Management's analysis of the 2021 results of the OTP Bank (separate)

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021 (in HUF million)

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

SEPARATE STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2021 (in HUF million)

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

SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021 (in HUF million)

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

POST-BALANCE SHEET EVENTS

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

Hungary

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

MACROECONOMIC OVERVIEW

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

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

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

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

DIGITAL AND IT INNOVATIONS

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

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

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

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

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

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

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

BRANCH NETWORK OF OTP BANK

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

1013 Budapest, Alagút utca 3.
1011 Budapest, Iskola utca 38-42.
1015 Budapest, Széna tér 7.
1012 Budapest, Vérmező út 4.
1024 Budapest, Fény utca 11-13.
1025 Budapest, Törökvész út 1/A
1026 Budapest, Szilágyi Erzsébet fasor 121.
1021 Budapest, Hűvösvölgyi út 138.
1033 Budapest, Flórián tér 15.
1025 Budapest, Szépvölgyi út 4/B
1039 Budapest, Heltai Jenő tér 2.
1032 Budapest, Bécsi út 154.
1033 Budapest, Szentendrei út 115.
1041 Budapest, Erzsébet utca 50.
1048 Budapest, Kordován tér 4.
1042 Budapest, Árpád út 63-65.
1051 Budapest, Nádor utca 16.
1052 Budapest, Deák Ferenc utca 7-9.
1055 Budapest, Szent István körút 1.
1054 Budapest, Szabadság tér 7-8.
1054 Budapest, Széchenyi rakpart 19.
1066 Budapest, Oktogon tér 3.
1077 Budapest, Király utca 49.
1073 Budapest, Erzsébet körút 41.

1075 Budapest, Károly körút 1.
1076 Budapest, Thököly út 4.
1075 Budapest, Károly körút 25.
1085 Budapest, József körút 33.
1085 Budapest, József körút 53.
1087 Budapest, Könyves Kálmán körút 76-1.
1081 Budapest, Népszínház utca 3-5.
1083 Budapest, Futó utca 35-45.
1191 Budapest, Üllői út 201.
1094 Budapest, Ferenc körút 13.
1085 Budapest, Kálvin tér 12-13.
1097 Budapest, Könyves Kálmán körút 12-14.
1095 Budapest, Soroksári út 32-34.
1102 Budapest, Kőrösi Csoma sétány 6.
1103 Budapest, Sibrik Miklós út 30.
1106 Budapest, Örs vezér tere 25.
1106 Budapest, Örs Vezér tere 25/A 1. em.
1115 Budapest, Bartók Béla út 92-94.
1117 Budapest, Móricz Zsigmond körtér 18.
1118 Budapest, Rétköz utca 5.
1117 Budapest, Hunyadi János út 19.
1117 Budapest,
Október huszonharmadika utca 8-10.
1126 Budapest, Böszörményi út 9-11.

1123 Budapest, Alkotás utca 53.
1124 Budapest, Apor Vilmos tér 11.
1055 Budapest, Nyugati tér 9.
1137 Budapest, Pozsonyi út 38.
1062 Budapest, Váci út 1-3.
1138 Budapest, Váci út 135-139.
1133 Budapest, Váci út 80.
1134 Budapest, Váci út 17.
1135 Budapest, Lehel utca 70-76.
1148 Budapest, Nagy Lajos király útja 19-21.
1149 Budapest, Fogarasi út 15/B
1149 Budapest, Bosnyák tér 17.
1146 Budapest, Thököly út 102/B
1152 Budapest, Szentmihályi út 131.
1151 Budapest, Fő út 64.
1157 Budapest, Zsókavár utca 28.
1163 Budapest, Jókai Mór utca 3/B
1161 Budapest, Rákosi út 118.
1173 Budapest, Ferihegyi út 93.
1173 Budapest, Pesti út 5-7.
1181 Budapest, Üllői út 377.
1188 Budapest, Vasút utca 48.
1183 Budapest, Üllői út 440.
1195 Budapest, Üllői út 285.

1191 Budapest, Vak Bottyán utca 75/A-C
1204 Budapest, Kossuth Lajos utca 44-46.
1238 Budapest, Grassalkovich út 160.
1203 Budapest, Bíró Mihály utca 7.
1239 Budapest, Bevásárló utca 2.
1211 Budapest, Kossuth Lajos utca 86.
1211 Budapest, Kossuth Lajos utca 99.
1221 Budapest, Kossuth Lajos utca 31.
1222 Budapest, Nagytétényi út 37-45.
7621 Pécs, Rákóczi út 44.
7621 Pécs, Rákóczi út 1.
7632 Pécs, Pécs-Kertváros, Diana tér 14.
7633 Pécs, Pécs-Újmecsekalja, Ybl Miklós utca 7/3
7300 Komló, Kossuth Lajos utca 95/1
7700 Mohács, Jókai Mór utca 1.
7800 Siklós, Felszabadulás utca 60-62.
7900 Szigetvár, Vár utca 4.
7720 Pécsvárad, Bem utca 2/B
7370 Sásd, Dózsa György utca 2.
7960 Sellye, Köztársaság tér 4.
7940 Szentlőrinc, Munkácsy Mihály utca 16/A
7773 Villány, Baross Gábor utca 36.
7754 Bóly, Hősök tere 8/B
6000 Kecskemét, Korona utca 2.
6000 Kecskemét, Szabadság tér 5.
6500 Baja, Deák Ferenc utca 1.
6300 Kalocsa, Szent István király út 43-45.
6200 Kiskőrös, Petőfi Sándor tér 13.
6400 Kiskunhalas, Sétáló utca 7.
6100 Kiskunfélegyháza, Petőfi tér 1.
6430 Bácsalmás, Szent János utca 32.
6087 Dunavecse, Fő út 40.
6070 Izsák, Szabadság tér 1.
6440 Jánoshalma, Rákóczi Ferenc utca 10.
6237 Kecel, Császártöltési utca 1.
6120 Kiskunmajsa, Csendes köz 1.
6090 Kunszentmiklós, Kálvin tér 11.
6050 Lajosmizse, Dózsa György út 102/A
6449 Mélykút, Petőfi tér 18.
6230 Soltvadkert, Szentháromság utca 2.
6060 Tiszakécske, Béke tér 6.
6000 Kecskemét, Dunaföldvári út 2.
6320 Solt, Kossuth Lajos utca 48-50.
6080 Szabadszállás, Dózsa György út 1.
5600 Békéscsaba, Szent István tér 3.
5700 Gyula, Bodoky utca 9.
5800 Mezőkovácsháza, Árpád utca 177.
5900 Orosháza, Kossuth Lajos utca 20.
5540 Szarvas, Kossuth Lajos tér 1.
5520 Szeghalom, Tildy Zoltán utca 4-8.
5630 Békés, Széchenyi tér 2.
5830 Battonya, Fő utca 86.
5510 Dévaványa, Árpád utca 32.
5742 Elek, Gyulai út 5.
5500 Gyomaendrőd, Szabadság tér 7.
5650 Mezőberény, Kossuth Lajos tér 12.
5820 Mezőhegyes, Zala György lakótelep 7.
5720 Sarkad, Árpád fejedelem tér 5.
5940 Tótkomlós, Széchenyi utca 4-6.
5661 Újkígyós, Kossuth utca 38.
5530 Vésztő, Kossuth Lajos utca 72.
5525 Füzesgyarmat, Szabadság tér 1.
5600 Békéscsaba, Andrássy út 37-43.
3530 Miskolc, Uitz Béla utca 6.
3530 Miskolc, Rákóczi Ferenc utca 1.
3531 Miskolc, Győri kapu 51.
3535 Miskolc, Árpád út 2.
3780 Edelény, Tóth Árpád út 1.
3860 Encs, Bem József út 1.
3400 Mezőkövesd, Mátyás király út 149.
3580 Tiszaújváros, Szent István út 30.
3600 Ózd, Városház tér 1/A
3980 Sátoraljaújhely, Széchenyi tér 13.
3900 Szerencs, Kossuth tér 3/A
3700 Kazincbarcika, Egressy Béni út 50.
3950 Sárospatak, Eötvös József utca 2.
3630 Putnok, Kossuth Lajos út 45.
3800 Szikszó, Kassai út 16.
3770 Sajószentpéter, Bethlen Gábor utca 1/A
3450 Mezőcsát, Hősök tere 23.
3910 Tokaj, Rákóczi út 37.
3527 Miskolc, József Attila utca 87.
6720 Szeged, Takaréktár utca 7.
6720 Szeged, Aradi vértanúk tere 3.
6791 Szeged, Negyvennyolcas utca 3.
6600 Szentes, Kossuth Lajos utca 26.
6640 Csongrád, Szentháromság tér 2-6.
6800 Hódmezővásárhely, Andrássy út 1.
6900 Makó, Széchenyi tér 14-16.
6760 Kistelek, Kossuth utca 6-8.
6782 Mórahalom, Szegedi út 3.
6724 Szeged, Rókusi körút 42-64.
6724 Szeged, Londoni körút 3.
8000 Székesfehérvár, Ősz utca 13.
2060 Bicske, Bocskai köz 1.
2400 Dunaújváros, Dózsa György út 4/E
8060 Mór, Deák Ferenc utca 2.
7000 Sárbogárd, Ady Endre út 172.
2457 Adony, Petőfi utca 2.
8130 Enying, Kossuth Lajos utca 43.
2483 Gárdony, Szabadság út 18.
8154 Polgárdi, Deák Ferenc utca 16.
8000 Székesfehérvár, Fő utca 7.
8000 Székesfehérvár, Holland fasor 2.
9022 Győr, Teleki László utca 51.
9011 Győr, Győrszentiván, Déryné út 77.
9400 Sopron, Teleki Pál út 22/A
9300 Csorna, Soproni út 58.
9200 Mosonmagyaróvár, Fő utca 24.
9400 Sopron, Várkerület 96. földszint 1.
9330 Kapuvár, Szent István király utca 4-6.
9431 Fertőd, Fő utca 7.
9317 Szany, Ady Endre utca 2.
9024 Győr, Bartók Béla út 53/B
9024 Győr, Kormos István utca 6.
9026 Győr, Egyetem tér 1.
9027 Győr, Budai út 1.
4025 Debrecen, Pásti utca 1-3.
4025 Debrecen, Piac utca 45-47.
4032 Debrecen, Füredi út 43.
4100 Berettyóújfalu, Oláh Zsigmond utca 1.
4150 Püspökladány, Kossuth utca 2.
4220 Hajdúböszörmény, Kossuth Lajos utca 3.
4080 Hajdúnánás, Köztársaság tér 17-18/A
4200 Hajdúszoboszló, Szilfákalja 6-8.
4060 Balmazújváros, Veres Péter utca 3.
4110 Biharkeresztes, Kossuth utca 4.
4130 Derecske, Köztársaság út 111.
4087 Hajdúdorog, Petőfi tér 9-11.
4138 Komádi, Fő utca 1-3.
4181 Nádudvar, Fő út 119.
4090 Polgár, Barankovics tér 15.
4242 Hajdúhadház, Kossuth utca 2.
4032 Debrecen, Egyetem tér 1.
4254 Nyíradony, Árpád tér 6.
4025 Debrecen, Hatvan utca 2-4.
3300 Eger, Törvényház utca 4.
3390 Füzesabony, Rákóczi Ferenc út 77.
3200 Gyöngyös, Fő tér 1.
3360 Heves, Hősök tere 4.
3000 Hatvan, Kossuth tér 8. földszint 1.
3021 Lőrinci, Szabadság tér 25/A
3250 Pétervására, Szent Márton út 9.
3245 Recsk, Kossuth Lajos út 93.
3300 Eger, Széchenyi István utca 2.
2800 Tatabánya, Fő tér 32.
2510 Dorog, Bécsi út 33.

2900 Komárom, Mártírok útja 23.
2890 Tata, Ady Endre utca 1-3.
2500 Esztergom, Rákóczi tér 2-4.
2840 Oroszlány, Rákóczi Ferenc út 84.
2941 Ács, Gyár utca 14.
2870 Kisbér, Batthyány tér 5.
2536 Nyergesújfalu, Kossuth Lajos utca 126.
2800 Tatabánya, Bárdos László utca 2.
3100 Salgótarján, Rákóczi út 22.
2660 Balassagyarmat, Rákóczi fejedelem út 44.
3060 Pásztó, Fő utca 73/A
2651 Rétság, Rákóczi út 28-30.
3070 Bátonyterenye, Bányász út 1/A
3170 Szécsény, Feszty Árpád utca 1.
2700 Cegléd, Szabadság tér 6.
2370 Dabas, Bartók Béla út 46.
2100 Gödöllő, Szabadság tér 12-13.
2200 Monor, Kossuth Lajos utca 88/B
2760 Nagykáta, Bajcsy-Zsilinszky út 1.
2300 Ráckeve, Szent István tér 3.
2000 Szentendre, Pannónia utca 1-3.
2600 Vác, Széchenyi István utca 3-7.
2120 Dunakeszi, Barátság útja 29.
2030 Érd, Budai út 24.
2750 Nagykőrös, Szabadság tér 2.
2440 Százhalombatta, Szent István tér 8.
2740 Abony, Kossuth Lajos tér 3.
2730 Albertirsa, Vasút utca 4/A
2170 Aszód, Kossuth Lajos utca 42-46.
2040 Budaörs, Szabadság út 131/A
2330 Dunaharaszti, Dózsa György út 25.
2230 Gyömrő, Szent István út 17.
2340 Kiskunlacháza, Dózsa György út 219.
2364 Ócsa, Szabadság tér 1.
2721 Pilis, Rákóczi út 9.
2085 Pilisvörösvár, Fő utca 60.
2310 Szigetszentmiklós, Ifjúság útja 17.
2220 Vecsés, Fő út 170.
2360 Gyál, Kőrösi út 160.
2143 Kistarcsa, Hunyadi utca 7.
2119 Pécel, Kossuth tér 4.
2092 Budakeszi, Fő utca 174.
2040 Budaörs, Sport utca 2-4.
2120 Dunakeszi, Nádas utca 6.
2310 Szigetszentmiklós, Háros utca 120.
2141 Csömör, Határ út 6.

2013 Pomáz, József Attila utca 17.
2083 Solymár, Szent Flórián utca 2.
2220 Vecsés, Fő út 246-248.
2112 Veresegyház, Fő út 52.
2234 Maglód, Esterházy János utca 1.
2030 Érd, Iparos utca 5.
2225 Üllő, Pesti út 92/B
7400 Kaposvár, Széchenyi tér 2.
7400 Kaposvár, Honvéd utca 55.
8700 Marcali, Rákóczi utca 6-10.
7500 Nagyatád, Korányi Sándor utca 6.
8600 Siófok, Fő tér 10/A
7570 Barcs, Séta tér 5.
8630 Balatonboglár, Dózsa György utca 1.
8840 Csurgó, Petőfi tér 20.
8640 Fonyód, Ady Endre utca 25.
8693 Lengyeltóti, Csalogány utca 2.
8660 Tab, Kossuth Lajos utca 96.
7561 Nagybajom, Fő utca 107.
8638 Balatonlelle, Rákóczi út 202-204.
4400 Nyíregyháza, Rákóczi utca 1.
4900 Fehérgyarmat, Móricz Zsigmond utca 4.
4600 Kisvárda, Szent László utca 30.
4700 Mátészalka, Szalkay László utca 34.
4300 Nyírbátor, Zrínyi utca 1.
4800 Vásárosnamény, Szabadság tér 33.
4561 Baktalórántháza, Köztársaság tér 4.
4233 Balkány, Szakolyi utca 5.
4765 Csenger, Ady Endre utca 1.
4492 Dombrád, Szabadság tér 7.
4501 Kemecse, Móricz Zsigmond utca 18.
4320 Nagykálló, Árpád utca 10.
4450 Tiszalök, Kossuth Lajos utca 52/A
4440 Tiszavasvári, Kossuth Lajos utca 6.
4244 Újfehértó, Fő tér 15.
4625 Záhony, Ady Endre út 27-29.
5000 Szolnok, Szapáry utca 31.
5000 Szolnok, Nagy Imre körút 2/A
5100 Jászberény, Lehel vezér tér 28.
5440 Kunszentmárton, Kossuth Lajos út 2.
5350 Tiszafüred, Piac tér 3.
5200 Törökszentmiklós, Kossuth Lajos utca 141.
5300 Karcag, Kossuth Lajos tér 15.
5310 Kisújszállás, Szabadság tér 6.
5400 Mezőtúr, Szabadság tér 29.
5420 Túrkeve, Széchenyi utca 32-34.

5130 Jászapáti, Kossuth Lajos út 2-8.
5123 Jászárokszállás, Rákóczi Ferenc utca 4-6.
5055 Jászladány, Kossuth Lajos utca 77.
5340 Kunhegyes, Szabadság tér 4.
5321 Kunmadaras, Karcagi út 2-4.
5435 Martfű, Szolnoki út 142.
5430 Tiszaföldvár, Kossuth Lajos út 191.
5000 Szolnok, Széchenyi István körút 135.
7100 Szekszárd, Szent István tér 5-7.
7030 Paks, Dózsa György út 33.
7090 Tamási, Szabadság utca 33.
7150 Bonyhád, Szabadság tér 10.
7200 Dombóvár, Dombó Pál utca 3.
7020 Dunaföldvár, Béke tér 11.
7081 Simontornya, Petőfi utca 68.
7130 Tolna, Kossuth Lajos utca 31.
7030 Paks, Kishegyi út 44/A
7140 Bátaszék, Budai út 13.
9700 Szombathely, Fő tér 3-5.
9700 Szombathely, Rohonci út 52.
9900 Körmend, Vida József utca 12.
9600 Sárvár, Batthyány utca 2.
9500 Celldömölk, Kossuth Lajos utca 18.
9730 Kőszeg, Kossuth Lajos utca 8.
9970 Szentgotthárd, Mártírok út 2.
9800 Vasvár, Alkotmány utca 2.
9737 Bük, Kossuth Lakos utca 1-3.
9700 Szombathely, Király utca 10.
9970 Szentgotthárd, Füzesi út 15.
8200 Veszprém, Brusznyai Árpád utca 1.
8400 Ajka, Szabadság tér 18.
8500 Pápa, Fő tér 22.
8300 Tapolca, Fő tér 2.
8230 Balatonfüred, Petőfi Sándor utca 8.
8100 Várpalota, Újlaky út 2.
8220 Balatonalmádi, Baross Gábor út 5/A
8460 Devecser, Kossuth Lajos utca 13.
8330 Sümeg, Kisfaludy Sándor tér 1.
8420 Zirc, Rákóczi tér 15.
8900 Zalaegerszeg, Kisfaludy Sándor utca 15-17.
8800 Nagykanizsa, Deák Ferenc tér 15.
8960 Lenti, Dózsa György út 1.
8360 Keszthely, Kossuth Lajos utca 38.
8868 Letenye, Szabadság tér 8.
8790 Zalaszentgrót, Batthyány utca 11.
8380 Hévíz, Erzsébet királyné utca 11.

STATEMENT ON CORPORATE GOVERNANCE PRACTICE

Corporate governance practice

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

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

System of internal controls

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

OTP Bank Plc. has detailed risk management regulations applicable to all types of risks (credit, country, counterparty, market, liquidity, operational, compliance), which are in compliance with the regulations on prudent banking operations. Its risk management system extends to cover the identification of risks, the assessment and analysis of their impact, elaboration of the required action plans and the monitoring of their effectiveness and results. The business continuity framework is intended to provide for the continuity of services. Developed on the basis of international methodologies, the lifecycle model includes process evaluation, action plan development for critical processes, the regular review and testing of these, as well as related DRP activities. OTP Bank Plc.'s internal audit system is realised on several levels of control built on each other. The system of internal checks and balances includes process-integrated control, management control, independent internal audit organisation and executive information system. The independent internal audit organisation as an element of internal lines of defence promotes the statutory and efficient management of assets and liabilities, the defence of property, the safe course of business, the efficient operation of internal control systems, the minimisation of risks, moreover it reveals and reports deviations from statutory regulations and internal rules, makes proposal to abolish deficiencies and follows up the execution of actions. The independent internal audit organisation annually and quarterly prepares group-level reports on control actions for the executive boards. Once a year, the internal audit organisation with the prior opinion of the Audit Committee draws up, for the Supervisory Board and the Board of Directors, objective and independent reports in respect of the operation of risk management, internal control mechanisms and corporate governance functions. Furthermore, in line with the provisions of the Credit Institutions Act, reports, once a year, to the Supervisory Board and the Board of Directors on the regularity of internal audit tasks, professional requirements and the conduct of audits, and on the review of compliance with IT and other technical conditions needed for the audits.

In line with the regulations of the European Union, the applicable Hungarian laws and supervisory recommendations, OTP Bank Plc. operates an independent organisational unit with the task of identifying and managing compliance risks.

IT Controls

Applications are developed by both in-house group resources and by third parties. OTP Bank applies administrative, logical and physical control measures commensurate with the risk to protect the IT systems storing and processing data, as follows:

- access to data/systems is only possible on the basis of a predefined authorisation management process that applies the principle of least privilege, ensures segregation of responsibilities, that has regular access right reviews and ensures that dismissed employees' access is revoked;
- user authentication, authorisation and password management processes are controlled by policies and audited;
- the systems have well-separated test and development environments, which ensures that program developments or modifications are only deployed to the operational environment after proper, controlled testing and approval;
- systems are protected by appropriate network perimeter protection, various security devices and network segmentation, furthermore all network communications are protected;
- the IT systems that store and process data are regularly backed up and stored in controlled premises with adequate protection for long-term retention, and the organisation carries out regular back-up tests;
- adequate redundancy is applied for IT systems that store and process data to ensure business continuity and disaster resiliency;
- has developed a BCP for critical systems and processes, which is regularly tested and reviewed;
- the Bank collects and retains the complete log of all data processing activities and the confidentiality, availability, integrity and non-repudiation of these audit logs are ensured;
- there is a continuous, up-to-date protection against malicious codes;
- it ensures the regular implementation of vendor patches and updates for the environments used;
- it uses a data leakage protection solution to reduce the risk of data loss;
- it ensures the continuous monitoring of the operation of the physical and virtual environment system elements, and the detection and management of events, where possible automatically;
- the above measures are documented at an appropriate level, which ensures the traceability of the implementation of data security requirements in a transparent manner;
- it ensures the irretrievable deletion of the data stored on the media, the destruction of the media and the documentation of the destruction of the media during secure operational media disposal processes;
- it enforces data protection requirements already at the design stage of the implementation of the IT systems storing and processing personal data and of the systems operational processes related to them;
- it ensures that its employees have adequate knowledge of data protection requirements and provides regular data protection and information security training for them.

General meeting

The General Meeting is the supreme governing body of OTP Bank Plc. The regulations pertaining to its operation are set forth in the Company's Articles of Association, and comply fully with both general and special statutory requirements. Information on the General Meeting is available in the Corporate Governance Report.

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

OTP Bank Plc.'s Board of Directors acting in the competence of the General Meeting on 16 April 2021.

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

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

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

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

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

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

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

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

Rules on the restrictions of the voting rights: The Company's ordinary shares confer one vote per share.
An individual shareholder or group of shareholders may not exercise voting rights in respect of in an extent exceeding 25%, or – if the voting rights of another shareholder or group of shareholders exceed 10% – exceeding 33% of the total voting rights represented by the shares conferring voting rights at the Company's General Meeting.
The shareholder is obliged to notify the Company's Board of Directors without delay if the shareholder directly or indirectly, or together with other shareholders in the same group of shareholders, holds more than 2% of the voting rights represented by the shares conferring voting rights at the Company's General Meeting. Concurrently with this, the shareholder is obliged to designate the shareholders through which the indirect

voting right exists, or the members of the group of shareholders. In the event of a failure to provide such notification, or if there are substantive grounds for assuming that the shareholder has made a misleading declaration regarding the composition of the shareholder group, then the shareholder's voting right shall be suspended and may not be exercised until the shareholder has met the above obligations. The notification obligation stipulated in this paragraph and the related legal consequences are also incumbent upon individuals who are classified or may be classified as the Company's shareholders under Article 61 of the Capital Markets Act. The Company must also be provided with proof of the conditions for exemption from the notification obligation in accordance with Section 61 (7)-(8) and Section 61 (10)-(11)-(12), of the Capital Markets Act.

Shareholder group: the shareholder and another shareholder, in which the former has either a direct or indirect shareholding or has an influence without a shareholding (collectively: a direct and/or indirect influence); furthermore: the shareholder and another shareholder who is exercising or is willing to exercise its voting rights together with the former shareholder, regardless of what type of agreement between the participants underlies such concerted exercising of rights.
For determining the existence and extent of the indirect holding, the rules of the Credit Institutions Act relating to the calculation of indirect ownership shall be applied.
If the voting rights that may be exercised by a shareholder group exceed the threshold stipulated in the first paragraph of this section, the voting rights shall be reduced in such a way that the voting rights relating to the shares most recently acquired by the group of shareholders shall not be exercisable.
If there are substantive grounds to presume that the exercising of voting rights by any shareholder or shareholders might result in a breach of the rules of the Capital Markets Act relating to the acquisition of a controlling interest, the Board of Directors' authorised representative responsible for the registration of shareholders at the venue of the General Meeting, or the Chairman of the General Meeting, may exclude the affected shareholders from attending the General Meeting or exercising voting rights.
The General Meeting has exclusive authority with respect to the decision regarding the delisting of the shares (qualified majority).
When making the decisions, shares embodying multiple voting rights shall represent one share.
The Company is not aware of any kind of agreements among the owners that could give rise to the restriction of the transfer of issued securities and/or the voting rights.

Rules on the appointment and removal of executive officers, and rules on amendment of the Articles of Association:
The Board of Directors has at least 5, and up to 11 members.
When making the decisions, shares embodying multiple voting rights shall represent one share. The members of the Board of Directors are elected by the General Meeting based on its decision uniformly either for an indefinite period or for five years; in the latter case the mandate ends with the General Meeting concluding the fifth financial year following the election. The mandate of a member elected during this period expires together with the mandate of the Board of Directors.
The Board of Directors elects a Chairman and, may elect one or more Deputy Chairmen, from among its own members, whose period of office shall be equal to the mandate of the Board of Directors. The Chairman of the Board of Directors is also the Chief Executive Officer (Chairman & CEO) of the Company, unless the Board of Directors decides within its competence that the position of Chairman of the Board of Directors and the Chief Executive Officer of the Company are held by separate persons.

The membership of the Board of Directors ceases to exist by
a) expiry of the mandate,
b) resignation,
c) recall,

d) death,
e) the occurrence of grounds for disqualification as regulated by law.
f) termination of the employment of internal (executive) Board members.

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

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

The Board of Directors is obliged to

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

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

- election of the Chairman & Chief Executive Officer of the Company, and exercising employer's right in respect thereof;
- election of one or more Deputy Chairmen of the Board of Directors;
- determination of the annual plan;
- the analysis and assessment of the implementation of business-policy guidelines, on the basis of the Company's quarterly balance sheet;
- decisions on transactions referred to the authority of the Board of Directors by the Company's organisational and operational regulations;
- decision on launching, suspending, or terminating the performance of certain banking activities within the scope of the licensed activities of the Company;
- designation of the employees entitled to sign on behalf of the Company;
- decision on the increasing of registered capital at the terms set out in the relevant resolution of the General Meeting;
- decision to acquire treasury shares at the terms set out in the relevant resolution of the General Meeting;
- decision on approving internal loans in accordance with the Credit Institutions Act;
- decision on the approval of regulations that fundamentally determine banking operations, or are referred to its authority by the Credit Institutions Act. The following shall qualify as such regulations:
  - the collateral evaluation regulations,
  - the risk-assumption regulations,
  - the customer rating regulations,
  - the counterparty rating regulations,
  - the investment regulations,
  - the regulations on asset classification, impairment and provisioning,
  - the organisational and operational regulations, which contain the regulations

on the procedure for assessing requests related to large loans,
    - the regulations on the transfer of signatory rights;
- the decision on approving the Rules of Procedure of the Board of Directors;
- decision on steps to hinder a public takeover procedure;
- decision on the acceptance of a public purchase offer received in respect of treasury shares;
- decision on the commencement of trading in the shares in a regulated market (flotation);
- decision on the cessation of trading in the shares in a given regulated market, provided that the shares are traded in another regulated market (hereinafter: transfer).

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

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

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

The Company may acquire treasury shares in accordance with the rules of the Civil Code. The prior authorisation of the General Meeting is not required for the acquisition of treasury shares if the acquisition of the shares is necessary in order to prevent a direct threat of severe damage to the Company (this provision is not applicable in the event of a public purchase offer aimed at buying up the Company's shares), as well as if the Company acquires the treasury shares in the context of a judicial procedure aimed at the settlement of a claim to which the Company is entitled, or in the course of a transformation. The Company has not made agreements in the meaning of points (j) and (k) in paragraph 95/A of Act No. C of 2000 on Accounting.

Ownership structure of OTP Bank Plc.:

Description of owner	Total equity					
	1 January 2021			31 December 2021		
	Ownership share	Voting rights[1]	Quantity	Ownership share	Voting rights[1]	Quantity
Domestic institution/company	20.93%	21.26%	58,605,628	26.66%	26.97%	74,637,180
Foreign institution/company	71.60%	72.73%	200,480,153	66.69%	67.47%	186,733,858
Domestic individual	4.79%	4.87%	13,424,090	4.57%	4.63%	12,805,389
Foreign individual	0.11%	0.12%	319,346	0.11%	0.12%	319,712
Employees, senior officers	0.85%	0.87%	2,393,390	0.69%	0.70%	1,941,018
Treasury shares[2]	1.55%	0.00%	4,334,140	1.16%	0.00%	3,251,484
Government held owner	0.08%	0.08%	219,800	0.07%	0.07%	188,326
International Development Institutions	0.04%	0.04%	108,981	0.04%	0.04%	120,871
Other[3]	0.04%	0.04%	114,482	0.00%	0.00%	2,172
Total	**100.00%**	**100.00%**	**280,000,010**	**100.00%**	**100.00%**	**280,000,010**

[1] Voting rights in the General Meeting of the Issuer for participation in decision-making.
[2] Treasury shares do not include the OTP shares held by ESOP (OTP Bank Employee Stock Ownership Plan Organization). Pursuant to Act V of 2013 on the Civil Code, OTP shares held by the ESOP are not classified as treasury shares, but the ESOP must be consolidated in accordance with IFRS 10 Consolidated Financial Statements standard. On 31 December 2021 ESOP owned 7.656.897 OTP shares.
[3] Non-identified shareholders according to the shareholders' registry.

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

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

Shareholders with over/around 5% stake as at 31 December 2021:

Name	Nationality[1]	Activity[2]	Number of shares	Ownership[3]	Voting rights[3, 4]	Notes[5]
MOL (Hungarian Oil and Gas Company Plc.)	**D**	**C**	**24,000,000**	**8.57%**	**8.67%**	**–**
KAFIJAT Group	**D**	**C**	**19,661,409**	**7.02%**	**7.10%**	**–**
KAFIJAT Ltd.	D	C	9,839,918	3.51%	3.56%	–
MGTR Alliance Ltd.	D	C	9,836,491	3.51%	3.55%	–
Groupama Group	**F/D**	**C**	**14,311,769**	**5.11%**	**5.17%**	**–**
Groupama Gan Vie SA	F	C	14,140,000	5.05%	5.11%	–
Groupama Biztosító Ltd.	D	C	171,769	0.06%	0.06%	–

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

Senior officers, strategic employees and their shareholding of OTP shares as at 31 December 2021:

Type[1]	Name	Position	Commencement date of the term	Expiration/termination of the term	Number of shares
IT	dr. Sándor Csányi[2]	Chairman and CEO	15/05/1992	2026	293,907
IT	Tamás György Erdei	Deputy Chairman	27/04/2012	2026	32,285
IT	Gabriella Balogh	member	16/04/2021	2026	1,393
IT	Mihály Baumstark	member	29/04/1999	2026	44,000
IT	Péter Csányi	member, Deputy CEO	16/04/2021	2026	1
IT	dr. István Gresa	member	27/04/2012	2026	173,258
IT	Antal György Kovács	member, Deputy CEO	15/04/2016	2026	79,244
IT	György Nagy[3]	member	16/04/2021	2026	0
IT	dr. Márton Gellért Vági	member	16/04/2021	2026	0
IT	dr. József Zoltán Vörös	member	15/05/1992	2026	171,114
IT	László Wolf	member, Deputy CEO	15/04/2016	2026	532,143
FB	Tibor Tolnay	Chairman	15/05/1992	2023	54
FB	dr. József Gábor Horváth	Deputy Chairman	19/05/1995	2023	0
FB	Klára Bella	member	12/04/2019	2023	344
FB	dr. Tamás Gudra	member	16/04/2021	2023	0
FB	András Michnai	member	25/04/2008	2023	100
FB	Olivier Péqueux	member	13/04/2018	2023	0
SP	László Bencsik	Deputy CEO			10,038
SP	György Kiss-Haypál	Deputy CEO			3,137
Total No. of shares held by management					**1,341,018**

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

Committees[1]

Members of the Board of Directors

Dr. Sándor Csányi – Chairman
Mr. Tamás György Erdei – Deputy Chairman
Mrs. Gabriella Balogh[2]
Mr. Mihály Baumstark
Dr. Tibor Bíró[3]
Mr. Péter Csányi[2]
Dr. István Gresa
Mr. Antal György Kovács
Mr. György Nagy[2]
Dr. Antal Pongrácz[3]
Dr. László Utassy[3]
Dr. Márton Gellért Vági[2]
Dr. József Zoltán Vörös
Mr. László Wolf

Members of the Supervisory Board

Mr. Tibor Tolnay – Chairman
Dr. József Gábor Horváth – Deputy Chairman
Mrs. Klára Bella
Dr. Tamás Gudra[4]
Mr. András Michnai
Mr. Olivier Péqueux
Dr. Márton Gellért Vági[5]

Members of the Audit Committee

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

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

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

Personal and organizational changes

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

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

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

On 16 April 2021 the Board of Directors acting in the competency of the Annual General Meeting, elects
Dr. Sándor Csányi
Mr. Antal György Kovács
Mr. László Wolf
Mr. Tamás György Erdei
Mr. Mihály Baumstark
Dr. István Gresa
Dr. József Zoltán Vörös
Mr. Péter Csányi
Mrs. Gabriella Balogh
Mr. György Nagy
Dr. Gellért Márton Vági
as members of the Board of Directors (BoD) of the Company until the Annual General Meeting of the Company closing the 2025 business year, but not later than 30 April 2026.
On 16 April 2021, Dr. Sándor Csányi was elected as Chairman of the Bank's Board of Directors and in accordance with subsection 4 of section 9 of the Articles of Association of the Company as Chief Executive Officer (Chairman & CEO). Dr. Sándor Csányi performs his duties until the closing AGM of the fiscal year 2025 but latest until 30 April 2026.
On 16 April 2021 Mr. Tamás György Erdei, the member of the Board of Directors, was elected a Deputy Chairman of the Board of Directors. Mr. Tamás György Erdei performs his duties until the closing AGM of the fiscal year 2025 but latest until 30 April 2026

Operation of the executive boards

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

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

also has a number of further permanent committees.

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

The Board of Directors held 9, the Supervisory Board held 6 meetings, while the Audit Committee held 2 meetings in 2021. In addition, resolutions were passed by the Board of Directors on 180, by the Supervisory Board on 90 and by the Audit Committee on 28 occasions by written vote.

Policy of diversity

OTP Bank Plc. determines and regulates the criteria for the selection of senior executives in line with European Union as well as domestic legal requirements and directives fundamentally determining the operation of credit institutions.
When designating members of the management bodies (Board of Directors, Supervisory Board) as well as appointing members of the Board of Directors and administrative members (Management), OTP Bank Plc. considers the existence of professional preparation, the high-level human and leadership competence, the versatile educational background, the wide-spread business experience and business reputation of the utmost importance, at the same time, it is also highly committed to taking efficient measures in order to ensure diversity with regard to corporate operation, including the gradual improvement in women's participation rate.
OTP Bank Plc.'s Nomination Committee continuously keeps tracking the European Union and domestic legislation relating to women's quota on its agenda, in that when unambiguously worded expectations are announced, it promptly takes the necessary measures. In accordance with OTP Bank Plc.'s currently approved strategy, the goal is to have at least one female member in both the Board of Directors and the Supervisory Board.
It is important to note, however, that, as a public limited company, the selection of the members of the management bodies falls within the exclusive competence of the General Meeting upon which – beyond its capacity to designate enforcing the above aspects to maximum effect – OTP Bank Plc. has no substantive influence.
According to OTP Bank Plc.'s Articles of Association, a Board of Directors comprising 5–11 members and a Supervisory Board comprising 5–9 members are set up at OTP Bank Plc. Currently the Board of Directors operates with 11 members and has one female member, the Supervisory Board comprises 6 members and has one female member.
The management of OTP Bank Plc. currently comprises 6 members and has no female member.

ENVIRONMENTAL POLICY, ENVIRONMENTAL PROJECTS

Environmental protection principles

OTP Group is committed to the protection of the environment, the combating of climate change and its impacts, and the preservation and low-impact use of natural resources. OTP Bank's environmental activities are regulated in its Environmental Regulation, which is revised annually. The Regulation ensures legal compliance and the consideration and integration of environmental criteria into the Bank's business operations in order to minimise the environmental impacts of operating and maintaining the Bank's organisation. It also sets out the rules on implementing the principles of sustainable procurement. OTP Group members operate in full compliance with environmental legislation and received no fines in 2020.
In CDP's Climate Change Questionnaire, OTP Group was rated at B– in 2021, thus retaining its previous rating.
The environmental impacts of the OTP Group are related to the provision of financial services and directly from its operations. In connection with the provision of financial services, the management of environmental risks and the exploitation of environmental opportunities take place within the framework of the Environmental, Social and Governance (ESG) strategy; therefore, these activities are presented in the chapter Non-financial Report.
Our efforts to reduce the direct environmental impact of OTP Group's operations are centred around improving energy efficiency and reducing paper usage. The environmental risks associated with our operations are analysed and managed within our operational risk management process. Potential risks are identified during the annual process-based self-assessment, and the assessment of climate change risks is also included in the scenario analysis of risks with low probability but high impact.

Energy consumption and business travel
OTP Group uses state-of-the-art technology in new construction and renovation projects; we are also continually expanding our use of LED lighting technology. We are constantly seeking opportunities to increase energy efficiency, by analysing the energy efficiency and consumption characteristics of our buildings. As part of our renovation process, we are replacing air conditioning units, always ensuring that the new units use environmentally-friendly coolants. Thanks to its energy efficiency investments in 2021, OTP Bank consumed 1,400 GJ less energy. Whenever a branch of the parent bank is renovated, we always examine the possibility of installing solar panels and heat pumps. In 2021, we installed solar panels at two branches and a holiday resort. Our systems generated a total of 842 GJ energy from solar power. Moreover, our central archives facility has been using geothermal energy for several years, amounting to 3,499 GJ in 2021. The solar panels of our subsidiaries generated a total of 893 GJ of solar power. We are committed to using green electricity. One of DSK Bank's data centres in Sofia procures electricity from 100% renewable sources, and from 2022, we will cover 100% of the electricity demand of the parent bank and our Serbian and Croatian subsidiaries in the same way.
Energy use across the Banking Group has been greatly impacted by the pandemic. Regarding ventilation and fresh air in our buildings, air recirculation was suspended and ventilation was intensified instead, which increased our energy usage; however, the high percentage of staff working from home reduced our electricity consumption.
The number of business trips and the size of the vehicle fleet are determined by the needs of the business. Our Group's vehicle policy sets carbon limits; moreover, the choice of cars includes environmentally-friendly vehicles in all vehicle categories. In 2021, our Romanian

subsidiary purchased two electric cars, our Bulgarian bank seven and our Croatian bank three hybrid cars. The number of kilometres travelled also decreased at group level and for OTP Bank, partly due to the measures related to the pandemic and partly due to business reasons. The amount of business travel has been reduced significantly by the use of online meetings, which has become common practice due to hybrid work.

Our existing bicycle storage facilities continued to be available to both customers and employees in 2021.

OTP Bank provided new storage facilities at three branches and the new Record Office, our Bulgarian and Ukrainian subsidiaries have each created new bicycle storage spaces at two locations, while the Albanian bank provided bicycle storage at five locations at the capital's branches.

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

Volume of energy consumption:

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

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

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

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

Efforts to reduce paper use

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

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

Paper usage quantities:

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

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

Sustainable use and waste management

We follow the principle of using all our equipment, devices and machines for the longest time reasonably possible. We explicitly aim to use furniture until the end of its lifecycle, reusing it multiple times and ensuring the compatibility of replacements. OTP Bank, DSK Bank, OTP Bank Romania and OTP Banka Srbija all follow the practice of making charitable donations of any furniture no longer used but in good condition, as well as functioning IT equipment (mostly computers and laptops), to institutions and organisations in need.
OTP Bank was the first bank in Hungary to issue a bank card made largely (85%) of recycled plastic. The card was available to junior customers, and we issued 50,000 recycled cards to our customers over the year.
In 2021, our Serbian subsidiary reduced its purchases of plastic packaging products and began using paper cups for water dispensers. Our Romanian, Croatian, Serbian, Montenegrin and Moldovan subsidiaries also use refilled toners to reduce waste from the use of toners and ink cartridges.
All members of OTP Group collect and manage hazardous waste and paper containing business secrets selectively, in compliance with the relevant laws and regulations. The selective collection of non-confidential paper waste, PET bottles and glass is available in the head office buildings of OTP Bank, while the collection of packaging metal has also been available since 2021. During the year, we also set up selective waste collection in ten bank branches. Our Ukrainian subsidiary operates selective paper collection at its head office building. Our Serbian subsidiary collects paper waste selectively in its branches and head office buildings. Our Albanian subsidiary collects paper waste selectively. Our Romanian subsidiary collects all paper, metal, glass and plastic selectively. Our Slovenian subsidiary also collects communal waste selectively (including biodegradable food waste).
Our Croatian subsidiary has collected paper and plastic waste selectively for years, and from 2021, metal and glass waste will also be collected separately. DSK Bank operates selective waste collection at its sites in Sofia and Varna and has expanded the selective collection of paper waste during the year. Our Montenegrin subsidiary has introduced selective paper waste collection at its head office and its archives facility.
Most members of our Banking Group have a tradition of raising awareness and taking joint action to protect environmental and natural resources. In 2021, we supported several environmental initiatives and encouraged the environmentally conscious behaviour of our employees.
OTP Bank and OTP Bank Serbia have joined the Mastercard Priceless Planet Coalition, launched in 2020, and are participating in a campaign that encourages consumers to protect the environment and actively contribute to this goal themselves. The Priceless Planet Coalition aims to preserve the environment through the restoration of 100 million trees over five years and to help mitigate the adverse effects of climate change. By 2022, three afforestation sites have been selected in Kenya, Brazil and Australia, but more will be added later.
OTP Bank has supported the Priceless Planet Coalition with a donation of 100,000 euros, while our Serbian subsidiary has committed to planting a tree for each bank account opened.
DSK Bank was the first bank in Bulgaria to join the Mastercard Wildlife Impact Card programme. The bank and Mastercard support the issuance of all Mastercard Wildlife Impact cards with one dollar spent on protecting and restoring natural habitats. The credit card is made of environmentally friendly material.
DSK Bank also supported the One Tree Initiative, which aims to create an interactive map of Sofia's tree stock. The tree survey was conducted by volunteers, registering a total of more than 12,000 trees. The bank also supported the initiative of the Hungarian Cultural Institute, within the framework of which bicycle storage spaces will be installed in front of cultural institutions. The aim of the project was to ensure the environmentally friendly accessibility of cultural institutions.

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

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

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

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

NON-FINANCIAL STATEMENT OTP BANK PLC. (SEPARATE)

The social, environmental and wider economic performance and impacts of OTP Group are also reported in its dedicated Sustainability Report. The Sustainability Report for 2021 is a group-level report that meets the GRI (Global Reporting Initiative) Standard and is certified by an independent third party. It is available as a digital version on OTP Bank's website.
The information in this chapter is provided in order to comply with the Accounting Act, while also aiming to keep the duplication of information to a minimum. Information concerning environmental protection and climate change is provided mainly in the chapter on environmental Policy and Environmental Protection Measures.
OTP Bank is committed to ethical business conduct in all respects; our principles are set out in our Code of Ethics, which is binding for all our employees and agents. Our financial services and operations have significant social and environmental impacts; thus, our objective is to manage risks responsibly while taking advantage of opportunities and delivering positive outcomes.
In 2021, OTP Bank signed the UN Environment Programme Finance Initiative (UNEP FI), a framework for the sustainable banking sector. The Principles are the leading framework for ensuring that banks' strategy and practice align with the vision society has set out for its future in the UN Sustainable Development Goals and the Paris Climate Agreement. Banks who have signed the Principles commit to be ambitious in their sustainability strategies, working to mainstream and embed sustainability into the heart of their business. The integration of sustainability is supported by a strong organisational background, which was completed in 2021. The ESG transformation covers both OTP Bank and its subsidiaries and is managed by an ESG Committee established by the Board of Directors. The Committee is the decision-making body responsible for ESG strategy, plans and policies and for supporting the Bank's governing bodies in the performance of ESG tasks. The Chairman of the Committee is appointed by the Board of Directors.
The ESG Committee has established an ESG Operational Subcommittee, which provides operational support to the ESG Committee and help in the preparation of decisions.
The head of the Subcommittee – also the head of ESG Business Transformation – is the Director of the Green Programme Directorate. The three key areas of ESG integration are ESG business transformation, ESG risk management and ESG control function.
The ESG Strategy of the OTP Group was approved by the Management Committee in 2021. The OTP Group wishes to play a leading role regionally in financing a fair and gradual transition to a low-carbon economy as well as building a sustainable future by offering balanced financing opportunities. OTP Group approaches ESG from three main perspectives: as a responsible service provider, as a responsible employer and as a responsible social player.
In addition to business opportunities, the strategy includes the management of relevant risks as well as social and corporate governance objectives. The strategy covers the period up to 2024, and our goal is to achieve full ESG integration at group level.

Green Finance

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

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

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

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

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

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

The projects are located in Hungary, Bulgaria, Romania and Croatia, and the financing was partly implemented with the involvement of the subsidiaries. The projects generated 1,175 MW of renewable capacity, but funding is not always provided by OTP Group alone.

At group level, the project financing portfolio related to renewable energy projects had reached HUF 84.2 billion by the end of the year, of which OTP Bank's share was HUF 57.8 billion.

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

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

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

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

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

Disclosure under Article 8 Delegated art 10		
OTP Group consolidated		
Art 10 (3) a,	Eligible proportion*	0.15%
Art 10 (2) a,	Non-eligible proportion*	67.29%
Art 10 (2) b,	Proportion of derivatives*	0.93%
Art 10 (2) b,	Proportion to central gov., central bank, supranational issuer*	27.14%
Art 10 (2) c,	Proportion of non-NFRD undertakings*	8.48%
Art 10 (2)	Proportion of trading portfolio*	1.17%
Art 10 (2)	Proportion of on-demand inter-bank loans*	4.77
DSK Bank	0.41%	
OTP Bank Croatia	0.21%	
SKB Bank	0%	
OTP Bank Romania	0.11%	
Art 10 (3) d,	XI. Annex disclosures	
	Contextual information towards quantitative indivators incl. scope of assets and activities covered, data sources and limitation.	Exposures to taxonomy-eligible activities were examined among non-financial corporations. Companies covered by the NFRD were defined as listed companies with more than 500 employees based on Nace code. *Excluding exposures to be excluded from the denominator of KPIs by the Regulation.
	Starting from second year of implementationonly: Explanations of the nature and objectives of Taxonomy-aligned economic activities and the evouolution of Taxonomy-aligned economic activities over time, distingiushing between business related and methodological and data-related elements.	Taxonomy elgible activities were examined. Our goals for green funding and the activities we have implemented can be found in the text pf NFRD.
	Description of the compliance with Regulation (EU) 2020/852 in the financial undertaking's business startegy, product design process and engagement with clients and counterparties.	Our goals for green funding and the activities we have implemented can be found in the text pf NFRD.
	for credit institutions that are not required to dsiclose quantitative information fo trading exposures: Quakitative information ont he alignment of trading portfolios with Regulation (EU) 2020/852, includong overall composition, trendsm objectives and policy;	Taxonomy eligible activities were examined.
	the weight of other or additional information in support of the financial undertaking's strategy and the financing of taxonomic activities in relation to their total activity.	Taxonomy eligible activities were examined. Our goals for green funding and the activities we have implemented can be found in the text pf NFRD.

Green asset ratio in corporate lending:
In relation to the mitigation and adaptation objectives of the taxonomy regulation, we have examined the corporate portfolio based on the NACE codes that can be attributed to activities in the delegated act.
OTP Bank Group's corporate lending activities are linked to environmentally sustainable economic activities in the EU Member States in the followings scope:
Share of the taxonomy-adjusted corporate portfolio of EU core and subsidiary banks in total non-segmented exposures at group level: 8.3%
Share of the taxonomy-adjusted corporate portfolio of EU core and subsidiary banks in the total EU core and subsidiary corporate portfolio: 42.3%.

ESG risk management

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

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

factors in the rest of the portfolio and in respect of collateral.
The purpose of ESG risk management in lending is to identify ESG risks and reduce transaction risks arising from the environmental and social risk factors associated with financing. By integrating these issues into our lending process, we are also emphasising the importance of our clients adopting excellent environmental and social practices.
We invest and lend the money deposited with us in a way ensuring that it will not serve illegal purposes, or those contrary to the values of society.

OTP Bank will not finance:

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

The OTP Bank Group does not finance transactions that violate the laws of the country concerned or international law.
In accordance with our regulations, our banking group always expects and examines compliance with environmental regulations during lending. Violation of commitments and expectations is sanctioned in the framework credit agreements.
In accordance with the SFDR's expectations, we have developed an investment risk management policy for all relevant group members, so that investment risk management has been integrated into decision-making processes during investment advisory and portfolio management activities, and information on this has been provided to clients. Our statements on the integration of sustainability risks and the adverse effects of investment decisions on sustainability factors (PAIs) are available on our websites. In addition to the legal requirements, the prospectuses containing the product characteristics of the investment funds also include the ESG score calculated by the bank, helping customers make decisions and orient themselves.
We have strengthened the assessment of ESG risks in our operational risk management scenario analyses by analysing a separate scenario related to climate change, and we have also indicated the risks affected by ESG in both the risk self-assessment and the loss database.

Responsible customer service

In carrying out our financial intermediary duties we ensure that the savings of our customers remain safe at all times. Our rules guarantee that the standards of responsible lending are observed regarding the avoidance of over-indebtedness, fair, understandable, complete and attentive information provision and adequate product offers.
Our principles and guidelines on the fair treatment of customers and the compliance of consumer protection are set out in our Compliance Policy. In designing our products, we follow the principles of ethical product development. Our New Product Policy prescribes the assessment of potential risks to consumers.
We offer personalised administrative options to our customers with the highest level of service quality and continuous innovations. The coronavirus pandemic increased the use of online channels, and our Banking Group also encouraged this trend.
We use TRI*M methodology to measure the satisfaction of our retail customers. OTP Bank's client retention power increased by three points to 69 points in 2021, while the average satisfaction score among competitors also increased slightly. The average TRI*M of banks in Central Europe was 77 points.

OTP Bank's stated objective is to serve its customers without fault. In order to improve customer satisfaction, we are also continuously improving our complaint management practices. Our Complaint Management Policy, Complaint Management Regulation and a Glossary are available to view in our branches as well as on our website.
In 2021, the most typical complaints at OTP Bank were related to the payment moratorium and unapproved payment transactions.

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

Customer complaint data:

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

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

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

Security and data protection

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

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

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

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

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

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

Fight against corruption and against the practice of bribery

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

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

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

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

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

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

Citizenship

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

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

Our efforts were focused on the following areas:

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

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

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

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

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

Responsible employment

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

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

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

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

OTP Bank's employees (31 December):

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

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

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

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

Short description of the business model of the company

OTP Bank is the market-leading credit institution in Hungary. As for its business model, the Bank offers high-quality financial services to retail, private banking, micro and small business, medium and large corporate, as well as municipality clients through both its branch network and its steadily developing digital channels. The Bank provides comprehensive retail and corporate banking services: its activities include deposit collection from customers and raising money from the money and capital markets. On the asset side, OTP Bank offers mortgage loans, consumer credits, working capital and investment loans to companies, as well as loans to municipalities, whereas its liquidity reserves are invested in money and capital market instruments. Moreover, the Bank provides a wide range of state-of-the-art services, including the areas of wealth management, investment services, payment services, treasury and other services. In addition, OTP Bank's Hungarian subsidiaries deliver a wide range of further financial services. The Bank owns foreign subsidiaries in many countries of Central and Eastern Europe through capital investments.

Non-financial performance indicators

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

LIST OF NON-AUDIT SERVICES BY SERVICE CATEGORIES USED BY THE BANK

The statutory audit of OTP Bank is carried out by **Ernst and Young Ltd.,** in addition to which the following services were contracted:

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

Management's analysis of the 2021 results of the OTP Bank (consolidated)

CONSOLIDATED FINANCIAL HIGHLIGHTS[1] AND SHARE DATA

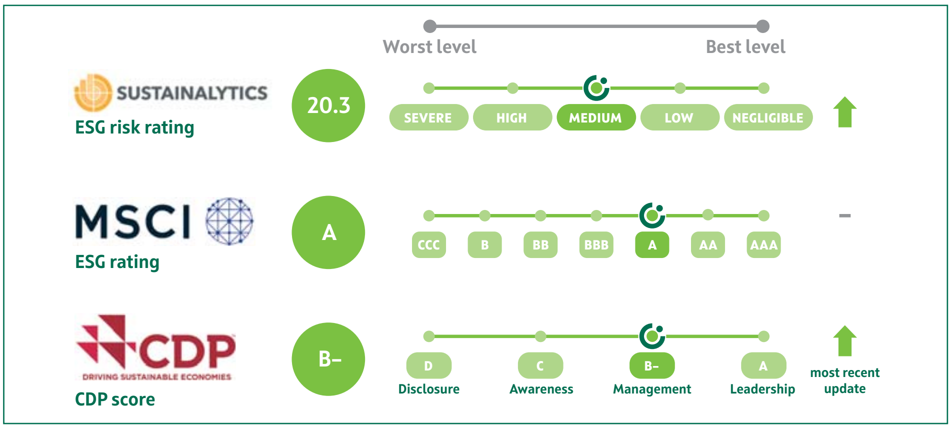
Main components of the adjusted Statement of recognised income	2020 HUF million	2021 HUF million	Change %
Consolidated after tax profit	**259,636**	**456,428**	**76**
Adjustments (total)	**(50,631)**	**(40,474)**	**(20)**
Consolidated adjusted after tax profit without the effect of adjustments	**310,268**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

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

Actual credit ratings

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

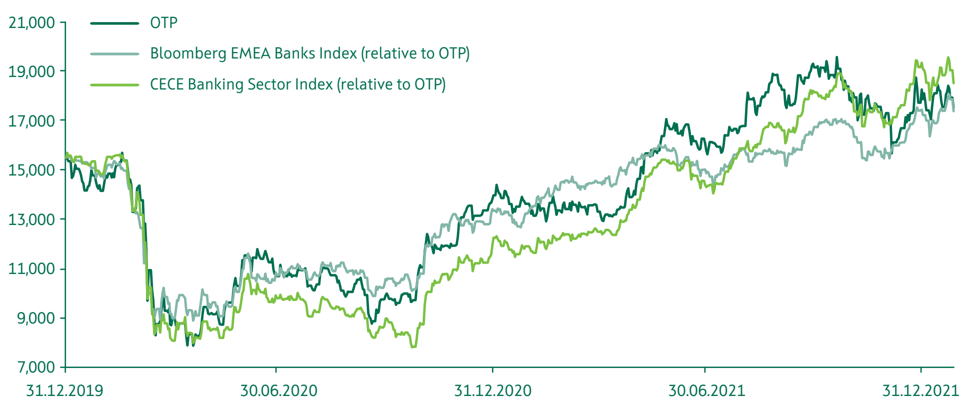
Actual ESG ratings



Awards

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

Share price performance (in HUF)



MANAGEMENT'S ANALYSIS OF THE FULL-YEAR 2021 RESULTS OF OTP BANK (CONSOLIDATED)

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

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

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

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

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

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

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

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

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

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

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

- -HUF 18.9 billion special banking tax on financial institutions (after tax) paid by the Hungarian operation;
- -HUF 15.5 billion effect of acquisitions (after tax) related mainly to the Bulgarian, Serbian and Slovenian integration expenses;
- -HUF 15 billion related to the expected negative one-off effect of the debt repayment moratorium in Hungary and Serbia (after tax);
- +HUF 6 billion related to the treasury share swap agreement between MOL and OTP, reflecting the share price changes and the updated model calculation for dividend pay-outs.
- +HUF 1.9 billion tax shield related to the recognition or reversal of impairment charges booked in relation to the revaluation of investments in certain subsidiaries (after tax).

In 2021 OTP Group posted HUF 588 billion the Pre-tax profit (+67% y-o-y). The corporate tax burden was more than twice as big as in the base period mainly due to the higher Pre-tax earnings. Besides, starting from 2021, in the adjusted P&L structure the Hungarian local business tax and innovation contribution (IPA) payable by Hungarian Group members was presented on the corporate taxes line against the previous practice of showing it as part of operational expenses[2]. That particular amount in 2020 comprised HUF16.5 billion (in the stock exchange report it was presented amongst operational expenses), while in 2021 it was HUF 19.2 billion (shown on the corporate tax line).

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

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

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

Despite the annual net interest margin eroded further (2021: 3.51%, y-o-y -11 bps). The declining interest rate environment prevailing for years turned around in several markets, and in 2021 first the Ukrainian and Russian central banks, later the Hungarian, and most recently the Romanian hiked rates. However, the favourable impact of the higher interest rates for the interest income will be gradual and stretched out for several quarters given the time lag in repricing of variable rate assets. At the same time, there were several developments affecting the net interest margin negatively. On one hand FX changes had negative impact on annual NIM: during 2021 the HUF was 2.7% stronger y-o-y against the Ukrainian hryvna and by 3.8% against RUB, respectively.

Also, NIM was negatively affected by the steady increase of deposit volumes through the dilution impact of higher total assets and the higher weight of low margin liquid assets. As for the whole Group, the annual NIM improved y-o-y at OTP Core, Ukraine and Russia, whereas other Group members suffered margin erosion at different scale.

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

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

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

As for the major loan segments, during the last twelve months the consolidated FX-adjusted performing corporate exposures increased the fastest (+19%), followed by the expansion of the mortgage portfolio (+15%) and the consumer book (+14%) and leasing exposures

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

(+11%). The MSE portfolio, however, shrank by 6% partly as a result of the phase-out of the Hungarian subsidized structures and also the reclassification between MLE and MSE segments during the course of the year.

One of the side-effects of pandemic is the more cautious attitude in household spending and corporate investment activity, as a result the volume of overall savings increased. The FX-adjusted consolidated deposits grew by 16% y-o-y or HUF 2,916 billion, i.e. increased faster than loan volumes. The Hungarian, Ukrainian, Romanian and Croatian operations demonstrated double-digit deposit expansion. The consolidated net loan-to-deposit ratio decreased to 75% (–1 pp y-o-y).

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

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

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

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

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

Russian–Ukrainian situation

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

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

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

OTP Group's **Ukrainian** operation incorporates the Ukrainian bank, as well as the leasing and factoring companies. The country-consolidated Ukrainian total assets represented HUF 984 billion at the end of 2021 (3.6% of total consolidated assets), while net loans comprised HUF 614 billion (3.9% of consolidated net loans) and shareholders' equity HUF 160 billion (5.3% of the consolidated total equity). At the end of 2021 the book value of the capital investment in the Ukrainian subsidiaries comprised HUF 105 billion; there was no goodwill at all, it was already written down entirely in 2014.

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

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

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

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

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

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

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

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

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

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

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

Consolidated capital adequacy ratio (in accordance with BASEL III)

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

Effective from 1 July 2020 the original level of O-SII capital buffer (2%) was modified to 0% by the NBH until 31 December 2021. Afterwards, this buffer shall be rebuilt gradually, between 1 January 2022 and 31 December 2023. At the end of 2021 the countercyclical capital buffer requirement was 0% in Hungary, and the central bank stated that it does not plan to raise it in the short-term. However, in Bulgaria the local central bank prescribed a 0.5% buffer for the local subsidiary, thus, the institution-specific countercyclical buffer requirement for OTP Group was 0.1%. As a result, the effective regulatory minimum requirement for the Tier1 capital adequacy ratio for OTP Group was 9.6% for end-2021 (which also incorporated the effective SREP rate of 117.25%), whereas the minimum CET1 requirement was 7.9%. According to the decision of NBH, effective from March 2022 the SREP rate increased to 125%.

Credit rating, shareholder structure

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

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

On 15 November Scope Ratings assigned an issuer rating of 'BBB+', preferred senior unsecured debt rating of 'BBB+', non-preferred senior unsecured debt rating of 'BBB' and Tier2 debt rating of 'BB+' to OTP Bank. The outlook for all ratings is stable.

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

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

SUMMARY OF ECONOMIC POLICY MEASURES MADE IN THE LAST PERIOD AND OTHER IMPORTANT DEVELOPMENTS, AS WELL AS POST-BALANCE SHEET EVENTS

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

Hungary

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

Slovenia

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

Russia

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

Ukraine

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

Romania

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

Moldova

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

CONSOLIDATED AFTER TAX PROFIT BREAKDOWN BY SUBSIDIARIES (IFRS)[3]

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

[3] Belonging footnotes are in the Supplementary data section of the Report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Main components of the adjusted Statement of recognized income	2020 HUF million	2021 HUF million	Change %
Consolidated after tax profit	**259,636**	**456,428**	**76**
Adjustments (total)	**(50,631)**	**(40,474)**	**(20)**
Dividends and net cash transfers (after tax)	213	729	243
Goodwill/investment impairment charges (after tax)	886	1,909	116
Special tax on financial institutions (after corporate income tax)	(17,365)	(18,893)	9
Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia (after corporate income tax)	(28,262)	(15,040)	(47)
Effect of acquisitions (after tax)	(6,852)	(15,506)	126
Result of the treasury share swap agreement (after tax)		6,326	
Consolidated adjusted after tax profit without the effect of adjustments	**310,268**	**496,902**	**60**
Before tax profit	**351,802**	**587,853**	**67**
Operating profit	**537,437**	**660,391**	**23**
Total income	**1,169,920**	**1,313,124**	**12**
Net interest income	**788,079**	**884,012**	**12**
Net fees and commissions	**293,112**	**325,548**	**11**
Other net non-interest income	**88,729**	**103,563**	**17**
Foreign exchange result, net	44,927	44,251	(2)
Gain/loss on securities, net	14,193	9,726	(31)
Net other non-interest result	29,610	49,586	67
Operating expenses	**(632,483)**	**(652,733)**	**3**
Personnel expenses	(312,495)	(340,201)	9
Depreciation	(70,286)	(72,816)	4
Other expenses	(249,702)	(239,716)	(4)
Total risk costs	**(187,995)**	**(72,538)**	**(61)**
Provision for impairment on loan and placement losses	(158,421)	(46,006)	(71)
Other provision	(29,574)	(26,532)	(10)
Total one-off items	**2,360**	**–**	
Result of the treasury share swap agreement at OTP Core	2,360	–	
Corporate taxes	**(41,534)**	**(90,951)**	**119**

Indicators	2020	2021	%/pps
ROE (from accounting net earnings)	10.9%	17.0%	6.1
ROE (from adjusted net earnings)	13.0%	18.5%	5.5
ROA (from adjusted net earnings)	1.4%	2.0%	0.5
Operating profit margin	2.47%	2.62%	0.16
Total income margin	5.37%	5.21%	(0.15)
Net interest margin	3.61%	3.51%	(0.11)
Net fee and commission margin	1.34%	1.29%	(0.05)
Net other non-interest income margin	0.41%	0.41%	0.00
Cost-to-asset ratio	2.90%	2.59%	(0.31)
Cost/income ratio	54.1%	49.7%	(4.4)
Provision for impairment on loan and placement losses-to-average gross loans	1.15%	0.30%	(0.84)
Total risk cost-to-asset ratio	0.86%	0.29%	(0.57)
Effective tax rate	11.8%	15.5%	3.7
Non-interest income/total income	33%	33%	0
EPS base (HUF) (from unadjusted net earnings)	1,004	1,739	73
EPS diluted (HUF) (from unadjusted net earnings)	1,003	1,738	73
EPS base (HUF) (from adjusted net earnings)	1,200	1,896	58
EPS diluted (HUF) (from adjusted net earnings)	1,200	1,896	58

Comprehensive Income Statement	2020	2021	%
Consolidated after tax profit	259,636	456,428	76
Fair value changes of financial instruments measured at fair value through other comprehensive income	(4,764)	(44,877)	842
Fair value adjustment of derivative financial instruments designated as cash-flow hedge	(2)	0	(100)
Net investment hedge in foreign operations	(8,591)	0	(100)
Foreign currency translation difference	68,593	61,729	(10)
Change of actuarial costs (IAS 19)	144	42	(71)
Net comprehensive income	**315,016**	**473,322**	**50**
o/w Net comprehensive income attributable to equity holders	315,239	472,281	50
Net comprehensive income attributable to non-controlling interest	(223)	1,041	(567)

Average exchange rate* of the HUF	2020 HUF	2021 HUF	Change %
HUF/EUR	351	359	2
HUF/CHF	328	332	1
HUF/USD	308	303	(2)

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

ASSET-LIABILITY MANAGEMENT

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

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

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

Total liquidity reserves of OTP Bank remained steadily and substantially above the safety level. As of 31 December 2021 the gross liquidity buffer was around EUR 9.1 billion equivalent. The level of these buffers is significantly higher than the maturing debt within one year and the reserves required to manage possible liquidity shocks.
As of 30 December 2021 OTP Group consolidated liquidity coverage (LCR) ratio was 180% (4Q 2020: 214%, 2Q 2021: 212%) while NSFR compliance has remained comfortable (2Q 2021: 135%, 4Q 2021: 137%).

The volume of issued securities decreased on a consolidated basis by HUF 28 billion y-o-y, mainly because of the change of net volume of mortgage bonds issued by OTP Mortgage Bank and the redemption of corporate and retail bonds issued by OTP Bank in the total amount of approximately HUF 9 billion.
The redemption of ICES bonds issued by OPUS Securities S.A. was accounted for in the equity. The temporary negative effect of ICES redemption on the Group's liquidity position was counterbalanced as OTP Bank

treasury shares were transferred from OPUS Securities, the issuer of ICES, to OTP Bank, which thus have become saleable and majority of those were sold to the Special Employee Partial Ownership Plan Organizations in December 2021.

...and kept its interest-rate risk exposures low

Interest-rate risk exposure of OTP Group is determined primarily by the positions of OTP Bank Plc. and OTP Mortgage Bank Ltd. Due to the forint liabilities on OTP Bank's balance sheet, which respond to yield changes only to a moderate extent, the Bank has an interest-rate risk exposure resulting from its business operations. The Bank considers the reduction and closing of this exposure as a strategic matter. Consequently, it has been reducing its interest-rate risk exposure through the purchase of fixed-rate government securities in order to offset the negative impact of declining yields on net interest income.

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

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

Market Risk Exposure of OTP Group

The consolidated capital requirement of the trading book positions, the counterparty risk and the FX risk exposure represented HUF 31.3 billion in total.

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF OTP GROUP

Main components of the adjusted balance sheet	2020 HUF million	2021 HUF million	Változás %
TOTAL ASSETS	**23,335,841**	**27,553,384**	**18**
Cash, amounts due from Banks and balances with the National Banks	2,432,314	2,556,035	5
Placements with other banks, net of allowance for placement losses	1,148,987	1,584,860	38
Financial assets at fair value through profit or loss	235,194	341,397	45
Securities at fair value through other comprehensive income	2,140,118	2,224,510	4
Net customer loans	13,528,586	15,743,922	16
Net customer loans (FX-adjusted*)	**13,730,752**	**15,743,922**	**15**
Gross customer loans	14,363,281	16,634,454	16
Gross customer loans (FX-adjusted*)	**14,575,916**	**16,634,454**	**14**
Gross performing (Stage 1+2) customer loans (FX-adjusted*)	**13,736,409**	**15,756,503**	**15**
o/w Retail loans	7,619,159	8,560,531	12
Retail mortgage loans (incl. home equity)	3,585,272	4,123,484	15
Retail consumer loans	3,290,818	3,739,128	14
SME loans	743,068	697,919	(6)
Corporate loans	5,065,053	6,025,106	19
Leasing	1,052,197	1,170,866	11
Allowances for loan losses	(834,695)	(890,532)	7
Allowances for loan losses (FX-adjusted*)	(845,164)	(890,532)	5
Associates and other investments	52,444	67,223	28
Securities at amortized costs	2,625,952	3,891,335	48
Tangible and intangible assets, net	589,878	689,290	17
o/w Goodwill, net	101,393	105,640	4
Tangible and other intangible assets, net	488,485	583,650	19
Other assets	582,368	454,811	(22)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**23,335,841**	**27,553,384**	**18**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks, and Financial liabilities designated at fair value through profit or loss	1,219,446	1,608,533	32
Deposits from customers	17,890,863	21,068,644	18
Deposits from customers (FX-adjusted*)	**18,152,563**	**21,068,644**	**16**
o/w Retail deposits	12,992,703	14,297,453	10
Household deposits	10,774,361	11,897,580	10
SME deposits	2,218,342	2,399,873	8
Corporate deposits	5,151,386	6,762,795	31
Accrued interest payable related to customer deposits	8,474	8,396	(1)
Liabilities from issued securities	464,214	436,325	(6)
o/w Retail bonds	1,326	0	(100)
Liabilities from issued securities without retail bonds	462,888	436,325	(6)
Other liabilities	949,502	1,124,782	18
Subordinated bonds and loans**	274,704	278,334	1
Total shareholders' equity	**2,537,112**	**3,036,766**	**20**

Indicators	2020	2021	pps
Loan/deposit ratio (FX-adjusted*)	80%	79%	(1)
Net loan/(deposit + retail bond) ratio (FX-adjusted*)	76%	75%	(1)
Stage 1 loan volume under IFRS 9	11,544,791	13,561,883	17
Stage 1 loans under IFRS 9/gross customer loans	80.4%	81.5%	1.2
Own coverage of Stage 1 loans under IFRS 9	1.0%	1.0%	0.0
Stage 2 loan volume under IFRS 9	1,998,867	2,194,620	10
Stage 2 loans under IFRS 9/gross customer loans	13.9%	13.2%	(0.7)
Own coverage of Stage 2 loans under IFRS 9	10.4%	10.0%	(0.4)
Stage 3 loan volume under IFRS 9	819,622	877,951	7
Stage 3 loans under IFRS 9/gross customer loans	5.7%	5.3%	(0.4)
Own coverage of Stage 3 loans under IFRS 9	62.3%	60.5%	(1.8)
90+ days past due loan volume	543,733	535,445	(2)
90+ days past due loans/gross customer loans	3.8%	3.2%	(0.6)

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

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

Consolidated capital adequacy – Basel3	2020	2021	%/pps
Capital adequacy ratio (consolidated, IFRS)	17.7%	19.1%	1.4
Tier 1 ratio	15.4%	17.5%	2.1
Common Equity Tier1 (CET1) capital ratio	15.4%	17.5%	2.1
Regulatory capital (consolidated)	2,669,806	3,191,765	20
o/w Tier1 Capital	2,316,118	2,926,882	26
o/w Common Equity Tier1 capital	2,316,118	2,926,882	26
Tier2 Capital	353,688	264,883	(25)
o/w Hybrid Tier2	89,935	0	(100)
Consolidated risk weighted assets (RWA) (Credit&Market&Operational risk)	15,046,888	16,691,315	11
o/w RWA (Credit risk)	13,389,536	14,992,797	12
RWA (Market & Operational risk)	1,657,352	1,698,518	2

Closing exchange rate of the HUF	2020 HUF	2021 HUF	Change %
HUF/EUR	365	369	1
HUF/CHF	337	357	6
HUF/USD	297	326	10

OTP BANK'S HUNGARIAN CORE BUSINESS

OTP Core Statement of recognized income:

Main components of the Statement of recognised income	2020 HUF million	2021 HUF million	Change %
After tax profit without the effect of adjustments	159,303	213,377	34
Corporate income tax	(16,558)	(40,594)	145
Pre-tax profit	175,860	253,972	44
Operating profit	181,178	257,182	42
Total income	453,634	546,215	20
Net interest income	286,448	369,309	29
Net fees and commissions	130,470	150,578	15
Other net non-interest income	36,717	26,328	(28)
Operating expenses	(272,457)	(289,034)	6
Total risk costs	(7,677)	(3,210)	(58)
Provision for impairment on loan and placement losses	2,374	(1,116)	(147)
Other provisions	(10,052)	(2,094)	(79)
Total one-off items	2,360	–	
Revaluation result of the treasury share swap agreement	2,360	–	

Indicators	2020	2021	pps
ROE	9.3%	11.6%	2.3
ROA	1.5%	1.6%	0.1
Operating profit margin	1.7%	2.0%	0.3
Total income margin	4.34%	4.22%	(0.12)
Net interest margin	2.74%	2.85%	0.11
Net fee and commission margin	1.25%	1.16%	(0.08)
Net other non-interest income margin	0.35%	0.20%	(0.15)
Operating costs to total assets ratio	2.6%	2.2%	(0.4)
Cost/income ratio	60.1%	52.9%	(7.1)
Provision for impairment on loan and placement losses/average gross loans*	(0.06%)	0.02%	0.08
Effective tax rate	9.4%	16.0%	6.6

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

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

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

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

P&L developments

In 2021 **OTP Core's** adjusted after tax profit amounted to HUF 213.4 billion, 34% more than a year earlier.
Starting from 2021, the local business tax and the innovation contribution paid by Hungarian Group members are presented on the corporate income tax line, rather than under operating expenses, in the adjusted P&L structure. At OTP Core, the local business tax and the innovation contribution amounted to HUF 15.2 billion in 2020 (presented under operating expenses), and to HUF 17.4 billion in 2021 (shown on the corporate income tax line). This item caused much of the increase in the annual effective corporate income tax rate. The above item explained 3.2 pps from the 7.1 pps improvement in the annual cost/income ratio, which would have decreased nearly 4 pps

even without this technical effect, as income growth outpaced that of operating expenses.

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

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

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

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

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

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

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

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

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

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

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

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

Partly as a result of the above mentioned one-timer effects, at the end of 2021 the ratio of Stage 3 loans stood at 4.6%, while the Stage 2 ratioat 17.4%. At the end of the year the aggregated own provision coverage of the Stage 1+2 portfolio stood at 2.5%, while the own provision coverage of Stage 3 loans at 42.7%. The volume of more than 90 days past due (DPD90+) loans declined by HUF 5 billion both in full year 2020 and by HUF 1 billion in 2021 as a whole (FX-adjusted, without sales/write-offs and the revaluation of Faktoring's claims). In 2021, HUF 10 billion non-performing loans were sold/written off (FX-adjusted).

Balance sheet trends

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Performance of Merkantil Group:

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

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

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

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

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

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

As a result, the ratio of Stage 3 loans was 2.9% as at the end of 2021, yet it fell by 0.6 pp y-o-y. The own provision coverage of Stage 3 loans dropped to 60.6%. The own provision coverage of Stage 2 loans stood at 5.4% (+1.6 pps y-o-y). The volume of 90 days past due loans fell by HUF 0.7 billion (FX-adjusted, without sales/write-offs) in 2021.

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

IFRS reports of the main foreign subsidiaries of OTP Bank

DSK GROUP (BULGARIA)

Performance of DSK Group:

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

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

Annual operating profit grew by 18% y-o-y, mainly driven by a 20% surge in net fees and commissions. The improvement partly stemmed from a 6% y-o-y decline in operating expenses (in local currency terms): the cost synergies resulting from the integration of Expressbank were observable also in 2021, and the continuing decrease in average headcount brought down personnel costs.

In 2021 the bank launched a comprehensive project in order to transform its business and operational model, and develop its digital capabilities, which also supported the operational efficiency.

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

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

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

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

In 2021, HUF 21 billion total risk cost weighed on profit, 53% less than in 2020.

The 12-month credit risk cost ratio stood at 0.70% (–1.09 pps y-o-y).

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

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

OTP BANK CROATIA

Performance of OTP Bank Croatia:

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

The **Croatian bank** realized HUF 33.5 billion after tax profit in 2021, more than doubling its profit y-o-y., This was primarily caused by a favourable development in credit risk costs, but operating profit also improved (+8% y-o-y). Within annual income, net interest income expanded by 5%. The dynamic organic growth of loans was partly offset by a further erosion in net interest margin (–13 bps y-o-y).
Net fees and commissions surged 13% y-o-y in 2021, mainly as a result of stronger economic activity and tourism, starting from the second quarter.
Other income contracted by 9% y-o-y last year, largely because of the 31% q-o-q decline in the fourth quarter. The latter stemmed from the seasonally lower income from foreign currency exchange, as well as from the negative revaluation result owing to an IT-system-related write-off and unfavourable exchange rate fluctuations.
Operating expenses rose by 2% (but dropped by 1% in local currency) in 2021, thus cost efficiency indicators improved.
In 2021, HUF 2.4 billion total risk cost weighed on profit, which was a tenth of what was recorded in the base year.
In the past quarter, the share of Stage 3 loans in the portfolio sank to 8.0%, while their own provision coverage grew to 61.4% (+7.5 pps y-o-y).
The volume of 90 days past due loans grew by HUF 8.7 billion (FX-adjusted, without sales/write-offs) in 2021. It was in 4Q when considerable non-performing loans were sold/written off last year (nearly HUF 4 billion, FX-adjusted).
As to lending activity, performing (Stage 1+2) loans surged 10% y-o-y (FX-adjusted).
In the retail segment, mortgage (+67% y-o-y) and cash (+40%) loan disbursement volumes grew dynamically. Despite the strong fourth quarter, the volume of corporate loan disbursement contracted by 6% from the previous year.
The FX-adjusted deposit volumes increased by 14% compared to end-2020, largely driven by the corporate segment, but the growth in the on-demand retail deposits also continued.
The Croatian bank's liquidity position remained stable; the net loan/deposit ratio stood at 90% at the end of December (–4 pps y-o-y).

OTP BANK SERBIA

Performance of OTP Bank Serbia:

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

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

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

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

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

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

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

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

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

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

SKB BANKA (SLOVENIA)

Performance of SKB Banka (Slovenia):

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

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

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

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

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

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

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

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

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

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

OTP BANK ROMANIA

Performance of OTP Bank Romania:

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

In 2021 **OTP Bank Romania** generated HUF 4.3 billion after tax profit, which is consistent with 3% ROE. The tripling annual profit benefited from the 69% fall in risk costs. The annual operating profit dropped by 24%, as a result of y-o-y 7% higher total income, and 18% growth in operating expenses.

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

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

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

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

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

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

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

Performance of OTP Bank Ukraine:

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

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

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

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

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

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

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

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

Performance of OTP Bank Russia:

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

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

OTP Bank Russia posted HUF 37.6 billion profit in 2021, 131% more than in the base period. The bank's operating profit in local currency stagnated from the previous year, just like operating expenses. In RUB terms, 2021 total income did not change from 2020, because the 19% y-o-y growth in net fees and commissions offset the 5% contraction in net interest income. Net interest income was adversely affected by the lower average interest rate on loans (in part because of the strong competition, partly because of regulatory reasons, partly because of composition effect), and this led to lower interest income on loans, despite growing volumes. Net interest margin crawled up y-o-y last year, partially supported by the overall decline in deposit interest expenses. The yield environment grew over the past year: the base rate increased by a total of 425 bps, to 8.5%.

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

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

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

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

New retail loan disbursements in 2021 were 28% higher y-o-y than in the previous year, while interest rates headed down.

CKB GROUP (MONTENEGRO)

Performance of CKB Group:

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

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

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

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

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

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

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

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

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

Performance of OTP Bank Albania:

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

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

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

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

The 8% expansion in annual net interest income was driven by volume growth, while interest margin narrowed. The 44% y-o-y jump in annual net fees and commissions can be put down to higher fee income from bank card transactions and from loan-related fees.

The reason for the y-o-y jump in other net non-interest income was a technical one: the full-year revaluation gain on foreign currency-denominated provisions due to exchange rate fluctuations was reclassified from risk costs to other income in 3Q. This move is neutral to the net result, and the presentation of this item is thus in line with the practice of the Group's other subsidiaries.

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

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

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

The ratio of Stage 3 loans upped by 0.2 pp y-o-y to 3.3% by the end of 2021.

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

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

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

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

Performance of OTB Bank Moldova:

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

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

In 2021 operating profit rose by 2% y-o-y, driven by a 5% increase in total income; operating expenses surged 8%. Of core banking incomes, net interest income grew by 9% and net fees jumped by 10% y-o-y, which was related to revenues from cash and card transactions. Other net non-interest income dropped by 6% y-o-y in local currency, owing to lower gains on foreign currency exchange in 2021.

The 8% y-o-y rise in twelve-month operating expenses was caused by fees paid to supervisory authorities[4], as well as by the 8% increase in average headcount, and the resulting higher personnel expenses.

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

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

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

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

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

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

STAFF LEVEL AND OTHER INFORMATION

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

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

STATEMENT ON CORPORATE GOVERNANCE PRACTICE

Corporate governance practice

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

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

System of internal controls

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

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

OTP Bank Plc.'s internal audit system is realised on several levels of control built on each other. The system of internal checks and balances includes process-integrated control, management control, independent internal audit organisation and executive information system. The independent internal audit organisation as an element of internal lines of defence promotes the statutory and efficient management of assets and liabilities, the defence of property, the safe course of business, the efficient operation of internal control systems, the minimisation of risks, moreover it reveals and reports deviations from statutory regulations and internal rules, makes proposal to abolish deficiencies and follows up the execution of actions.

The independent internal audit organisation annually and quarterly prepares group-level reports on control actions for the executive boards. Once a year, the internal audit organisation with the prior opinion of the Audit Committee draws up, for the Supervisory Board and the Board of Directors, objective and independent reports in respect of the operation of risk management, internal control mechanisms and corporate governance functions. Furthermore, in line with the provisions of the Credit Institutions Act, reports, once a year, to the Supervisory Board and the Board of Directors on the regularity of internal audit tasks, professional requirements and the conduct of audits, and on the review of compliance with IT and other technical conditions needed for the audits.

In line with the regulations of the European Union, the applicable Hungarian laws and supervisory recommendations, OTP Bank Plc. operates an independent organisational unit with the task of identifying and managing compliance risks.

IT Controls

Applications are developed by both in-House group resources and by third parties.

OTP Bank applies administrative, logical and physical control measures commensurate with the risk to protect the IT systems storing and processing data, as follows:

- access to data/systems is only possible on the basis of a predefined authorisation management process that applies the principle of least privilege, ensures segregation of responsibilities, that has regular access right reviews and ensures that dismissed employees' access is revoked;
- user authentication, authorisation and password management processes are controlled by policies and audited;
- the systems have well-separated test and development environments, which ensures that program developments or modifications are only deployed to the operational environment after proper, controlled testing and approval;
- systems are protected by appropriate network perimeter protection, various security devices and network segmentation, furthermore all network communications are protected;
- the IT systems that store and process data are regularly backed up and stored in controlled premises with adequate protection for long-term retention, and the organisation carries out regular back-up tests;
- adequate redundancy is applied for IT systems that store and process data to ensure business continuity and disaster resiliency;
- has developed a BCP for critical systems and processes, which is regularly tested and reviewed;
- the Bank collects and retains the complete log of all data processing activities and the confidentiality, availability, integrity and non-repudiation of these audit logs are ensured;
- there is a continuous, up-to-date protection against malicious codes;
- it ensures the regular implementation of vendor patches and updates for the environments used;
- it uses a data leakage protection solution to reduce the risk of data loss;
- it ensures the continuous monitoring of the operation of the physical and virtual environment system elements, and the detection and management of events, where possible automatically;
- the above measures are documented at an appropriate level, which ensures the traceability of the implementation of data security requirements in a transparent manner;
- it ensures the irretrievable deletion of the data stored on the media, the destruction of the media and the documentation of the destruction of the media during secure operational media disposal processes;
- it enforces data protection requirements already at the design stage of the implementation of the IT systems storing and processing personal data and of the systems operational processes related to them;
- it ensures that its employees have adequate knowledge of data protection requirements and provides regular data protection and information security training for them.

General meeting

The General Meeting is the supreme governing body of OTP Bank Plc. The regulations pertaining to its operation are set forth in the Company's Articles of Association, and comply fully with both general and special statutory requirements. Information on the General Meeting is available in the Corporate Governance Report.
In view of the situation caused by the epidemic, on 22 February 2021 the Parliament voted Act I of 2021 on the prevention of the coronavirus pandemic, which extended the scope of the Government Decree 502/2020 (XI. 16.) (Government Decree) until 22 May 2021. Pursuant to such, in line with Section 9 of the Government Decree, the resolutions on the published agenda items were passed by OTP Bank Plc.'s Board of Directors acting in the competence of the General Meeting on 16 April 2021.
The Extraordinary General Meeting was held on 15 October 2021 in accordance with the general rules, traditionally, with the personal

participation of the shareholders, subject to Section 3 (1) of the Government Decree, also in line with the Act I of 2021 on the prevention of the coronavirus pandemic.

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

The Company's registered capital is HUF 28,000,001,000, that is twenty-eight thousand million one thousand Hungarian forint, divided into 280,000,010 that is Two hundred and eighty million and ten dematerialised ordinary shares with a nominal value of HUF 100 each, and a total nominal value of HUF 28,000,001,000, that is twenty eight billion one thousand Hungarian forint.
The ordinary shares of the Company specified all have the same nominal value and bestow the same rights in respect of the Company.
There are no restrictions in place concerning the transfer of issued securities constituting the registered capital of the Company.
No securities with special control rights have been issued by the Company.
Special Employee Partial Ownership Plan Organization No. I. of OTP Employees and Special Employee Partial Ownership Plan Organization No. II. of OTP Employees (hereinafter referred to as: OTP SEPOPs) were established based on the decision of the Company's certain employees and executives considered as employees pursuant to the Act XLIV of 1992 on Employee Partial Ownership Plan. Management rights of OTP SEPOPs are exercised by a trust named *Alapítvány az OTP Munkavállalók Különleges Résztulajdonosi Programjáért,* founded by the same employees setting up OTP SEPOPs. The Company did not participate either in foundation or in management of OTP SEPOPs.
The Company in line with the ESOP Act initiated an employee share ownership plan having a remuneration purpose and founded OTP Bank ESOP Organization for its execution (hereinafter referred to as ESOP Organization). Pursuant to the laws, the management rights over the ESOP Organization are exercised by a law firm, the so called trustee. In the case of the ESOP Organization Szűcs Law Firm is entitled to exercise the authorities of the trustee.
The Company participated in the foundation of the ESOP Organization, however, after its foundation it cannot participate in its management, and according to the laws, it is not entitled to either give orders or to recall the trustee.

Rules on the restrictions of the voting rights:
The Company's ordinary shares confer one vote per share.
An individual shareholder or group of shareholders may not exercise voting rights in respect of in an extent exceeding 25%, or – if the voting rights of another shareholder or group of shareholders exceed 10% – exceeding 33% of the total voting rights represented by the shares conferring voting rights at the Company's General Meeting.
The shareholder is obliged to notify the Company's Board of Directors without delay if the shareholder directly or indirectly, or together with other shareholders in the same group of shareholders, holds more than 2% of the voting rights represented by the shares conferring voting rights at the Company's General Meeting. Concurrently with this, the shareholder is obliged to designate the shareholders through which the indirect voting right exists, or the members of the group of shareholders. In the event of a failure to provide such notification, or if there are substantive grounds for assuming that the shareholder has made a misleading declaration regarding the composition of the shareholder group, then the shareholder's voting right shall be suspended and may not be exercised until the shareholder has met the above obligations.
The notification obligation stipulated in this paragraph and the related legal consequences are also incumbent upon individuals who are classified or may be classified as the Company's

shareholders under Article 61 of the Capital Markets Act. The Company must also be provided with proof of the conditions for exemption from the notification obligation in accordance with Section 61 (7)-(8) and Section 61 (10)-(11)-(12), of the Capital Markets Act.

Shareholder group: the shareholder and another shareholder, in which the former has either a direct or indirect shareholding or has an influence without a shareholding (collectively: a direct and/or indirect influence); furthermore: the shareholder and another shareholder who is exercising or is willing to exercise its voting rights together with the former shareholder, regardless of what type of agreement between the participants underlies such concerted exercising of rights. For determining the existence and extent of the indirect holding, the rules of the Credit Institutions Act relating to the calculation of indirect ownership shall be applied.
If the voting rights that may be exercised by a shareholder group exceed the threshold stipulated in the first paragraph of this section, the voting rights shall be reduced in such a way that the voting rights relating to the shares most recently acquired by the group of shareholders shall not be exercisable.
If there are substantive grounds to presume that the exercising of voting rights by any shareholder or shareholders might result in a breach of the rules of the Capital Markets Act relating to the acquisition of a controlling interest, the Board of Directors' authorised representative responsible for the registration of shareholders at the venue of the General Meeting, or the Chairman of the General Meeting, may exclude the affected shareholders from attending the General Meeting or exercising voting rights.
The General Meeting has exclusive authority with respect to the decision regarding the delisting of the shares (qualified majority).
When making the decisions, shares embodying multiple voting rights shall represent one share.
The Company is not aware of any kind of agreements among the owners that could give rise to the restriction of the transfer of issued securities and/or the voting rights.

Rules on the appointment and removal of executive officers, and rules on amendment of the Articles of Association:
The Board of Directors has at least 5, and up to 11 members.
When making the decisions, shares embodying multiple voting rights shall represent one share. The members of the Board of Directors are elected by the General Meeting based on its decision uniformly either for an indefinite period or for five years; in the latter case the mandate ends with the General Meeting concluding the fifth financial year following the election. The mandate of a member elected during this period expires together with the mandate of the Board of Directors.
The Board of Directors elects a Chairman and, may elect one or more Deputy Chairmen, from among its own members, whose period of office shall be equal to the mandate of the Board of Directors. The Chairman of the Board of Directors is also the Chief Executive Officer (Chairman & CEO) of the Company, unless the Board of Directors decides within its competence that the position of Chairman of the Board of Directors and the Chief Executive Officer of the Company are held by separate persons.

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

The General Meeting has exclusive authority with respect to the following matters:
- the recall of members of the Board of Directors, the Supervisory Board and Audit Committee, and of the auditor; (qualified majority)
  More than one third of the members of the Board of Directors and the non-executive

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

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

The following, in particular, come under the exclusive authority of the Board of Directors:
- election of the Chairman & Chief Executive Officer of the Company, and exercising employer's right in respect thereof;
- election of one or more Deputy Chairmen of the Board of Directors;
- determination of the annual plan;
- the analysis and assessment of the implementation of business-policy guidelines, on the basis of the Company's quarterly balance sheet;
- decisions on transactions referred to the authority of the Board of Directors by the Company's organisational and operational regulations;
- decision on launching, suspending, or terminating the performance of certain banking activities within the scope of the licensed activities of the Company;
- designation of the employees entitled to sign on behalf of the Company;
- decision on the increasing of registered capital at the terms set out in the relevant resolution of the General Meeting;
- decision to acquire treasury shares at the terms set out in the relevant resolution of the General Meeting;
- decision on approving internal loans in accordance with the Credit Institutions Act;
- decision on the approval of regulations that fundamentally determine banking operations, or are referred to its authority by the Credit Institutions Act. The following shall qualify as such regulations:
  - the collateral evaluation regulations,
  - the risk-assumption regulations,
  - the customer rating regulations,
  - the counterparty rating regulations,
  - the investment regulations,
  - the regulations on asset classification, impairment and provisioning,
  - the organisational and operational regulations, which contain the regulations on the procedure for assessing requests related to large loans,
  - the regulations on the transfer of signatory rights;
- the decision on approving the Rules of Procedure of the Board of Directors;
- decision on steps to hinder a public takeover procedure;
- decision on the acceptance of a public purchase offer received in respect of treasury shares;
- decision on the commencement of trading in the shares in a regulated market (flotation);

- decision on the cessation of trading in the shares in a given regulated market, provided that the shares are traded in another regulated market (hereinafter: transfer).

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

The Board of Directors directly exercises employer's rights in respect of the Chairman & CEO. The person affected by a decision may not participate in the decision making. Employer rights in respect of the executive directors of the Company are exercised by the Board of Directors through the Chairman & CEO, with the proviso that the Board of Directors must be notified in advance of the appointment and dismissal of the Deputy CEOs. With regard to issues related to the exercising of employer's rights in respect of employees, the Company is represented by the Chief Executive Officer and by the senior company employees defined in the Organisational and Operational Regulations of the Company, in accordance with the delegation of authority approved by the Board of Directors. If the Chairman of the Board of Directors and the CEO are different persons, the employer rights in respect of the other executive directors of the Company (CEO, deputy CEOs) are exercised by the Board of Directors through the Chairman of Board of Directors, with the proviso that the Board of Directors shall be notified in advance of the appointment and dismissal of the CEO and Deputy CEOs. With regard to issues related to the exercising of employer's rights in respect of employees, the Company is represented by the persons defined in the Organisational and Operational Regulations of the Company, in accordance with the delegation of authority approved by the Board of Directors.
The Board of Directors may delegate, to individual members of the Board of Directors, to executive directors employed by the Company, and to the heads of the individual service departments, any task that does not come under the exclusive authority of the Board of Directors in accordance with these Articles of Association or a General Meeting resolution.
The Company may acquire treasury shares in accordance with the rules of the Civil Code. The prior authorisation of the General Meeting is not required for the acquisition of treasury shares if the acquisition of the shares is necessary in order to prevent a direct threat of severe damage to the Company (this provision is not applicable in the event of a public purchase offer aimed at buying up the Company's shares), as well as if the Company acquires the treasury shares in the context of a judicial procedure aimed at the settlement of a claim to which the Company is entitled, or in the course of a transformation.
The Company has not made agreements in the meaning of points (j) and (k) in paragraph 95/A of Act No. C of 2000 on Accounting.

Ownership structure of OTP Bank Plc.:

Description of owner	Total equity					
	1 January 2021			31 December 2021		
	Ownership share	Voting rights[1]	Quantity	Ownership share	Voting rights[1]	Quantity
Domestic institution/company	20.93%	21.26%	58,605,628	26.66%	26.97%	74,637,180
Foreign institution/company	71.60%	72.73%	200,480,153	66.69%	67.47%	186,733,858
Domestic individual	4.79%	4.87%	13,424,090	4.57%	4.63%	12,805,389
Foreign individual	0.11%	0.12%	319,346	0.11%	0.12%	319,712
Employees, senior officers	0.85%	0.87%	2,393,390	0.69%	0.70%	1,941,018
Treasury shares[2]	1.55%	0.00%	4,334,140	1.16%	0.00%	3,251,484
Government held owner	0.08%	0.08%	219,800	0.07%	0.07%	188,326
International Development Institutions	0.04%	0.04%	108,981	0.04%	0.04%	120,871
Other[3]	0.04%	0.04%	114,482	0.00%	0.00%	2,172
Total	**100.00%**	**100.00%**	**280,000,010**	**100.00%**	**100.00%**	**280,000,010**

[1] Voting rights in the General Meeting of the Issuer for participation in decision-making.
[2] Treasury shares do not include the OTP shares held by ESOP (OTP Bank Employee Stock Ownership Plan Organization). Pursuant to Act V of 2013 on the Civil Code, OTP shares held by the ESOP are not classified as treasury shares, but the ESOP must be consolidated in accordance with IFRS 10 Consolidated Financial Statements standard. On 31 December 2021 ESOP owned 7,656,897 OTP shares.
[3] Non-identified shareholders according to the shareholders' registry.

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

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

Shareholders with over/around 5% stake as at 31 december 2021:

Name	Nationality[1]	Activity[2]	Number of shares	Ownership[3]	Voting rights[3, 4]	Notes[5]
MOL (Hungarian Oil and Gas Company Plc.)	**D**	**C**	**24,000,000**	**8.57%**	**8.67%**	**–**
KAFIJAT Group	**D**	**C**	**19,661,409**	**7.02%**	**7.10%**	**–**
KAFIJAT Ltd.	D	C	9,839,918	3.51%	3.56%	–
MGTR Alliance Ltd.	D	C	9,836,491	3.51%	3.55%	–
Groupama Group	**F/D**	**C**	**14,311,769**	**5.11%**	**5.17%**	**–**
Groupama Gan Vie SA	F	C	14,140,000	5.05%	5.11%	–
Groupama Biztosító Ltd.	D	C	171,769	0.06%	0.06%	–

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

Senior officers, strategic employees and their shareholding of OTP shares as at 31 December 2021:

Type[1]	Name	Position	Commencement date of the term	Expiration/termination of the term	Number of shares
IT	dr. Sándor Csányi[2]	Chairman and CEO	15/05/1992	2026	293,907
IT	Tamás György Erdei	Deputy Chairman	27/04/2012	2026	32,285
IT	Gabriella Balogh	member	16/04/2021	2026	1,393
IT	Mihály Baumstark	member	29/04/1999	2026	44,000
IT	Péter Csányi	member, Deputy CEO	16/04/2021	2026	1
IT	dr. István Gresa	member	27/04/2012	2026	173,258
IT	Antal György Kovács	member, Deputy CEO	15/04/2016	2026	79,244
IT	György Nagy[3]	member	16/04/2021	2026	0
IT	dr. Márton Gellért Vági	member	16/04/2021	2026	0
IT	dr. József Zoltán Vörös	member	15/05/1992	2026	171,114
IT	László Wolf	member, Deputy CEO	15/04/2016	2026	532,143
FB	Tibor Tolnay	Chairman	15/05/1992	2023	54
FB	dr. József Gábor Horváth	Deputy Chairman	19/05/1995	2023	0
FB	Klára Bella	member	12/04/2019	2023	344
FB	dr. Tamás Gudra	member	16/04/2021	2023	0
FB	András Michnai	member	25/04/2008	2023	100
FB	Olivier Péqueux	member	13/04/2018	2023	0
SP	László Bencsik	Deputy CEO			10,038
SP	György Kiss-Haypál	Deputy CEO			3,137
Total No. of shares held by management					**1,341,018**

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

Committees[5]

Members of the Board of Directors

Dr. Sándor Csányi – Chairman
Mr. Tamás György Erdei – Deputy Chairman
Mrs. Gabriella Balogh[6]
Mr. Mihály Baumstark
Dr. Tibor Bíró[7]
Mr. Péter Csányi[6]
Dr. István Gresa
Mr. Antal György Kovács
Mr. György Nagy[6]
Dr. Antal Pongrácz[7]
Dr. László Utassy[7]
Dr. Márton Gellért Vági[6]
Dr. József Zoltán Vörös
Mr. László Wolf

Members of the Supervisory Board

Mr. Tibor Tolnay – Chairman
Dr. József Gábor Horváth – Deputy Chairman
Mrs. Klára Bella
Dr. Tamás Gudra[8]
Mr. András Michnai
Mr. Olivier Péqueux
Dr. Márton Gellért Vági[9]

Members of the Audit Committee

Dr. József Gábor Horváth – Chairman
Mr. Tibor Tolnay – Deputy Chairman
Dr. Tamás Gudra[10]
Mr. Olivier Péqueux
Dr. Márton Gellért Vági[11]

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

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

Personal and organizational changes

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

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

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

On 16 April 2021 the Board of Directors acting in the competency of the Annual General Meeting, elects
Dr. Sándor Csányi
Mr. Antal György Kovács
Mr. László Wolf
Mr. Tamás György Erdei
Mr. Mihály Baumstark
Dr. István Gresa
Dr. József Zoltán Vörös
Mr. Péter Csányi
Mrs. Gabriella Balogh
Mr. György Nagy
Dr. Gellért Márton Vági
as members of the Board of Directors (BoD) of the Company until the Annual General Meeting of the Company closing the 2025 business year, but not later than 30 April 2026.

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

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

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

Mr. Tamás György Erdei performs his duties until the closing AGM of the fiscal year 2025 but latest until 30 April 2026.

Operation of the executive boards

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

In order to assist the performance of the governance functions the Board of Directors founded and operates, as permanent or other committees, such as the Management

Committee, the Remuneration Committee, the Nomination Committee and the Risk Assumption and Risk Management Committee.

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

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

The Board of Directors held 9, the Supervisory Board held 6 meetings, while the Audit Committee held 2 meetings in 2021. In addition, resolutions were passed by the Board of Directors on 180, by the Supervisory Board on 90 and by the Audit Committee on 28 occasions by written vote.

Policy of diversity

OTP Bank Plc. determines and regulates the criteria for the selection of senior executives in line with European Union as well as domestic legal requirements and directives fundamentally determining the operation of credit institutions.

When designating members of the management bodies (Board of Directors, Supervisory Board) as well as appointing members of the Board of Directors and administrative members (Management), OTP Bank Plc. considers the existence of professional preparation, the high-level human and leadership competence, the versatile educational background, the widespread business experience and business reputation of the utmost importance, at the same time, it is also highly committed to taking efficient measures in order to ensure diversity with regard to corporate operation, including the gradual improvement in women's participation rate.

OTP Bank Plc.'s Nomination Committee continuously keeps tracking the European Union and domestic legislation relating to women's quota on its agenda, in that when unambiguously worded expectations are announced, it promptly takes the necessary measures. In accordance with OTP Bank Plc.'s currently approved strategy, the goal is to have at least one female member in both the Bord of Directors and the Supervisory Board.

It is important to note, however, that, as a public limited company, the selection of the members of the management bodies falls within the exclusive competence of the General Meeting upon which – beyond its capacity to designate enforcing the above aspects to maximum effect – OTP Bank Plc. has no substantive influence.

According to OTP Bank Plc.'s Articles of Association, a Board of Directors comprising 5–11 members and a Supervisory Board comprising 5–9 members are set up at OTP Bank Plc. Currently the Board of Directors operates with 11 members and has one female member, the Supervisory Board comprises 6 members and has one female member. The management of OTP Bank Plc. currently comprises 6 members and has no female member.

ENVIRONMENTAL POLICY, ENVIRONMENTAL PROJECTS

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

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

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

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

Energy consumption and business travel

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

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

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

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

Our existing bicycle storage facilities continued to be available to both customers and employees in 2021.
OTP Bank provided new storage facilities at three branches and the new Record Office, our Bulgarian and Ukrainian subsidiaries have each created new bicycle storage spaces at two locations, while the Albanian bank provided bicycle storage at five locations at the capital's branches.
Energy consumption figures are presented for OTP Bank. The bank's overall energy consumption decreased by 5% compared to the previous year. Energy consumption per capita is unchanged.

Volume of energy consumption:

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

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

Efforts to reduce paper use

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

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

Paper usage quantities:

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

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

Sustainable use and waste management

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

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

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

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

Awareness-raising

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

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

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

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

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

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

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

- To promote environmental awareness, we wrote about the reduction in paper use and disposable plastics in the OTP Bank's online magazine.
- Our Croatian subsidiary has reduced its use of plastics and implemented even more responsible waste management in three cities under the *"Green Way to Green"* programme.
- Our Serbian bank has launched an awareness-raising initiative among employees to increase environmentally and business-friendly behaviour and reduce CO2 emissions. The bank also supported the Green Serbia 2021 campaign, which planted trees in ten cities.
- In order to make employees more sensitive to the environment, our Slovenian subsidiary bank organised a workshop and presentation for managers and e-learning for employees. In 2021, the Bank joined the Slovenian Green Network, which brings together more than 400 companies, educational institutions, institutes and other organisations with a variety of projects for sustainable development and social responsibility.
- Our Ukrainian subsidiary has joined the *"Batteries, inward"* campaign, in which used batteries are collected and delivered to a recycling plant in Romania. The bank sent more than 200 kg of batteries to be recycled.
- Following its energy renovations, our Montenegrin subsidiary will also train its employees in the energy-conscious use of the systems.

NON-FINANCIAL STATEMENT OTP BANK PLC. (SEPARATE)

The social, environmental and wider economic performance and impacts of OTP Group are also reported in its dedicated Sustainability Report. The Sustainability Report for 2021 is a group-level report that meets the GRI (Global Reporting Initiative) Standard and is certified by an independent third party. It is available as a digital version on OTP Bank's website.

The information in this chapter is provided in order to comply with the Accounting Act, while also aiming to keep the duplication of information to a minimum. Information concerning environmental protection and climate change is provided mainly in the chapter on environmental Policy and Environmental Protection Measures.

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

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

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

The three key areas of ESG integration are ESG business transformation, ESG risk management and ESG control function.

The ESG Strategy of the OTP Group was approved by the Management Committee in 2021.

The OTP Group wishes to play a leading role regionally in financing a fair and gradual transition to a low-carbon economy as well as building a sustainable future by offering balanced financing opportunities. OTP Group approaches ESG from three main perspectives: as a responsible service provider, as a responsible employer and as a responsible social player. In addition to business opportunities, the strategy includes the management of relevant risks as well as social and corporate governance objectives.

The strategy covers the period up to 2024, and our goal is to achieve full ESG integration at group level.

Green Finance

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

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

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

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

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

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

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

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

The purpose of the OTP Fund Management OTP Climate Change 130/30 Fund is to provide investment opportunities in the shares of developed and emerging market companies that may be the winners of directives, legal regulations and economic policy changes aimed at mitigating the effects of climate change. The net asset value of the Fund at the end of 2021 was HUF 36.3 billion.

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

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

Disclosure under Article 8 Delegated art 10		
OTP Group consolidated		
Art 10 (3) a,	Eligible proportion*	0.15%
Art 10 (2) a,	Non-eligible proportion*	67.29%
Art 10 (2) b,	Proportion of derivatives*	0.93%
Art 10 (2) b,	Proportion to central gov., central bank, supranational issuer*	27.14%
Art 10 (2) c,	Proportion of non-NFRD undertakings*	8.48%
Art 10 (2)	Proportion of trading portfolio*	1.17%
Art 10 (2)	Proportion of on-demand inter-bank loans*	4.77%
DSK Bank	0.41%	
OTP Bank Croatia	0.21%	
SKB Bank	0%	
OTP Bank Romania	0.11%	
Art 10 (3) d,	XI. Annex disclosures	
	Contextual information towards quantitative indivators incl. scope of assets and activities covered, data sources and limitation.	Exposures to taxonomy-eligible activities were examined among non-financial corporations. Companies covered by the NFRD were defined as listed companies with more than 500 employees based on Nace code. *Excluding exposures to be excluded from the denominator of KPIs by the Regulation.
	Starting from second year of implementationonly: Explanations of the nature and objectives of Taxonomy-aligned economic activities and the evouolution of Taxonomy-aligned economic activities over time, distingiushing between business related and methodological and data-related elements.	Taxonomy elgible activities were examined. Our goals for green funding and the activities we have implemented can be found in the text pf NFRD.
	Description of the compliance with Regulation (EU) 2020/852 in the financial undertaking's business startegy, product design process and engagement with clients and counterparties.	Our goals for green funding and the activities we have implemented can be found in the text pf NFRD.
	For credit institutions that are not required to dsiclose quantitative information fo trading exposures: Quakitative information ont he alignment of trading portfolios with Regulation (EU) 2020/852, includong overall composition, trendsm objectives and policy;	Taxonomy eligible activities were examined.
	the weight of other or additional information in support of the financial undertaking's strategy and the financing of taxonomic activities in relation to their total activity.	Taxonomy eligible activities were examined. Our goals for green funding and the activities we have implemented can be found in the text pf NFRD.

Green asset ratio in corporate lending:
In relation to the mitigation and adaptation objectives of the taxonomy regulation, we have examined the corporate portfolio based on the NACE codes that can be attributed to activities in the delegated act.
OTP Bank Group's corporate lending activities are linked to environmentally sustainable economic activities in the EU Member States in the followings scope:
Share of the taxonomy-adjusted corporate portfolio of EU core and subsidiary banks in total non-segmented exposures at group level: 8.3%
Share of the taxonomy-adjusted corporate portfolio of EU core and subsidiary banks in the total EU core and subsidiary corporate portfolio: 42.3%.

ESG risk management

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

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

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

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

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

OTP Bank will not finance:

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

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

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

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

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

Responsible customer service

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

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

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

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

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

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

Customer complaint data:

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

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

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

Security and data protection

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

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

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

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

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

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

Fight against corruption and against the practice of bribery

The Code of Ethics and the Anti-Corruption Policy of OTP Bank contains provisions on the fight against corruption and against the practice of bribery, also on the acceptance of individual differences and the denial of discrimination (https://www.otpbank.hu/portal/en/EthicalDeclaration, https://www.otpbank.hu/static/portal/sw/file/OTP_EtikaiKodex_EN.pdf, https://www.otpbank.hu/static/portal/sw/file/OTP_Anti_Corruption_Policy_202102.pdf).
As it can be read in the foreword of the Code and the Anti-Corruption Policy as well, the Bank and its management have adopted the principle of zero tolerance towards corruption and bribery, taking a definite stance against all forms of corruption and giving full support to the fight against corruption. In addition, the Code states that "As an ethical and compliant institution, the Bank and its management are fully committed to ensuring observance of all relevant legislation, including anti-corruption statutes".
The Bank has set up an ethics reporting system (whistleblowing), which is for the reporting and the handling of the reports on suspected or actual violation of the values set forth in the Code of Ethics, where anonymous reporting of ethics issues is also possible. The Bank conducts inquiries for the purpose of detecting, preventing anomalies in connection with reports made or anomalies it became aware of otherwise.

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

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

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

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

Citizenship

OTP is one of the most generous charitable donors in Hungary, giving a total of HUF 2.3 billion in charitable donations, almost half of which was for educational purposes, primarily the development of financial culture. We aim to provide genuine and effective help by supporting programmes and causes that serve the interests of society. We cooperate with a number of local non-governmental organisations, concentrating our donated funds and monitoring their usage and the results achieved.

Our efforts were focused on the following areas:
- developing financial literacy: attitude shaping;
- sponsoring culture and the arts: creating and preserving values;
- equal opportunities: helping the disadvantaged and those in need; and
- sport.

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

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

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

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

Responsible employment

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

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

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

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

OTP Bank's employees:

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

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

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

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

Short description of the business model of the company

OTP Bank is the market-leading credit institution in Hungary. As for its business model, the Bank offers high-quality financial services to retail, private banking, micro and small business, medium and large corporate, as well as municipality clients through both its branch network and its steadily developing digital channels. The Bank provides comprehensive retail and corporate banking services: its activities include deposit collection from customers and raising money from the money and capital markets. On the asset side, OTP Bank offers mortgage loans, consumer credits, working capital and investment loans to companies, as well as loans to municipalities, whereas its liquidity reserves are invested in money and capital market instruments. Moreover, the Bank provides a wide range of state-of-the-art services, including the areas of wealth management, investment services, payment services, treasury and other services.

In addition, OTP Bank's Hungarian subsidiaries deliver a wide range of further financial services. The Bank owns foreign subsidiaries in many countries of Central and Eastern Europe through capital investments.

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

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

LIST OF NON-AUDIT SERVICES BY SERVICE CATEGORIES USED BY THE BANK

The statutory audit of OTP Bank is carried out by **Ernst and Young Ltd.,** in addition to which the following services were contracted:

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

Footnotes of the table 'consolidated after tax profit breakdown by subsidiaries (IFRS)'

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

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

(2) OTP Core is an economic unit for measuring the result of core business activity of OTP Group in Hungary. Financials of OTP Core are calculated from the partially consolidated IFRS financial statements of certain companies engaged in OTP Group's operation in Hungary. These companies include OTP Bank Hungary Plc., OTP Mortgage Bank Ltd., OTP Building Society Ltd., OTP Factoring Ltd., OTP Financial Point Ltd., and companies providing intragroup financing; OTP Bank Employee Stock Ownership Plan Organization was included from 4Q 2016; OTP Card Factory Ltd., OTP Facility Management Llc., MONICOMP Ltd. and OTP Real Estate Leasing Ltd. were included from 1Q 2017 (from 1Q 2019 OTP Real Estate Lease Ltd. was eliminated from OTP Core); OTP Mobile Service Llc. and OTP Ingatlan-pont Llc. were included from 1Q 2019; OTP eBIZ Ltd. was included from 1Q 2020; OTP OTP Home Solutions was included from 2Q 2021. The consolidated accounting results of these companies are segmented into OTP Core and Corporate Centre. Latter is a virtual entity.

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

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

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

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

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

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

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

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

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

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

(13) OTP Buildings s.r.o. (Slovakia), Velvin Ventures Ltd. (Belize), R.E. Four d.o.o.,

Novi Sad (Serbia), SC Aloha Buzz SRL, SC Favo Consultanta SRL, SC Tezaur Cont SRL (Romania), Cresco d.o.o. (Croatia), OTP Osiguranje d.d. (Croatia), OTP Solution Fund (Ukraine).

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

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

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

Calculation of the adjusted lines of IFRS profit and loss statements, as well as the adjusted balance sheet lines presented in the report, and the methodology for calculating the FX-adjusted volume changes

In order to present Group level trends in a comprehensive way in the Report, the presented consolidated and separate profit and loss statements of this report were adjusted in the following way, and the adjusted P&Ls are shown and analysed in the report. Consolidated accounting figures together with Separate accounting figures of OTP Bank are still disclosed in the *Supplementary Data* section.

Adjustments affecting the income statement:

- The after tax effect of adjustment items (certain, typically non-recurring items from banking operations' point of view) are shown separately in the Statement of Recognised Income. The following adjustment items emerged in the period under review and the previous year: received dividends, received and paid cash transfers, the effect of goodwill/investment impairment charges, special tax on financial institutions, the expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia, the impact of fines imposed by the Hungarian Competition Authority, the effect of acquisitions, and from 2021 the result of the treasury share swap agreement (earlier the latter was presented amongst the one-off revenue items in the adjusted income statement structure).
  Beside the Slovakian banking levy payable until 2Q 2020, the total amount of the special banking tax includes and the Slovakian Deposit Protection Fund contributions being introduced again in 2014, and the contribution into the Resolution Fund in Slovakia, too.
- In 4Q 2019 the following items have been moved from the Other operating expenses line among the Net interest income after loss allowance, impairment and provisions line: *Release of loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost, Provision for commitments and guarantees given, Release of impairment of assets subject to operating lease and of investment properties.* In the adjusted P&L structure these items are presented amongst the *Other provisions (adj.)* line (through the *Structural correction between Provision for loan losses and Other provisions* adjustment line).
  From 1Q 2021 the *Provision for commitments and guarantees given* line contains lending activity-related amounts, therefore this line

is no longer shifted from 1Q 2021. In 3Q 2021 (retrospectively from 3Q 2020) the components of the new *Gain from derecognition of financial assets at amortized cost* line in the accounting P&L were shifted back in the adjusted P&L structure to the lines on which they were presented previously.

- Other non-interest income is shown together with Gains and losses on real estate transactions, Net insurance result (appearing in the accounting P&L structure from 3Q 2017), Gains and losses on derivative instruments, and Gains and losses on non-trading securities mandatorily at fair value through profit or loss lines between 1Q 2019–4Q 2019, but without the above mentioned income from the release of pre-acquisition provisions and without received cash transfers. However other non-interest expenses stemming from non-financial activities are added to the adjusted net other non-interest income line, therefore the latter incorporates the net amount of other non-interest income from non-financial activities.
- OTP Bank's share in the change in the shareholders' equity of companies consolidated with equity method is reclassified from the After tax dividends and net cash transfers line to the Net other non-interest result (adj.) without one-offs line. In the addition to this, OTP Bank has changed the way how private equity funds managed by PortfoLion are recorded. As a result of this, as opposed to the previous method of recording the funds at book value (initial book value less impairments), the funds are now evaluated based on their net asset value. The change in the carrying value was reclassified to the Net other non-interest result (adj.) without one-offs line in the adjusted P&L structure. Furthermore, received cash transfers within the framework of the subsidy programme targeting the expansion of POS network in Hungary were reclassified from the After tax

dividends and net cash transfers line to the Net other non-interest result (adj.) without one-offs line.

- Other provisions are separated from other expenses and shown on a separate line in the adjusted profit or loss statement.
- Other administrative expenses have been adjusted in the following way in order to create a category comprising administrative cost items exclusively. Other costs and expenses and other non-interest expenses were included into the adjusted Other non-interest expenses. At the same time, the following cost items were excluded from adjusted other non-interest expenses: paid cash transfers (except for movie subsidies and cash transfers to public benefit organisations, whereas from 2019 certain part of cash transfers to public benefit organizations was presented amongst net fees and commissions), Other other non-interest expenses stemming from non-financial activities, and special tax on financial institutions.
- Tax deductible transfers (offset against corporate taxes) paid by Hungarian group members were reclassified from Other non-interest expenses to Corporate income tax. As a result, the net P&L effect of these transfers (i.e. the paid transfer less the related corporate tax allowances) is recognised in the corporate income tax line of the adjusted P&L. The amount of tax deductible transfers offset against the special tax on financial institutions is shown on a net base on the special tax on financial institutions line.
- The financial transaction tax paid in Hungary is reclassified from other (administrative) expenses to net fee and commission income, both on consolidated and OTP Core level.
- OTP Group is hedging the revaluation result of the FX provisions on its FX loans and interest claims by keeping hedging open FX positions. In the accounting statement of recognized income, the revaluation of FX provisions is part of the risk costs (within line "Provision for loan losses"), other provisions and net interest income lines, whereas the revaluation result of the hedging open FX positions is made through other non-interest income (within line "Foreign exchange result, net"). The two items have the same absolute amount but an opposite sign. As an adjustment to the accounting statement of income, these items are eliminated from the adjusted P&L.
By modifying only the structure of the income statement, this correction does not have any impact on the bottom line net profits.
- The Compensation Fund contributions are recognized on the Other administrative expenses line of the accounting income statement, and are presented on the financial transaction tax and/or Special tax on financial institutions line the in the adjusted P&L structure (due to the tax deductibility).
- In case of OTP Banka Slovensko and OTP Bank Romania the total revaluation result of intra-group swap deals – earlier booked partly within the net interest income, but also on the Foreign exchange gains and Net other non-interest result lines within total Other non-interest income – is presented on a net base on the net interest income line.
- Due to the introduction of IFRS 16, certain items previously presented on the Other non-interest expenses line (rental fees) were moved to the interest expenses and depreciation lines in the accounting income statement. These items were shifted back to the Other non-interest expenses line in the adjusted P&L structure.
- Staring from 2020 the currency exchange result was shifted in the accounting P&L structure from the FX result to the net fees and commissions line, retroactively for the 2019 base period as well. In the adjusted P&L structure this item is moved to the FX result line.
- In 4Q 2021 the *Modification gains or losses* line (one of the components of the *Provision for impairment on loan and placement losses)* was presented on a separate line in the accounting P&L structure, retroactively from 1Q 2020. In the adjusted P&L this line was shifted back to the *Provision for impairment on loan and placement losses* line.

Secondly, in 4Q 2021 the *Gains and losses on non-trading securities mandatorily at fair value through profit or loss* line was moved from the *Gains/losses on securities* to the *Fair value adjustment on financial instruments measured at fair value through profit or loss* line in the accounting P&L structure, retroactively from 1Q 2020. In the adjusted P&L this item remained part of the *Gains/losses on securities*. Thirdly, from 1Q 2021 the local business taxes and the innovation contribution payable by Hungarian Group members were booked on the *Income tax expenses* line, whereas these items were recognised amongst the *Other general expenses*. In 4Q 2021 this change was retrospectively reflected in the full-year 2020 accounting P&L, too, but in the adjusted P&L structure for the 2020 base period we continue to present these items amongst the *Other non-interest expenses*.
- Performance indicators (such as cost/income ratio, net interest margin, risk cost to average gross loans as well as ROA and ROE ratios, etc.) presented in this report are calculated on the basis of the adjusted profit and loss statement excluding adjustment items (unless otherwise indicated).
- Within the report, FX-adjusted statistics for business volume developments and their product breakdown, as well as the FX-adjusted stock of allowances for loan losses are disclosed, too. For FX adjustment, the closing cross currency rates for the current period were used to calculate the HUF equivalent of loan and deposit volumes in the base periods. Thus the FX-adjusted volumes will be different from those published earlier. Regarding the FX-adjusted volume change of DPD90+ loans (adjusted for sales and write-offs), instead of the previously applied 3Q 2009 FX rates, from 4Q 2020 onwards the actual end of period FX rates are used for calculating the FX-adjusted figures.

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

sheet from the end of 2019. As for the adjusted balance sheet, net customer loans continue to include the stock of finance lease receivables.

- In the adjusted balance sheets presented in the analytical section of the report, the Stage 3 loans under IFRS 9 were netted with the provisions created in relation to the total exposure toward those particular clients, in case of the affected Group members. Therefore, this adjustment made on the accounting balance sheet has an impact on the consolidated gross customer loans and allowances for loan losses.

Adjustments on the Consolidated Statement of Profit or Loss (IFRS):

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

Adjustments on the Consolidated Statement of Profit or Loss (IFRS) – continued	2021 HUF million	2020 HUF million
(–) Netting of refunds related to legal cases (accounted for on the Net other non-interest result line) with the release of provisions created earlier for these cases (accounted for on the Other provisions line) from 1Q 2017 at OTP Bank Romania	(194)	(216)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	387	3,149
(–) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	0	(1,646)
Net other non-interest result (adj.) without one-offs	**49,586**	**29,610**
Gain from derecognition of financial assets at amortized cost	**1,884**	**3,380**
(–) Structural adjustment due to the Gain from derecognition of financial assets at amortized cost line (against Gain/loss on securities, net)	1,031	1,402
(–) Structural adjustment due to the Gain from derecognition of financial assets at amortized cost line (against Provision for impairment on loan and placement losses)	854	1,978
Gain from derecognition of financial assets at amortized cost (adj.)	**0**	**0**
Provision for impairment on loan and placement losses	**(27,723)**	**(172,520)**
(+) Modification gains or losses	**(13,672)**	**(29,773)**
(+) Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	**(16,289)**	**(3,262)**
(+) Loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost	**(3,974)**	**(7,309)**
(+) Provision for commitments and guarantees given	**(99)**	**(8,662)**
(+) Impairment of assets subject to operating lease and of investment properties	**438**	**877**
(–) Revaluation result of FX provisions	0	(10,997)
(–) One-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	339	459
(+) Netting of interest revenues on DPD90+ loans with the related provision (booked on the Provision for loan losses line) at OTP Core and CKB	1,131	5,951
(–) Effect of acquisitions	0	(2,149)
(–) Structural correction between Provision for loan losses and Other provisions	(3,536)	(15,094)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	0	(3,024)
(–) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	(10,131)	(29,543)
(+) Structural adjustment due to the Gain from derecognition of financial assets at amortized cost line (against Provision for impairment on loan and placement losses)	854	1,978
Provision for impairment on loan and placement losses (adj.)	**(46,006)**	**(158,421)**
Dividend income	**15,648**	**527**
(+) Received cash transfers	165	65
(+) Paid cash transfers	(11,992)	(12,768)
(–) Sponsorships, subsidies and cash transfers to public benefit organisations	(11,873)	(12,508)
(–) Dividend income of swap counterparty shares kept under the treasury share swap agreement	3,809	0
(–) Change in shareholders' equity of companies consolidated with equity method, and the change in the net asset value of the private equity funds managed by PortfoLion	11,155	128
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	0	8
After tax dividends and net cash transfers	**729**	**213**
Depreciation	**(94,995)**	**(92,762)**
(–) Effect of acquisitions	(6,134)	(7,415)
(–) Reclassification due to the introduction of IFRS 16	(16,064)	(16,447)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	(20)	(1,385)
Depreciation (adj.)	**(72,816)**	**(70,286)**
Personnel expenses	**(340,684)**	**(308,643)**
(–) Effect of acquisitions	(781)	(2,785)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	(298)	(6,638)
Personnel expenses (adj.)	**(340,201)**	**(312,495)**
Income taxes	**(72,123)**	**(43,918)**
(–) Corporate tax impact of goodwill/investment impairment charges	1,909	886
(–) Corporate tax impact of the special tax on financial institutions	1,787	1,773
(+) Tax deductible transfers (offset against corporate taxes)	(8,137)	(8,083)
(–) Corporate tax impact of the effect of fines imposed by the Hungarian Competition Authority	0	(74)
(–) Corporate tax impact of the effect of acquisitions	5,738	497
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	(18)	(80)
(–) Corporate tax impact of the expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	1,487	2,913
(–) Corporate tax impact of the result of the treasury share swap agreement	(249)	
(–) Shifting of the Hungarian local business tax and innovation contribution for 2020 between corporate income tax and other non-interest expenses		(16,542)
Corporate income tax (adj.)	**(90,951)**	**(41,534)**

Adjustments on the Consolidated Statement of Profit or Loss (IFRS) – continued	2021 HUF million	2020 HUF million
Other operating expense	**(85,733)**	**(39,447)**
(-) Other costs and expenses	(6,508)	(7,506)
(-) Other non-interest expenses	(56,874)	(18,568)
(-) Effect of acquisitions	0	1,022
(-) Revaluation result of FX provisions	0	(141)
(-) One-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	609	(233)
(-) Netting of refunds related to legal cases (accounted for on the Net other non-interest result line) with the release of provisions created earlier for these cases (accounted for on the Other provisions line) from 1Q 2017 at OTP Bank Romania	194	216
(+) Structural correction between Provision for loan losses and Other provisions	(3,536)	(15,094)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	4	(243)
(-) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	(153)	0
Other provisions (adj.)	**(26,532)**	**(29,574)**
Other administrative expenses	**(311,931)**	**(289,721)**
(+) Other costs and expenses	(6,508)	(7,506)
(+) Other non-interest expenses	(56,874)	(18,568)
(-) Paid cash transfers	(11,992)	(12,768)
(+) Film subsidies and cash transfers to public benefit organisations	(11,873)	(12,508)
(-) Other other non-interest expenses	(44,882)	(5,800)
(-) Special tax on financial institutions (recognised as other administrative expenses)	(20,680)	(19,138)
(-) Tax deductible transfers (offset against corporate taxes)	(8,137)	(8,083)
(-) Financial Transaction Tax	(68,818)	(61,588)
(-) Effect of acquisitions	(10,370)	(9,940)
(+) Reclassification due to the introduction of IFRS 16	(17,620)	(18,069)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	(106)	(4,105)
(+) Shifting of the Hungarian local business tax and innovation contribution for 2020 between corporate income tax and other non-interest expenses		(16,542)
(-) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	(318)	
Other non-interest expenses (adj.)	**(239,716)**	**(249,702)**

Adjustments of Consolidated IFRS Balance Sheet Lines:

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

Statement of Profit or Loss Of OTP Bank Plc., according to IFRS standards as adopted by the European Union (consolidated)*:

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

* The rows of the table are based on audited numbers, but the structure of the table can differ from the IFRS financial statements presented in the Annual Report (certain rows might be merged or represent different level of aggregation).

Statement of Financial Position of OTP Bank Plc., according to IFRS standards as adopted by the European Union (consolidated)*:

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

* The rows of the table are based on audited numbers, but the structure of the table can differ from the IFRS financial statements presented in the Annual Report (certain rows might be merged or represent different level of aggregation).