576,519                | 3,417,760               | 3,178,368               |
| Loans mandatorily measured at fair value through profit or loss                  | 662,012                  | 662,012                  | 480,937                 | 480,937                 |
| Derivative financial assets designated as hedge accounting relationships         | 17,727                   | 17,727                   | 6,817                   | 6,817                   |
| Other financial assets   | 153,747                  | 153,747                  | 127,179                 | 127,179                 |
| <b>FINANCIAL ASSETS TOTAL</b>  | <b><u>11,901,185</u></b> | <b><u>11,233,248</u></b> | <b><u>9,411,186</u></b> | <b><u>9,265,147</u></b> |
| Amounts due to banks, deposits from the National Bank of Hungary and other banks | 1,051,203                | 958,463                  | 766,977                 | 754,573                 |
| Repo liabilities   | 86,580                   | 86,543                   | 109,612                 | 111,548                 |
| Deposits from customers  | 9,948,532                | 9,946,444                | 7,895,735               | 7,895,211               |
| Leasing liabilities  | 17,932                   | 17,928                   | 14,106                  | 14,105                  |
| Liabilities from issued securities   | 22,153                   | 21,006                   | 28,435                  | 31,588                  |
| Financial liabilities at fair value through profit or loss                       | 20,133                   | 20,133                   | 25,902                  | 25,902                  |
| Derivative financial liabilities designated as held for trading                  | 192,261                  | 192,261                  | 99,987                  | 99,987                  |
| Derivative financial liabilities designated as hedge accounting relationships    | 18,690                   | 18,690                   | 3,104                   | 3,104                   |
| Subordinated bonds and loans   | 271,776                  | 278,151                  | 304,243                 | 295,218                 |
| Other financial liabilities  | 194,511                  | 194,511                  | 167,540                 | 167,540                 |
| <b>FINANCIAL LIABILITIES TOTAL</b>   | <b><u>11,823,771</u></b> | <b><u>11,734,130</u></b> | <b><u>9,415,641</u></b> | <b><u>9,398,776</u></b> |

**b) Derivative financial instruments**

OTP Bank regularly enters into hedging transactions in order to decrease its financial risks. However some economically hedging transaction do not meet the criteria to account for hedge accounting, therefore these transactions were accounted as derivatives held for trading. Net investment hedge in foreign operations is not applicable in separate financial statements.

The assessment of the hedge effectiveness (both for fair value hedges and cash flow hedges) to determine the economic relationship between the hedged item and the hedging instrument is accomplished with prospective scenario analysis via different rate shift scenarios of the relevant risk factor(s) of the hedged risk component(s). The fair value change of the hedged item and the hedging instrument is compared in the different scenarios. Economic relationship is justified if the change of the fair value of the hedged item and the hedging instrument are in the opposite direction and the absolute changes are similar amounts. The hedge ratio is determined as the ratio of the notional of the hedged item and the notional of the hedging instrument. The sources of hedge ineffectiveness are the not hedged risk components (e.g, change of cross currency basis spreads in case of interest rate risk hedges), slight differences in maturity dates and interest payment dates in case of fair value hedges, and differences between the carrying amount of the hedged item and the carrying amount of the hedging instrument in case of FX hedges (e.g, caused by interest rate risk components in the fair value of the hedging instrument).

OTP BANK PLC.

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

**NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]**

**b) *Derivative financial instruments [continued]***

**Fair value of derivative financial instruments<sup>1</sup>**

The Bank has the following held for trading derivatives and derivatives designated as hedge accounting:

|   | 31 December 2021     |                        |                      |                      |                        | 31 December 2020     |                        |                     |                      |                        |
|---|----------------------|------------------------|----------------------|----------------------|------------------------|----------------------|------------------------|---------------------|----------------------|------------------------|
|   | Before netting       |                        | Netting              | After netting        |                        | Before netting       |                        | Netting             | After netting        |                        |
|   | Assets               | Liabilities            |                      | Assets               | Liabilities            | Assets               | Liabilities            |                     | Assets               | Liabilities            |
| <b>Held for trading derivative financial instruments</b>      |                      |                        |                      |                      |                        |                      |                        |                     |                      |                        |
| <b>Interest rate derivatives</b>                              |                      |                        |                      |                      |                        |                      |                        |                     |                      |                        |
| Interest rate swaps   | 54,251               | (53,720)               | 40,783               | 13,468               | (12,937)               | 30,216               | (28,474)               | 8,984               | 21,232               | (19,490)               |
| Cross currency interest rate swaps                            | 7,207                | (7,618)                | -                    | 7,207                | (7,618)                | 7,315                | (7,285)                | -                   | 7,315                | (7,285)                |
| OTC options   | 479                  | (479)                  | -                    | 479                  | (479)                  | 356                  | (356)                  | -                   | 356                  | (356)                  |
| <b>Total interest rate derivatives (OTC derivatives)</b>      | <b><u>61,937</u></b> | <b><u>(61,817)</u></b> | <b><u>40,783</u></b> | <b><u>21,154</u></b> | <b><u>(21,034)</u></b> | <b><u>37,887</u></b> | <b><u>(36,115)</u></b> | <b><u>8,984</u></b> | <b><u>28,903</u></b> | <b><u>(27,131)</u></b> |
| <i>From this: Interest rate derivatives cleared by NBH</i>    | <i>1,276</i>         | <i>-</i>               | <i>-</i>             | <i>1,276</i>         | <i>-</i>               | <i>5</i>             | <i>(72)</i>            | <i>-</i>            | <i>5</i>             | <i>(72)</i>            |
| <b>Foreign exchange derivatives</b>                           |                      |                        |                      |                      |                        |                      |                        |                     |                      |                        |
| Foreign exchange swaps  | 36,896               | (40,639)               | -                    | 36,896               | (40,639)               | 39,644               | (30,374)               | -                   | 39,644               | (30,374)               |
| Foreign exchange forward                                      | 8,854                | (6,819)                | -                    | 8,854                | (6,819)                | 6,990                | (9,869)                | -                   | 6,990                | (9,869)                |
| OTC options   | 804                  | (180)                  | -                    | 804                  | (180)                  | 3,909                | (3,836)                | -                   | 3,909                | (3,836)                |
| Foreign exchange spot conversion                              | <u>175</u>           | <u>(246)</u>           | <u>-</u>             | <u>175</u>           | <u>(246)</u>           | <u>619</u>           | <u>(704)</u>           | <u>-</u>            | <u>619</u>           | <u>(704)</u>           |
| <b>Total foreign exchange derivatives (OTC derivatives)</b>   | <b><u>46,729</u></b> | <b><u>(47,884)</u></b> | <b><u>-</u></b>      | <b><u>46,729</u></b> | <b><u>(47,884)</u></b> | <b><u>51,162</u></b> | <b><u>(44,783)</u></b> | <b><u>-</u></b>     | <b><u>51,162</u></b> | <b><u>(44,783)</u></b> |
| <i>From this: Foreign exchange derivatives cleared by NBH</i> | <i>3,447</i>         | <i>(1,480)</i>         | <i>-</i>             | <i>3,447</i>         | <i>(1,480)</i>         | <i>5,211</i>         | <i>(1,852)</i>         | <i>-</i>            | <i>5,211</i>         | <i>(1,852)</i>         |

<sup>1</sup> Certain derivative financial assets and liabilities are offset and the net amount is presented in accordance with IAS 32 in the Statement of Financial Position. The Bank has the ability and the intention to settle those instruments on a net basis, which are settled through the same clearing house.

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

**NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]**

**b) Derivative financial instruments [continued]<sup>1</sup>**

**Fair value of derivative financial instruments [continued]**

|  | 31 December 2021         |                         |                      | 31 December 2020        |                         |                       |                          |                        |                       |                         |                        |
|--|--------------------------|-------------------------|----------------------|-------------------------|-------------------------|-----------------------|--------------------------|------------------------|-----------------------|-------------------------|------------------------|
|  | Before netting<br>Assets | Liabilities             | Netting              | After netting<br>Assets | Liabilities             | Netting               | Before netting<br>Assets | Liabilities            | Netting               | After netting<br>Assets | Liabilities            |
| <b>Equity stock and index derivatives</b>  |                          |                         |                      |                         |                         |                       |                          |                        |                       |                         |                        |
| Commodity Swaps  | 52,197                   | (52,166)                | -                    | 52,197                  | (52,166)                | -                     | 13,999                   | (12,901)               | -                     | 13,999                  | (12,901)               |
| Equity swaps   | <u>10,538</u>            | <u>(357)</u>            | =                    | <u>10,538</u>           | <u>(357)</u>            | =                     | <u>7,071</u>             | <u>(560)</u>           | =                     | <u>7,071</u>            | <u>(560)</u>           |
| <b>OTC derivatives</b>   | <b><u>62,735</u></b>     | <b><u>(52,523)</u></b>  | =                    | <b><u>62,735</u></b>    | <b><u>(52,523)</u></b>  | =                     | <b><u>21,070</u></b>     | <b><u>(13,461)</u></b> | =                     | <b><u>21,070</u></b>    | <b><u>(13,461)</u></b> |
| Exchange traded futures and options  | 164                      | (278)                   | -                    | 164                     | (278)                   | -                     | 379                      | (1,262)                | -                     | 379                     | (1,262)                |
| <b>Total equity stock and index derivatives</b>                                      | <b><u>62,899</u></b>     | <b><u>(52,801)</u></b>  | =                    | <b><u>62,899</u></b>    | <b><u>(52,801)</u></b>  | =                     | <b><u>21,449</u></b>     | <b><u>(14,723)</u></b> | =                     | <b><u>21,449</u></b>    | <b><u>(14,723)</u></b> |
| <b>Derivatives held for risk management not designated in hedges</b>                 |                          |                         |                      |                         |                         |                       |                          |                        |                       |                         |                        |
| Interest rate swaps  | 51,311                   | (70,811)                | 5,682                | 45,629                  | (65,129)                | 25,760                | (22,058)                 | 12,736                 | 13,024                | (9,322)                 |                        |
| Foreign exchange swaps   | 1,915                    | (5,245)                 | -                    | 1,915                   | (5,245)                 | 2,208                 | (3,953)                  | -                      | 2,208                 | (3,953)                 |                        |
| Forward  | -                        | -                       | -                    | -                       | -                       | 28                    | (75)                     | -                      | 28                    | (75)                    |                        |
| Cross currency interest rate swaps   | <u>4,442</u>             | <u>(168)</u>            | =                    | <u>4,442</u>            | <u>(168)</u>            | <u>44</u>             | =                        | =                      | <u>44</u>             | =                       |                        |
| <b>Total derivatives held for risk management not designated in hedges</b>           | <b><u>57,668</u></b>     | <b><u>(76,224)</u></b>  | <b><u>5,682</u></b>  | <b><u>51,986</u></b>    | <b><u>(70,542)</u></b>  | <b><u>28,040</u></b>  | <b><u>(26,086)</u></b>   | <b><u>12,736</u></b>   | <b><u>15,304</u></b>  | <b><u>(13,350)</u></b>  |                        |
| <i>From this: Total derivatives cleared by NBH held for risk management</i>          | <i>35,226</i>            | <i>(497)</i>            | <i>-</i>             | <i>35,226</i>           | <i>(497)</i>            | <i>759</i>            | <i>(6,269)</i>           | <i>-</i>               | <i>759</i>            | <i>(6,269)</i>          |                        |
| <b>Total Held for trading derivative financial instruments</b>                       | <b><u>229,233</u></b>    | <b><u>(238,726)</u></b> | <b><u>46,465</u></b> | <b><u>182,768</u></b>   | <b><u>(192,261)</u></b> | <b><u>138,538</u></b> | <b><u>(121,707)</u></b>  | <b><u>21,720</u></b>   | <b><u>116,818</u></b> | <b><u>(99,987)</u></b>  |                        |
| <b>Derivative financial instruments designated as hedge accounting relationships</b> |                          |                         |                      |                         |                         |                       |                          |                        |                       |                         |                        |
| <b>Derivatives designated in cash flow hedges</b>                                    |                          |                         |                      |                         |                         |                       |                          |                        |                       |                         |                        |
| Interest rate swaps  | -                        | (8,638)                 | 1,020                | (1,020)                 | (7,618)                 | 8,027                 | -                        | 8,027                  | -                     | 8,027                   |                        |
| <b>Total derivatives designated in cash flow hedges</b>                              | =                        | <b><u>(8,638)</u></b>   | <b><u>1,020</u></b>  | <b><u>(1,020)</u></b>   | <b><u>(7,618)</u></b>   | <b><u>8,027</u></b>   | =                        | <b><u>8,027</u></b>    | =                     | <b><u>8,027</u></b>     |                        |
| <b>Derivatives designated in fair value hedges</b>                                   |                          |                         |                      |                         |                         |                       |                          |                        |                       |                         |                        |
| Interest rate swaps  | 25,407                   | (17,878)                | 12,131               | 13,276                  | (5,747)                 | 2,432                 | (7,061)                  | 1,795                  | 637                   | (5,266)                 |                        |
| Cross currency interest rate swaps   | 5,471                    | (5,325)                 | -                    | 5,471                   | (5,325)                 | 6,180                 | (5,865)                  | -                      | 6,180                 | (5,865)                 |                        |
| <b>Total derivatives designated in fair value hedges</b>                             | <b><u>30,878</u></b>     | <b><u>(23,203)</u></b>  | <b><u>12,131</u></b> | <b><u>18,747</u></b>    | <b><u>(11,072)</u></b>  | <b><u>8,612</u></b>   | <b><u>(12,926)</u></b>   | <b><u>1,795</u></b>    | <b><u>6,817</u></b>   | <b><u>(11,131)</u></b>  |                        |
| <i>From this: Total derivatives cleared by NBH held for hedging</i>                  | <i>-</i>                 | <i>(2,249)</i>          | <i>-</i>             | <i>-</i>                | <i>(2,249)</i>          | <i>-</i>              | <i>(1,691)</i>           | <i>-</i>               | <i>-</i>              | <i>(1,691)</i>          |                        |
| <b>Total derivatives held for risk management (OTC derivatives)</b>                  | <b><u>30,878</u></b>     | <b><u>(31,841)</u></b>  | <b><u>13,151</u></b> | <b><u>17,727</u></b>    | <b><u>(18,690)</u></b>  | <b><u>16,639</u></b>  | <b><u>(12,926)</u></b>   | <b><u>9,822</u></b>    | <b><u>6,817</u></b>   | <b><u>(3,104)</u></b>   |                        |

<sup>1</sup> Certain derivative financial assets and liabilities are offset and the net amount is presented in accordance with IAS 32 in the Statement of Financial Position. The Bank has the ability and the intention to settle those instruments on a net basis, which are settled through the same clearing house.

**NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]**

**c) Hedge accounting**

Interest rate risk management is centralized at OTP Group. Interest rate risk exposures in major currencies are managed at HQ on consolidated level. Although risk exposures in local currencies are managed at subsidiary level, the respective decisions are subject to HQ approval. Interest rate risk is measured by simulating NII and EVE under different stress and plan scenarios, the established risk limits are described in „OTP Bank’s Group-Level Regulations on the Management of Liquidity Risk and Interest Rate Risk of Banking Book”. The interest rate risk management activity aims to stabilize NII within the approved risk limits.

The risk management objective of these hedge relationships is to mitigate the risk of clean fair value (i.e. excluding accrued interest) change of MIRS loans due to the change of interest rate reference indexes (BUBOR, EURIBOR, LIBOR, etc.) of the respective currency.

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

**NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]**

c) ***Hedge accounting [continued]***

Amount, timing and uncertainty of future cash flows - hedging instruments as at 31 December 2021 (amounts in million currency)

31 December 2021

| Type of hedge             | Type of risk       | Type of instrument                | Within one month | Within three months and over one month | Within one year and over three months | Within five years and over one year | More than five years | Total   |
|---------------------------|--------------------|-----------------------------------|------------------|--|---------------------------------------|-------------------------------------|----------------------|---------|
| Fair Value Hedge          | Interest rate risk | Interest rate swap                |                  |  |                                       |                                     |                      |         |
|                           |                    | HUF                               |                  |  |                                       |                                     |                      |         |
|                           |                    | Notional                          | -                | 2,000                                  | 900                                   | (52,474)                            | 42,950               | (6,624) |
|                           |                    | Average Interest Rate (%)         | -                | 1.09%                                  | 0.49%                                 | 1.65%                               | 1.31%                |         |
|                           |                    | EUR                               |                  |  |                                       |                                     |                      |         |
|                           |                    | Notional                          | -                | -                                      | 1                                     | 111                                 | 50                   | 162     |
|                           |                    | Average Interest Rate (%)         | -                | -                                      | 0.23%                                 | 0.24%                               | 0.05%                |         |
|                           |                    | USD                               |                  |  |                                       |                                     |                      |         |
|                           |                    | Notional                          | -                | -                                      | -                                     | 119                                 | 47                   | 166     |
|                           |                    | Average Interest Rate (%)         | -                | -                                      | -                                     | 2.54%                               | 4.18%                |         |
|                           |                    | JPY                               |                  |  |                                       |                                     |                      |         |
|                           |                    | Notional                          | -                | -                                      | -                                     | 4,500                               | -                    | 4,500   |
| Average Interest Rate (%) | -                  | -                                 | -                | 0.22%                                  | -                                     |                                     |                      |         |
| Fair Value Hedge          | FX & IR risk       | Cross currency interest rate swap |                  |  |                                       |                                     |                      |         |
|                           |                    | EUR/HUF                           |                  |  |                                       |                                     |                      |         |
|                           |                    | Notional                          | -                | 1                                      | 2                                     | 12                                  | 12                   | 27      |
| Average Interest Rate (%) | -                  | (1.68%)                           | (1.67%)          | (1.69%)                                | (1.82%)                               |                                     |                      |         |
| Average FX Rate           | -                  | 310.29                            | 310.26           | 310.01                                 | 307.81                                |                                     |                      |         |
| Fair Value Hedge          | FX risk            | Cross currency interest rate swap |                  |  |                                       |                                     |                      |         |
|                           |                    | EUR/HUF                           |                  |  |                                       |                                     |                      |         |
|                           |                    | Notional                          | -                | -6                                     | 35                                    | 572                                 | -                    | 601     |
|                           |                    | Average FX Rate                   | -                | 354.22                                 | 356.94                                | 355.93                              | -                    |         |
|                           |                    | RON/HUF                           |                  |  |                                       |                                     |                      |         |
|                           |                    | Notional                          | -                | -                                      | 200                                   | 2,225                               | -                    | 2,425   |
|                           |                    | Average FX Rate                   | -                | -                                      | 66.21                                 | 73.08                               | -                    |         |
|                           |                    | RUB/HUF                           |                  |  |                                       |                                     |                      |         |
|                           |                    | Notional                          | -                | -                                      | -                                     | 11,200                              | -                    | 11,200  |
|                           |                    | Average FX Rate                   | -                | -                                      | -                                     | 4.15                                | -                    |         |
|                           |                    | JPY/HUF                           |                  |  |                                       |                                     |                      |         |
|                           |                    | Notional                          | -                | -                                      | -                                     | 4,500                               | -                    | 4,500   |
|                           |                    | Average FX Rate                   | -                | -                                      | -                                     | 2.79                                | -                    |         |
|                           |                    | USD/HUF                           |                  |  |                                       |                                     |                      |         |
|                           |                    | Notional                          | -                | -                                      | (3)                                   | 306                                 | -                    | 303     |
| Average FX Rate           | -                  | -                                 | 323.77           | 323.77                                 | -                                     |                                     |                      |         |
| Fair Value Hedge          | Other              | Interest rate swap                |                  |  |                                       |                                     |                      |         |
|                           |                    | HUF                               |                  |  |                                       |                                     |                      |         |
|                           |                    | Notional                          | -                | 3,345                                  | 1,823                                 | 3,093                               | -                    | 8,261   |
| Cash flow Hedge           | Interest rate risk | Interest rate swap                |                  |  |                                       |                                     |                      |         |
|                           |                    | HUF                               |                  |  |                                       |                                     |                      |         |
|                           |                    | Notional                          | -                | -                                      | -                                     | 7,819                               | 28,027               | 35,846  |
| Average FX Rate           | -                  | -                                 | -                | 1.80                                   | 2.46                                  |                                     |                      |         |

OTP BANK PLC.

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

**NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]**

c) Hedge accounting [continued]

Amount, timing and uncertainty of future cash flows - hedging instruments as at 31 December 2020 (amounts in million currency)

31 December 2020

| Type of hedge    | Type of risk       | Type of instrument                | Within one month | Within three months and over one month | Within one year and over three months | Within five years and over one year | More than five years | Total          |
|------------------|--------------------|-----------------------------------|------------------|--|---------------------------------------|-------------------------------------|----------------------|----------------|
| Fair Value Hedge | Interest rate risk | Interest rate swap                |                  |  |                                       |                                     |                      |                |
|                  |                    | HUF                               |                  |  |                                       |                                     |                      |                |
|                  |                    | Notional                          | -                | -                                      | 60,000                                | (89,622)                            | 173,810              | <b>144,188</b> |
|                  |                    | Average Interest Rate (%)         | -                | -                                      | 1.31%                                 | 1.06%                               | 1.35%                |                |
|                  |                    | EUR                               |                  |  |                                       |                                     |                      |                |
|                  |                    | Notional                          | 15               | -                                      | 5                                     | 102                                 | 10                   | <b>132</b>     |
|                  |                    | Average Interest Rate (%)         | (0.11%)          | -                                      | 0.09%                                 | 0.24%                               | 0.22%                |                |
|                  |                    | USD                               |                  |  |                                       |                                     |                      |                |
|                  |                    | Notional                          | -                | -                                      | 21                                    | 171                                 | 29                   | <b>221</b>     |
|                  |                    | Average Interest Rate (%)         | -                | -                                      | 2.00%                                 | 2.38%                               | 2.35%                |                |
| Fair Value Hedge | FX & IR risk       | RUB                               |                  |  |                                       |                                     |                      |                |
|                  |                    | Notional                          | -                | -                                      | -                                     | 2,100                               | -                    | <b>2,100</b>   |
|                  |                    | Average Interest Rate (%)         | -                | -                                      | -                                     | 7.38%                               | -                    |                |
|                  |                    | Cross currency interest rate swap |                  |  |                                       |                                     |                      |                |
| Fair Value Hedge | FX risk            | EUR/HUF                           |                  |  |                                       |                                     |                      |                |
|                  |                    | Notional                          | -                | -                                      | 2                                     | 12                                  | 14                   | <b>28</b>      |
|                  |                    | Average Interest Rate (%)         | -                | -                                      | (1.60%)                               | (1.63%)                             | (1.67%)              |                |
| Fair Value Hedge | FX risk            | Average FX Rate                   | -                | -                                      | 310.82                                | 310.14                              | 308.15               |                |
|                  |                    | Cross currency interest rate swap |                  |  |                                       |                                     |                      |                |
|                  |                    | EUR/HUF                           |                  |  |                                       |                                     |                      |                |
|                  |                    | Notional                          | 1                | 92                                     | 123                                   | 613                                 | -                    | <b>829</b>     |
|                  |                    | Average FX Rate                   | 360.19           | 354.92                                 | 360.47                                | 356.03                              | -                    |                |
|                  |                    | RON/HUF                           |                  |  |                                       |                                     |                      |                |
|                  |                    | Notional                          | -                | -                                      | -                                     | 1,550                               | -                    | <b>1,550</b>   |
|                  |                    | Average FX Rate                   | -                | -                                      | -                                     | 72.60                               | -                    |                |
|                  |                    | RUB/HUF                           |                  |  |                                       |                                     |                      |                |
|                  |                    | Notional                          | -                | -                                      | -                                     | 4,100                               | -                    | <b>4,100</b>   |
| Average FX Rate  | -                  | -                                 | -                | 4.46                                   | -                                     |                                     |                      |                |
| Fair Value Hedge | Other              | Interest rate swap                |                  |  |                                       |                                     |                      |                |
|                  |                    | HUF                               |                  |  |                                       |                                     |                      |                |
| Cash flow Hedge  | Interest rate risk | Notional                          | -                | (183)                                  | 6,940                                 | 8,342                               | -                    | <b>15,099</b>  |
|                  |                    | Interest rate swap                |                  |  |                                       |                                     |                      |                |
| Cash flow Hedge  | Interest rate risk | HUF                               |                  |  |                                       |                                     |                      |                |
|                  |                    | Notional                          | -                | -                                      | -                                     | 12,194                              | 28,027               | <b>40,221</b>  |
|                  |                    | Average FX Rate                   | -                | -                                      | -                                     | 1.77                                | 2.46                 |                |

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

**NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]**

***c) Hedge accounting [continued]***

**Derivative financial instruments designated as hedge accounting as follows:**

| Type of instrument      | Type of risk       | Nominal amount of the hedging instrument | Carrying amount of the hedging instrument for the year ended 31 December 2021 |             |         |                      |             | Line item in the statement of financial position where the hedging instrument is located | Changes in fair value used for calculating hedge ineffectiveness for the year ended 31 December 2021 |
|-------------------------|--------------------|--|---|-------------|---------|----------------------|-------------|--|--|
|                         |                    |  | Before netting Assets   | Liabilities | Netting | After netting Assets | Liabilities |  |  |
| <b>Fair value hedge</b> |                    |  |   |             |         |                      |             |  |  |
| Interest rate swap      | Interest rate risk | 409,595                                  | 23,976  | (17,878)    | 12,131  | 11,845               | (5,747)     | Derivative assets (liabilities) held for risk management                                 | 6,494  |
| Cross-currency swap     | FX & IR risk       | 8,175                                    | -   | (2,249)     | -       | -                    | (2,249)     | Derivative assets (liabilities) held for risk management                                 | 4  |
| Cross-currency swap     | FX risk            | 566,936                                  | 5,471   | (3,076)     | -       | 5,471                | (3,076)     | Derivative assets (liabilities) held for risk management                                 | (1,687)  |
| Interest rate swap      | Other              | 8,261                                    | 1,431   | -           | -       | 1,431                | -           | Derivative assets (liabilities) held for risk management                                 | 3  |
| <b>Cash flow hedge</b>  |                    |  |   |             |         |                      |             |  |  |
| Interest rate swap      | Interest rate risk | 35,846                                   | -   | (8,638)     | 1,020   | (1,020)              | (7,618)     | Derivative assets (liabilities) held for risk management                                 | (101)  |

| 31 December 2021               | Type of risk              | Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item |                       |   |                        | Line item in the statement of financial position in which the hedged item is included |
|--------------------------------|---------------------------|--|-----------------------|---|------------------------|---|
|                                |                           | Carrying amount of the hedged item   |                       | adjustments on the hedged item included in the carrying amount of the hedged item |                        |   |
|                                |                           | Assets   | Liabilities           | Assets  | Liabilities            |   |
| <b>Fair value hedges</b>       |                           |  |                       |   |                        |   |
| - Loans                        | <i>Interest rate risk</i> | 57,176   | -                     | 637   | -                      | Loans   |
| - Loans                        | <i>Interest rate risk</i> | -  | 142,649               | -   | (16,858)               | Amounts due to banks and deposits from the National Bank of Hungary and other banks   |
| - Government bonds             | <i>Interest rate risk</i> | 13,921   | -                     | 1,230   | -                      | Securities at amortised cost  |
| - Government bonds             | <i>Interest rate risk</i> | 152,830  | -                     | 22,457  | -                      | Securities at fair value through other comprehensive income                           |
| - Government bonds             | <i>Interest rate risk</i> | -  | -                     | -   | -                      | Financial assets at fair value through profit or loss                                 |
| - Other securities             | <i>Interest rate risk</i> | 42,008   | -                     | 318   | -                      | Securities at fair value through other comprehensive income                           |
| - Loans                        | <i>FX &amp; IR risk</i>   | 10,595   | -                     | 611   | -                      | Loans   |
| - Loans                        | <i>FX risk</i>            | 458,312  | -                     | -   | -                      | Loans   |
| - Government bonds             | <i>FX risk</i>            | 12,811   | -                     | -   | -                      | Securities at amortised cost  |
| - Government bonds             | <i>FX risk</i>            | 98,668   | -                     | -   | -                      | Securities at fair value through other comprehensive income                           |
| - Other securities             | <i>Other risk</i>         | -  | 8,261                 | -   | (161)                  | Liabilities from issued securities  |
| <b>Fair value hedges total</b> |                           | <b><u>846,321</u></b>  | <b><u>150,910</u></b> | <b><u>25,253</u></b>  | <b><u>(17,019)</u></b> |   |

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

**NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]**

***c) Hedge accounting [continued]***

**Derivative financial instruments designated as hedge accounting as follows:**

For the year ended 31 December 2021 OCI related to cash flow hedges as follows:

| Type of risk       | Carrying amount of the hedged item |             | Cash flow hedge reserve<br>Year ended 2021 | Line item in the statement of financial position in which the hedged item is included |
|--------------------|------------------------------------|-------------|--|---|
|                    | Assets                             | Liabilities |  |   |
| Interest rate risk | 35,965                             | -           | 3,568                                      | Loans at amortised cost   |

For the year ended 31 December 2020 OCI related to cash flow hedges as follows:

| Type of risk       | Carrying amount of the hedged item |             | Cash flow hedge reserve<br>Year ended 2021 | Line item in the statement of financial position in which the hedged item is included |
|--------------------|------------------------------------|-------------|--|---|
|                    | Assets                             | Liabilities |  |   |
| Interest rate risk | 40,221                             | -           | (2,739)                                    | Loans at amortised cost   |

For the year ended 31 December 2021 change in basis swap spread recognised in OCI related to fair value hedges as follows:

| Type of risk | Carrying amount of the hedged item |             | Items recognised in other comprehensive income<br>Year ended 2021 | Change in the items recognized in other comprehensive income Year ended 2021 | Line item in the statement of financial position in which the hedged item is included |
|--------------|------------------------------------|-------------|---|--|---|
|              | Assets                             | Liabilities |   |  |   |
| FX risk      | 458,312                            | -           | (1,032)   | (1,681)  | Loans at amortised cost   |
| FX risk      | 12,811                             | -           | 64  | -  | FVOCI securities  |
|              | <u>471,123</u>                     | =           | <u>(968)</u>  | <u>(1,681)</u>   |   |

For the year ended 31 December 2020 change in basis swap spread recognised in OCI related to fair value hedges as follows:

| Type of risk | Carrying amount of the hedged item |             | Items recognised in other comprehensive income<br>Year ended 2021 | Change in the items recognized in other comprehensive income Year ended 2021 | Line item in the statement of financial position in which the hedged item is included |
|--------------|------------------------------------|-------------|---|--|---|
|              | Assets                             | Liabilities |   |  |   |
| FX risk      | 303,572                            | -           | 713   | -  | Loans at amortised cost   |
|              | <u>303,572</u>                     | =           | <u>713</u>  | =  |   |



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

**NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]**

***c) Hedge accounting [continued]***

**Derivative financial instruments designated as hedge accounting as follows:**

| Type of instrument      | Type of risk       | Nominal amount of the hedging instrument | Carrying amount of the hedging instrument for the year ended 31 December 2020 |             |         |               |         | Line item in the statement of financial position where the hedging instrument is located | Changes in fair value used for calculating hedge ineffectiveness for the year ended 31 December 2020 |
|-------------------------|--------------------|--|---|-------------|---------|---------------|---------|--|--|
|                         |                    |  | Before netting  |             | Netting | After netting |         |  |  |
|                         |                    |  | Assets  | Liabilities |         |               | Assets  | Liabilities  |  |
| <b>Fair value hedge</b> |                    |  |   |             |         |               |         |  |  |
| Interest rate swap      | Interest rate risk | 468,574                                  | 1,900   | (7,062)     | 1,795   | 105           | (5,267) | Derivative assets (liabilities) held for risk management                                 | (370)  |
| Cross-currency swap     | FX & IR risk       | 8,874                                    | -   | (1,408)     | -       | -             | (1,408) | Derivative assets (liabilities) held for risk management                                 | (36)   |
| Cross-currency swap     | FX risk            | 438,401                                  | 6,182   | (4,456)     | -       | 6,182         | (4,456) | Derivative assets (liabilities) held for risk management                                 | (809)  |
| Interest rate swap      | Other              | 16,224                                   | 530   | -           | -       | 530           | -       | Derivative assets (liabilities) held for risk management                                 | 2  |
| <b>Cash flow hedge</b>  |                    |  |   |             |         |               |         |  |  |
| Interest rate swap      | Interest rate risk | 40,221                                   | 8,027   | -           | 8,027   | -             | 8,027   | Derivative assets (liabilities) held for risk management                                 | (85)   |

| 31 December 2020               | Type of risk              | Carrying amount of the hedged item |                       | Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item |                     | Line item in the statement of financial position in which the hedged item is included |
|--------------------------------|---------------------------|------------------------------------|-----------------------|--|---------------------|---|
|                                |                           | Assets                             | Liabilities           | Assets   | Liabilities         |   |
| <b>Fair value hedges</b>       |                           |                                    |                       |  |                     |   |
| - Loans                        | <i>Interest rate risk</i> | 35,256                             | -                     | 1,679  | -                   | Loans   |
| - Loans                        | <i>Interest rate risk</i> | -                                  | 100,299               | -  | (235)               | Loans   |
| - Government bonds             | <i>Interest rate risk</i> | 8,678                              | -                     | (106)  | -                   | Securities at amortised cost  |
| - Government bonds             | <i>Interest rate risk</i> | 269,838                            | -                     | 2,518  | -                   | Securities at fair value through other comprehensive income                           |
| - Other securities             | <i>Interest rate risk</i> | 47,560                             | -                     | 781  | -                   | Securities at fair value through other comprehensive income                           |
| - Loans                        | <i>FX &amp; IR risk</i>   | 10,378                             | -                     | 284  | -                   | Loans   |
| - Loans                        | <i>FX risk</i>            | 303,572                            | -                     | -  | -                   | Loans   |
| - Other securities             | <i>Other risk</i>         | -                                  | 15,032                | -  | (528)               | Liabilities from issued securities  |
| <b>Fair value hedges total</b> |                           | <b><u>675,282</u></b>              | <b><u>115,331</u></b> | <b><u>5,156</u></b>  | <b><u>(763)</u></b> |   |

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

**NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]**

***c) Hedge accounting [continued]***

**31 December 2021**

| Type of instrument | Type of risk       | Change in the value of the hedging instrument recognised in cash flow hedge reserve | Hedge ineffectiveness recognised in profit or loss | Line item in profit or loss that includes hedge ineffectiveness                         |
|--------------------|--------------------|---|--|---|
| Interest rate swap | Interest rate risk | 6,307   | (101)  | Interest Income from Placements with other banks, net of allowance for placement losses |

For the year ended 31 December 2021 an amount HUF 171 million reclassified from cash flow hedge reserve to profit or loss due to termination of hedging relationship.

**31 December 2020**

| Type of instrument | Type of risk       | Change in the value of the hedging instrument recognised in cash flow hedge reserve | Hedge ineffectiveness recognised in profit or loss | Line item in profit or loss that includes hedge ineffectiveness                         |
|--------------------|--------------------|---|--|---|
| Interest rate swap | Interest rate risk | 296   | (85)   | Interest Income from Placements with other banks, net of allowance for placement losses |

***d) Fair value classes***

Methods and significant assumptions used to determine fair value of the different classes of financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly, Fair value measurements – in relation with instruments measured not at fair value – are categorized in level 2;
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

|   | 31 December 2021 | Total            | Level 1        | Level 2        | Level 3        |
|---|------------------|------------------|----------------|----------------|----------------|
| Loans at fair value through other comprehensive income  |                  | 662,012          | -              | -              | 662,012        |
| Financial assets at fair value through profit or loss   |                  | 246,462          | 37,537         | 189,501        | 19,424         |
| <i>from this: securities held for trading</i>   |                  | 35,633           | 18,566         | 17,067         | -              |
| <i>from this: positive FVA of derivative financial instruments designated as held for trading</i> |                  | 182,768          | 164            | 172,434        | 10,170         |
| <i>from this: securities mandatorily measured at fair value through profit or loss</i>            |                  | 28,061           | 18,807         | -              | 9,254          |
| Securities at fair value through other comprehensive income                                       |                  | 641,939          | 315,147        | 326,792        | -              |
| Positive fair value of derivative financial instruments designated as hedge accounting            |                  | 17,727           | -              | 17,727         | -              |
| <b>Financial assets measured at fair value total</b>  |                  | <b>1,568,140</b> | <b>352,684</b> | <b>534,020</b> | <b>681,436</b> |
| Financial liabilities at fair value through profit or loss  |                  | 20,133           | -              | -              | 20,133         |
| Negative fair value of derivative financial instruments classified as held for trading            |                  | 192,261          | 278            | 191,983        | -              |
| Short position  |                  | 16,904           | 16,904         | -              | -              |
| Negative fair value of derivative financial instruments designated as hedge accounting            |                  | 18,690           | -              | 18,690         | -              |
| <b>Financial liabilities measured at fair value total</b>   |                  | <b>247,988</b>   | <b>17,182</b>  | <b>210,673</b> | <b>20,133</b>  |

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

**NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]**

*d) Fair value classes [continued]*

| As at 31 December 2020  | Total                   | Level 1               | Level 2               | Level 3               |
|---|-------------------------|-----------------------|-----------------------|-----------------------|
| Loans at fair value through other comprehensive income  | 480,937                 | -                     | -                     | 480,937               |
| Financial assets at fair value through profit or loss   | 160,483                 | 34,643                | 111,130               | 14,710                |
| <i>from this: securities held for trading</i>   | <i>11,729</i>           | <i>10,453</i>         | <i>1,276</i>          | <i>-</i>              |
| <i>from this: positive FVA of derivative financial instruments designated as held for trading</i> | <i>116,818</i>          | <i>378</i>            | <i>109,854</i>        | <i>6,586</i>          |
| <i>from this: securities mandatorily measured at fair value through profit or loss</i>            | <i>31,936</i>           | <i>23,812</i>         | <i>-</i>              | <i>8,124</i>          |
| Securities at fair value through other comprehensive income                                       | 911,950                 | 426,566               | 485,384               | -                     |
| Positive fair value of derivative financial instruments designated as hedge accounting            | <u>6,817</u>            | -                     | <u>6,817</u>          | -                     |
| <b>Financial assets measured at fair value total</b>  | <b><u>1,560,187</u></b> | <b><u>461,209</u></b> | <b><u>603,331</u></b> | <b><u>495,647</u></b> |
| Financial liabilities at fair value through profit or loss  | 25,902                  | -                     | -                     | 25,902                |
| Negative fair value of derivative financial instruments classified as held for trading            | 99,987                  | 1,263                 | 98,724                | -                     |
| Short position  | 9,131                   | 9,131                 | -                     | -                     |
| Negative fair value of derivative financial instruments designated as hedge accounting            | <u>3,104</u>            | -                     | <u>3,104</u>          | -                     |
| <b>Financial liabilities measured at fair value total</b>   | <b><u>138,124</u></b>   | <b><u>10,394</u></b>  | <b><u>101,828</u></b> | <b><u>25,902</u></b>  |

**Valuation techniques and sensitivity analysis on Level 3 instruments**

Sensitivity analysis is performed on products with significant unobservable inputs (Level 3) to generate a range of reasonably possible alternative valuations. The sensitivity methodologies applied take account of the nature of the valuation techniques used, as well as the availability and reliability of observable proxy and historical data and the impact of using alternative models.

The calculation is based on range or spread data of reliable reference source or a scenario based on relevant market analysis alongside the impact of using alternative models. Sensitivities are calculated without reflecting the impact of any diversification in the portfolio.

**Unobservable inputs used in measuring fair value**

| Type of financial instrument | Valuation technique                            | Significant unobservable input                     | Range of estimates for unobservable input |
|------------------------------|--|--|---|
| VISA C shares                | Market approach combined with expert judgement | Discount applied due to illiquidity and litigation | +/-12%                                    |
| MFB refinancing loans        | Discounted cash flow model                     | Probability of default                             | +/- 20%                                   |
| Subsidised personal loans    | Discounted cash flow model                     | Probability of default                             | +/- 20%                                   |
| Subsidised personal loans    | Discounted cash flow model                     | Operational costs                                  | +/- 20%                                   |
| Subsidised personal loans    | Discounted cash flow model                     | Demography   | Change in the cash flow estimation +/- 5% |

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**NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]**

*d) Fair value classes [continued]*

**The effect of unobservable inputs on fair value measurement**

Although the Bank believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3 changing the assumptions used to reasonably possible alternative assumptions would have the following effects.

| 31 December 2021          | Unobservable inputs    | Fair values |              | Effect on profit and loss |              |
|---------------------------|------------------------|-------------|--------------|---------------------------|--------------|
|                           |                        | Favourable  | Unfavourable | Favourable                | Unfavourable |
| VISA C shares             | Illiquidity            | 3,339       | 2,529        | 405                       | (405)        |
| MFB refinancing loans     | Probability of default | 19,218      | 18,972       | 123                       | (123)        |
| Subsidised personal loans | Probability of default | 639,006     | 631,855      | 3,590                     | (3,561)      |
| Subsidised personal loans | Operational costs      | 647,291     | 623,933      | 11,875                    | (11,483)     |
| Subsidised personal loans | Demography             | 635,484     | 635,387      | 68                        | (29)         |

  

| 31 December 2020          | Unobservable inputs    | Fair values |              | Effect on profit and loss |              |
|---------------------------|------------------------|-------------|--------------|---------------------------|--------------|
|                           |                        | Favourable  | Unfavourable | Favourable                | Unfavourable |
| VISA C shares             | Illiquidity            | 3,150       | 2,402        | 374                       | (374)        |
| MFB refinancing loans     | Probability of default | 24,876      | 24,690       | 93                        | (93)         |
| Subsidised personal loans | Probability of default | 452,781     | 447,647      | 2,579                     | (2,555)      |
| Subsidised personal loans | Operational costs      | 464,974     | 436,194      | 14,772                    | (14,008)     |
| Subsidised personal loans | Demography             | 451,419     | 448,987      | 1,217                     | (1,215)      |

The favourable and unfavourable effects of using reasonably possible alternative assumptions for the valuation of Visa C shares have been calculated by modifying the discount rate used for the valuation by +/-12% as being the best estimates of the management as at 31 December 2021 and 2020 respectively.

In the case of MFB refinancing loans and subsidised personal loans the Bank calculated the favourable and unfavourable effects of using reasonably possible alternative assumptions by modifying the rates of probability of default by +/- 20% as one of the most significant unobservable input.

In case of subsidised personal loans operational cost and factors related to demography are considered as unobservable inputs to the applied fair value calculation model in addition to credit risk.

The Bank calculated the favourable and unfavourable effects of using reasonably possible alternative assumptions by modifying the rates of operational costs by +/- 20% as one of the most significant unobservable input.

In case of subsidised personal loans cash flow estimation are based on assumption related to the future number of childbirths performed by the debtors. According to the current assumptions 15% of the debtors will not fulfill the conditions of the subsidy determined by the government after 5 years ("breach of conditions"), thereby debtors will be obliged to pay back advanced interest subsidy given in advance. Furthermore, in this case subsidised loans are converted to loans provided based on market conditions. Loans are prepaid by the government as part of the subsidy after the second and the third childbirth following the signatory of the loan contract. The Bank calculated the favourable and unfavourable effects of using reasonably possible alternative assumptions by modifying the demographical assumption of breach of conditions by +/- 5% as one of the most significant unobservable input in the cash flow estimation.

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**NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]**

*d) Fair value classes [continued]*

**The effect of unobservable inputs on fair value measurement [continued]**

**Reconciliation of the opening and closing balances of Level 3 instruments for the year ended 31 December 2021**

|  | Opening balance       | Issuance/<br>Disbursement | Change in<br>FVA due to<br>credit risk | Change in FVA<br>due to market<br>factors | Settlement            | Closing balance       |
|--|-----------------------|---------------------------|--|---|-----------------------|-----------------------|
| Loans mandatorily measured at fair value through profit or loss      | 480,937               | 227,324                   | (16,255)                               | (12,692)                                  | (17,302)              | 662,012               |
| Securities mandatorily measured at fair value through profit or loss | 8,124                 | 390                       | -                                      | 740                                       | -                     | 9,254                 |
| Derivative financial instruments designated as held for trading      | 6,586                 | -                         | -                                      | 3,584                                     | -                     | 10,170                |
| Financial liabilities at fair value through profit or loss           | <u>(25,902)</u>       | -                         | -                                      | <u>(3,916)</u>                            | <u>9,685</u>          | <u>(20,133)</u>       |
| <b>Total</b>   | <b><u>469,745</u></b> | <b><u>227,714</u></b>     | <b><u>(16,255)</u></b>                 | <b><u>(12,284)</u></b>                    | <b><u>(7,617)</u></b> | <b><u>661,303</u></b> |

**Reconciliation of the opening and closing balances of Level 3 instruments for the year ended 31 December 2020**

|  | Opening balance       | Issuance/<br>Disbursement | Change in<br>FVA due to<br>credit risk | Change in<br>FVA due<br>to market<br>factors | Reclassification | Settlement             | Closing balance       |
|--|-----------------------|---------------------------|--|--|------------------|------------------------|-----------------------|
| Loans mandatorily measured at fair value through profit or loss      | 238,538               | 257,055                   | (405)                                  | (2,125)                                      | -                | (12,126)               | 480,937               |
| Securities mandatorily measured at fair value through profit or loss | 4,644                 | 1,204                     | -                                      | 23   | 5,188            | (2,935)                | 8,124                 |
| Securities at fair value through other comprehensive income          | 4,735                 | -                         | -                                      | 453  | (5,188)          | -                      | -                     |
| Derivative financial instruments designated as held for trading      | 4,227                 | -                         | -                                      | 2,359  | -                | -                      | 6,586                 |
| Financial liabilities at fair value through profit or loss           | <u>(28,861)</u>       | -                         | -                                      | <u>1,270</u>                                 | -                | <u>1,689</u>           | <u>(25,902)</u>       |
| <b>Total</b>   | <b><u>223,283</u></b> | <b><u>258,259</u></b>     | <b><u>(405)</u></b>                    | <b><u>1,980</u></b>                          | <b><u>-</u></b>  | <b><u>(13,372)</u></b> | <b><u>469,745</u></b> |

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**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
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**NOTE 46:      SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2021**

- 1) Capital increase in OTP Bank Romania**
- 2) Acquisition at Slovenia**
- 3) Capital increase in OTP Bank Srbija**
- 4) Potential acquisition of Uzbek Ipoteka Bank**
- 5) Acquisition of Alpha Banka**

See details about the event above in Note 11.

**6) Discontinuance of international arbitration proceedings**

On 30th June 2021 OTP Bank Plc. has jointly with the Republic of Croatia requested the discontinuance of the international arbitration proceedings - registered on 16th October 2020 relating to mandatory exchange of FX loans and FX based consumer loans - from the Centre for Settlement of Investment Disputes (ICSID), due to the fact that the parties have resolved their disputes by way of mutual consent. The ICSID Secretary has on 30th June 2021 acknowledged receipt of the joint claim of the contending parties relating the discontinuance of the proceedings. According to the request of the parties, ICSID shall also formerly confirmed the termination of the litigation during 2021.

**7) Termination of ICES bond**

See details about the event above in Note 27.

**8) Resolutions made at OTP Bank's Extraordinary General Meeting**

The Extraordinary General Meeting hold on 15 October, 2021 resolved that, the Bank shall sell its treasury shares on the stock exchange to those two Special Employee Stock Ownership Program organizations being established by the Bank employees ("OTP SECOP I." and "OTP SECOP II.").

The Extraordinary General Meeting decided that if additional SECOP organisations will be initiated, those will be given one-off support on a yearly basis, under defined conditions, defined extent and in specified manner.

**9) Interest benchmark reform**

OTP Bank was actively involved in industry efforts supporting transition to IBOR alternatives. The bank has taken extensive steps to prepare for the discontinuation of IBORs and worked closely with clients to ensure awareness and support transition activities. As the transition is complex, time-consuming process and relevant for the whole Group, the management of Bank has evaluated the impacts of the interest rate benchmarks reform, preparing itself for the transition through a dedicated internal group-wide project. As LIBOR's five currencies (USD, GBP, EUR, JPY and CHF) and EONIA will be replaced by Risk Free Rates – which are different in nature compared to IBOR rates – OTP Group has implemented the relevant rates into the IT systems, and reached out the clients. The Bank's priority was to ensure that the Bank can continue to offer clients the products and services they need, while also supporting them in the transition to the new alternative Risk Free Rates.

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**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
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**NOTE 46: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2021**  
**[continued]**

**9) Interest benchmark reform**

During the IBOR reform the Bank identified several risks at the beginning of 2021, which the project had to manage and monitor closely. These risks include but are not limited to the following:

- The abolition of LIBOR affected several transactions that may require automated IT solutions,
- The new reference rates are different in nature from LIBOR that cause difficulties to settle the value differences with the customers,
- It was necessary to implement new processes not to develop LIBOR based products, and to develop a strategy for removing or modifying the affected products handled by the Bank,
- After termination of LIBOR, the Bank has to act under the "Fallback clauses", the clauses that regulate the replacement of the reference interest rates in the contract and the use of an alternative interest as a reference. The content of these clauses needs to be clearly defined and checked from a business point of view, ie which reference interest rate will be applied instead of LIBOR for the given contract and whether it is commercially appropriate. In defining the fallback clauses, efforts had to be made to provide a viable alternative to the termination of LIBOR that would not result in a business loss for the Bank.
- Legal risks related to the termination of LIBOR. Such risks can arise when Fallback clauses are not included in the contracts, or the law governing the contract doesn't contain a statutory reference rate. In these cases the contracts can be cancelled due to impossibility or the termination by either party.
- Missing of contractual interest rates can result in settlement disputes, compensation cases or litigation.
- Business risks of the termination of LIBOR. The most significant of these are
  - the law governing the contract can set the applicable interest rate that can be result in a business loss for the Bank,
  - business loss due to negative customer experience,
  - operational risk, when several unique contracts must be handled in a short time

| <b>Terminating interest rates ( )</b>                   | <b>Alternative Reference Rates</b> |
|---|------------------------------------|
| LIBOR USD* (1 week and 2 months settings), FedFund Rate | <b>SOFR</b>                        |
| LIBOR GBP   | <b>SONIA</b>                       |
| LIBOR JPY   | <b>TONA</b>                        |
| LIBOR EUR   | <b>EURIBOR</b>                     |
| LIBOR CHF**   | <b>SARON</b>                       |
| EONIA   | <b>€STR</b>                        |

\* The following USD LIBOR settings will be terminated after June 30, 2023: overnight and 1, 3, 6 and 12 Months. The affected USD LIBOR contracts will be handled on an ongoing basis until the remaining USD LIBOR settings' cessation date.

\*\*In the case of CHF LIBOR, OTP Bank acts in accordance with the implementing regulation of the European Commission ([https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=PI\\_COM:C\(2021\)7488&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=PI_COM:C(2021)7488&from=EN)).

**Amounts effected by IBOR reform as at 31 December 2021**

| <b>Reference rate</b> | <b>Type of the contract</b> | <b>Nominal value of the contract</b> | <b>Pieces of contracts</b> |
|-----------------------|-----------------------------|--------------------------------------|----------------------------|
| USD LIBOR             | Loan                        | 49.116                               | 12                         |
| USD LIBOR             | Deposit                     | 3.579                                | 7                          |
| USD LIBOR             | Derivatives                 | 802.854                              | 190                        |
| Other LIBOR           | Loan                        | 1.166                                | 42                         |
| Other LIBOR           | Deposit                     | 25.864                               | 98                         |
| Other LIBOR           | Derivatives                 | 25.464                               | 4                          |
| Other LIBOR           | Bonds (assets)              | <u>13.162</u>                        | <u>3</u>                   |
| <b>Total</b>          |                             | <b>921.205</b>                       | <b>356</b>                 |

The above LIBOR-based amounts outstanding as at 31 December 2021 will be managed at the first interest period in 2022 therefore they do not cause a risk to the Bank or to the customers.

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**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
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**NOTE 47:      SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

In the second half of February 2022 the military conflict between Russia and Ukraine escalated. It is difficult to quantify the effect of the Ukrainian-Russian conflict regarding the Ukrainian and the Russian operations, the possible scenarios are covering a wide range of spectrum. According to the worst possible scenario, the Bank may lose its control over its investments, which under extreme conditions could result in the full write-off of the invested amount. These Consolidated Financial Statements do not contain any write-offs as possible consequences of the Ukrainian-Russian conflict, the Group recognizes it as not adjusting, post balance sheet event.

**Ukraine**

OTP Group's Ukrainian operation incorporates the Ukrainian bank, as well as the leasing and factoring companies. The country-consolidated Ukrainian total assets represented HUF 984 billion at the end of 2021 (3.6% of total consolidated assets), while net loans comprised HUF 614 billion (3.9% of consolidated net loans) and shareholders' equity HUF 160 billion (5.3% of the consolidated total equity). At the end of 2021 the book value of the capital investment in the Ukrainian subsidiaries comprised HUF 105 billion; there was no goodwill at all, it was already written down entirely in 2014.

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

The Ukrainian RWA ("risk-weighted asset") was HUF 230 billion by the end of 2021 (2.9% of the total RWA).

The maximum capital effect on the potential write-off of the Ukrainian operation, taking into account the equity, the intragroup funding and the Ukrainian risk weighted assets, is estimated at 148 bps on the CET1 ratio, according to year-end figures.

**Russia**

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

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

The Russian RWA was HUF 276.6 billion by the end of 2021 (3.4% of the total RWA).

The capital maximum effect on the potential write-off of the Russian operation, taking into account the equity, the intragroup funding and the Russian risk weighted assets, is estimated at 173 bps on the CET1 ratio, according to year-end figures.

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

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