



OTP BANK PLC.

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

**FOR THE THREE MONTH PERIOD
ENDED 31 MARCH 2024**

OTP BANK PLC.

CONTENTS

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024.....	3
SEPARATE CONDENSED STATEMENT OF PROFIT OR LOSS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2024 (UNAUDITED) (in HUF mn).....	4
SEPARATE CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2024 (UNAUDITED) (in HUF mn).....	5
SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2024 (UNAUDITED) (in HUF mn).....	6
SEPARATE CONDENSED STATEMENT OF CASH FLOWS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2024 (UNAUDITED)	7
NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS	8
1.1. General information.....	8
1.2. Accounting.....	8
NOTE 2: SIGNIFICANT EVENTS DURING THE THREE MONTH PERIOD ENDED 31 MARCH 2024.....	8
NOTE 3: SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD	8
NOTE 4: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn).....	9
NOTE 5: SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in HUF mn).....	9
NOTE 6: SECURITIES AT AMORTISED COST (in HUF mn)	10
NOTE 7: LOANS (in HUF mn)	10
NOTE 7: LOANS (in HUF mn) [continued].....	11
NOTE 8: INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS (in HUF mn).....	11
NOTE 9: DEPOSITS FROM CUSTOMERS (in HUF mn).....	12
NOTE 10: LIABILITIES FROM ISSUED SECURITIES (in HUF mn)	12
NOTE 11: OFF-BALANCE SHEET ITEMS (in HUF mn).....	13
NOTE 12: DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn)	14
NOTE 13: INTEREST INCOME AND EXPENSES (in HUF mn).....	17

OTP BANK PLC.
SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024
(in HUF mn)

	Note	31 March 2024	31 December 2023	31 March 2023
Cash, amounts due from banks and balances with the National Bank of Hungary		2,462,289	2,708,232	2,404,253
Placements with other banks		2,670,413	2,702,433	2,418,835
Repo receivables		216,136	201,658	241,712
Financial assets at fair value through profit or loss	4.	269,432	257,535	357,692
Financial assets at fair value through other comprehensive income	5.	580,520	559,527	730,992
Securities at amortised cost	6.	4,128,083	2,710,848	3,105,610
Loans at amortised cost	7.	4,770,564	4,681,359	4,731,784
Loans mandatorily measured at fair value through profit or loss	7.	946,123	934,848	809,463
Investments in subsidiaries	8.	2,039,164	2,001,952	1,894,708
Property and equipment		107,590	107,306	94,237
Intangible assets		99,296	98,115	69,261
Right of use assets		65,912	66,222	40,706
Investment properties		4,293	4,203	4,193
Deferred tax assets		-	408	35,854
Current tax assets		-	-	2,250
Derivative financial assets designated as hedge accounting relationships		21,404	21,628	44,592
Non-current assets held for sale		130,718	130,718	-
Other assets		<u>561,348</u>	<u>365,961</u>	<u>676,194</u>
TOTAL ASSETS		<u>19,073,285</u>	<u>17,552,953</u>	<u>17,662,336</u>
Amounts due to banks and deposits from the National Bank of Hungary and other banks		2,098,175	1,761,579	1,695,534
Repo liabilities		510,970	443,694	1,213,909
Deposits from customers	9.	11,222,553	10,734,325	10,819,069
Leasing liabilities		69,537	68,282	41,393
Liabilities from issued securities	10.	1,374,135	1,163,109	546,668
Financial liabilities designated at fair value through profit or loss		18,760	19,786	19,068
Derivative financial liabilities designated as held for trading		161,412	183,565	355,423
Derivative financial liabilities designated as hedge accounting relationships		49,112	27,423	34,966
Deferred tax liabilities		536	-	-
Current tax liabilities		17,251	14,393	1,738
Provisions		21,032	22,497	34,922
Other liabilities		375,044	295,399	582,215
Subordinated bonds and loans		<u>546,417</u>	<u>520,296</u>	<u>511,615</u>
TOTAL LIABILITIES		<u>16,464,934</u>	<u>15,254,348</u>	<u>15,856,520</u>
Share capital		28,000	28,000	28,000
Retained earnings and reserves		2,601,548	2,276,759	1,787,910
Treasury shares		<u>(21,197)</u>	<u>(6,154)</u>	<u>(10,094)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>2,608,351</u>	<u>2,298,605</u>	<u>1,805,816</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>19,073,285</u>	<u>17,552,953</u>	<u>17,662,336</u>

OTP BANK PLC.
SEPARATE CONDENSED STATEMENT OF PROFIT OR LOSS FOR THE THREE MONTH
PERIOD ENDED 31 MARCH 2024 (UNAUDITED)
(in HUF mn)

	Note	Three month period ended 31 March 2024	Three month period ended 31 March 2023	Year ended 31 December 2023
Interest income and similar to interest income total	13.	436,039	492,801	2,023,079
Interest expenses total	13.	<u>(311,869)</u>	<u>(387,696)</u>	<u>(1,556,361)</u>
NET INTEREST INCOME	13.	<u>124,170</u>	<u>105,105</u>	<u>466,718</u>
Risk cost total		9,371	(6,549)	26,687
NET INTEREST INCOME AFTER RISK COST		<u>133,541</u>	<u>98,556</u>	<u>493,405</u>
Gains / (Losses) arising from derecognition of financial assets measured at amortised cost		(873)	(8,531)	(19,707)
Modification loss		(21)	-	(9,017)
Net profit from fees and commissions		80,070	75,260	324,130
Net operating income		245,962	148,340	464,606
Other administrative expenses		<u>(128,858)</u>	<u>(183,578)</u>	<u>(528,136)</u>
PROFIT BEFORE INCOME TAX		<u>329,821</u>	<u>130,047</u>	<u>725,281</u>
Income tax		<u>(13,549)</u>	<u>(5,249)</u>	<u>(70,293)</u>
PROFIT AFTER INCOME TAX		<u>316,272</u>	<u>124,798</u>	<u>654,988</u>
Earnings per share (in HUF)				
Basic		<u>1,133</u>	<u>232</u>	<u>2,344</u>
Diluted		<u>1,133</u>	<u>232</u>	<u>2,344</u>

OTP BANK PLC.
SEPARATE CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE
MONTH PERIOD ENDED 31 MARCH 2024 (UNAUDITED)
(in HUF mn)

	Three month period ended 31 March 2024	Three month period ended 31 March 2023	Year ended 31 December 2023
PROFIT AFTER INCOME TAX	<u>316,272</u>	<u>124,798</u>	<u>654,988</u>
Items that may be reclassified subsequently to profit or loss:			
Fair value adjustment of debt instruments at fair value through other comprehensive income	9,110	3,196	(55,804)
Deferred tax related to fair value adjustment of debt instruments at fair value through other comprehensive income	(804)	(278)	5,186
Gains / (Losses) on separated currency spread of financial instruments designated as hedging instrument	(2,602)	2,186	(4,887)
Deferred tax related to (losses) / gains on separated currency spread of financial instruments designated as hedging instrument	234	(197)	440
(Losses) / Gains on derivative financial instruments designated as cash flow hedge	(496)	1,735	(5,641)
Deferred tax related to gains on derivative financial instruments designated as cash flow hedge	-	-	-
Items that will not be reclassified to profit or loss:			
Gains on equity instruments at fair value through other comprehensive income	-	-	2,675
Fair value adjustment of equity instruments at fair value through other comprehensive income	2,547	204	61
Deferred tax related to equity instruments at fair value through other comprehensive income	(288)	(23)	(41)
Total	<u>7,701</u>	<u>6,823</u>	<u>(58,011)</u>
TOTAL COMPREHENSIVE INCOME	<u>323,973</u>	<u>131,621</u>	<u>596,977</u>

OTP BANK PLC.
SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTH PERIOD ENDED
31 MARCH 2024 (UNAUDITED)
(in HUF mn)

	Share Capital	Capital reserve	Retained earnings and other reserves	Treasury Shares	Total
Balance as at 1 January 2023	28,000	52	1,655,549	(2,724)	1,680,877
Net profit for the period	-	-	124,798	-	124,798
Other comprehensive income	-	-	<u>6,823</u>	-	<u>6,823</u>
Total comprehensive income	-	-	<u>131,621</u>	-	<u>131,621</u>
Share-based payment	-	-	697	-	697
Sale of treasury shares	-	-	-	612	612
Acquisition of treasury shares	-	-	-	(7,982)	(7,982)
Loss on sale of treasury shares	=	=	<u>(9)</u>	=	<u>(9)</u>
Other transaction with owners	=	=	<u>688</u>	<u>(7,370)</u>	<u>(6,682)</u>
Balance as at 31 March 2023	<u>28,000</u>	<u>52</u>	<u>1,787,858</u>	<u>(10,094)</u>	<u>1,805,816</u>
Balance as at 1 January 2024	28,000	52	2,276,707	(6,154)	2,298,605
Net profit for the period	-	-	316,272	-	316,272
Other comprehensive income	-	-	<u>7,701</u>	-	<u>7,701</u>
Total comprehensive income	-	-	<u>323,973</u>	-	<u>323,973</u>
Share-based payment	-	-	807	-	807
Sale of treasury shares	-	-	-	559	559
Acquisition of treasury shares	-	-	-	(15,602)	(15,602)
Loss on sale of treasury shares	=	=	<u>9</u>	=	<u>9</u>
Other transaction with owners	=	=	<u>816</u>	<u>(15,043)</u>	<u>(14,227)</u>
Balance as at 31 March 2024	<u>28,000</u>	<u>52</u>	<u>2,601,496</u>	<u>(21,197)</u>	<u>2,608,351</u>

OTP BANK PLC.
SEPARATE CONDENSED STATEMENT OF CASH FLOWS FOR THE THREE MONTH PERIOD
ENDED 31 MARCH 2024 (UNAUDITED)
(in HUF mn)

	Three month period ended 31 March 2024	Three month period ended 31 March 2023	Year ended 31 December 2023
Profit before income tax	329,821	130,047	725,281
Net accrued interest	48,604	(295)	3,136
Income tax paid	(19,213)	(7,345)	(19,213)
Depreciation and amortization	13,459	12,235	50,834
Loss allowance / (Release of loss allowance)	(8,875)	7,041	(102,219)
Share-based payment	807	697	3,292
Unrealised gains on fair value adjustment of financial instruments at fair value through profit or loss	(5,479)	(16,137)	(95,953)
Unrealised losses on fair value adjustment of derivative financial instruments	2,953	(8,308)	(76,357)
Gains on securities	858	7,742	18,890
Interest expense from leasing liabilities	(679)	418	(2,081)
Foreign exchange loss	29,752	(8,331)	(20,842)
Proceeds from sale of tangible and intangible assets	(101)	(1,191)	(1,225)
Net change in assets and liabilities in operating activities	<u>549,980</u>	<u>1,031,611</u>	<u>(634,062)</u>
Net cash provided by operating activities	<u>941,887</u>	<u>1,148,184</u>	<u>(150,519)</u>
Net cash used in investing activities	<u>(1,318,098)</u>	<u>(116,573)</u>	<u>518,615</u>
Net cash provided by financing activities	<u>116,217</u>	<u>299,427</u>	<u>845,059</u>
Net (decrease) / increase in cash and cash equivalents	<u>(259,994)</u>	<u>1,331,038</u>	<u>1,213,155</u>
Cash and cash equivalents at the beginning of the year	<u>1,564,925</u>	<u>351,770</u>	<u>351,770</u>
Cash and cash equivalents at the end of the year	<u>1,304,931</u>	<u>1,682,808</u>	<u>1,564,925</u>

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

1.1. General information

These interim condensed financial statements had been prepared in accordance with the prescriptions of IAS 34.

1.2. Accounting

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

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

The Bank followed the same accounting policies and methods of computation in the interim financial statements as compared with the most recent annual financial statements.

NOTE 2: SIGNIFICANT EVENTS DURING THE THREE MONTH PERIOD ENDED 31 MARCH 2024

1) Capital increase at Monicomp Ltd.

See details about the event in Note 8.

2) Capital increase at JSCMB 'IPOTEKA BANK'

See details about the event in Note 8.

3) Capital increase at OTP Real Estate Ltd.

See details about the event in Note 8.

4) OTP Bank is selling its Romanian operations

See details about the event in Note 8.

5) 600 millió EUR kötvénykibocsátás

See details about the event in Note 10.

NOTE 3: SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In the section below, the measures and developments which have been made since the balance sheet date, and – in OTP Bank's view – are relevant and have materially influenced / can materially influence the operation of the Bank.

OTP Bank excludes any liability for the completeness and accuracy of the measures presented herein. Post-balance sheet events cover the period until 3 May 2024.

- The cap on deposit rates, and the rate cap on small and medium enterprises' existing variable-rate loans, introduced pursuant to government decrees No. 471/2022. (XI. 21.) and No. 415/2022. (X. 26), expired on 1 April 2024.
- On 23 April 2024 the National Bank of Hungary cut its key policy rate by 50 bps to 7.75%.
- On 26 April 2024 S&P Global Ratings affirmed its 'BBB-/A-3' long- and short-term foreign and local currency sovereign credit ratings on Hungary. The outlook is stable.

NOTE 4: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)

	31 March 2024	31 December 2023
Held for trading securities:		
Government bonds	39,674	22,352
Other non-interest bearing securities	328	320
Hungarian government discounted Treasury Bills	2,196	71
Corporate shares and investments	905	513
Mortgage bonds	106	111
Hungarian government interest bearing Treasury Bills	-	-
Other securities	<u>6,251</u>	<u>4,437</u>
Subtotal	<u>49,460</u>	<u>27,804</u>
Securities mandatorily measured at fair value through profit or loss		
Shares in investment funds	31,786	31,124
Bonds	272	-
Shares	<u>1,808</u>	<u>1,808</u>
Subtotal	<u>33,866</u>	<u>32,932</u>
Held for trading derivative financial instruments:		
Foreign currency swaps	51,426	66,324
Interest rate swaps	61,684	65,434
CCIRS and mark-to-market CCIRS swaps	25,235	23,221
Other derivative transactions	<u>47,761</u>	<u>41,820</u>
Subtotal	<u>186,106</u>	<u>196,799</u>
Total	<u>269,432</u>	<u>257,535</u>

NOTE 5: SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in HUF mn)

	31 March 2024	31 December 2023
Securities at fair value through other comprehensive income		
Government bonds	202,302	189,385
Mortgage bonds	304,444	300,569
Interest bearing treasury bills	352	236
Corporate shares and investments	-	-
Other securities	49,696	48,160
<i>Listed securities</i>	<u>12,212</u>	<u>11,622</u>
in HUF	-	-
in foreign currency	12,212	11,622
<i>Non-listed securities</i>	<u>37,484</u>	<u>36,538</u>
in HUF	11,549	12,115
in foreign currency	25,935	24,423
Subtotal	<u>556,794</u>	<u>538,350</u>
Non-trading equity instruments		
-non-listed securities	<u>23,726</u>	<u>21,177</u>
in HUF	528	528
in foreign currency	23,198	20,649
	<u>23,726</u>	<u>21,177</u>
Securities at fair value through other comprehensive income total	<u>580,520</u>	<u>559,527</u>

NOTE 6: SECURITIES AT AMORTISED COST (in HUF mn)

	31 March 2024	31 December 2023
Government bonds	2,408,061	2,396,803
Other bonds	1,721,583	315,532
Mortgage bonds	<u>24,988</u>	<u>24,738</u>
Subtotal	<u>4,154,632</u>	<u>2,737,073</u>
Loss allowance	<u>(26,549)</u>	<u>(26,225)</u>
Total	<u>4,128,083</u>	<u>2,710,848</u>

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

	31 March 2024	31 December 2023
Balance as at 1 January	26,225	35,850
Loss allowance	2,356	2,287
Release of loss allowance	(2,701)	(10,863)
FX movement	669	(1,049)
Closing balance	<u>26,549</u>	<u>26,225</u>

NOTE 7: LOANS (in HUF mn)**Loans mandatorily measured at fair value through profit or loss**

	31 March 2024	31 December 2023
Within one year	45,794	46,131
Over one year	<u>900,329</u>	<u>888,717</u>
Loans measured at fair value through profit or loss total	<u>946,123</u>	<u>934,848</u>

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

	31 March 2024	31 December 2023
Within one year	2,352,924	2,245,979
Over one year	<u>2,554,434</u>	<u>2,582,795</u>
Loans at amortised cost gross total	<u>4,907,358</u>	<u>4,828,774</u>
Loss allowance on loan losses	<u>(136,794)</u>	<u>(147,415)</u>
Loans at amortised cost total	<u>4,770,564</u>	<u>4,681,359</u>

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

	31 March 2024	31 December 2023
In HUF	60%	61%
In foreign currency	<u>40%</u>	<u>39%</u>
Total	<u>100%</u>	<u>100%</u>

NOTE 7: LOANS (in HUF mn) [continued]

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

	31 March 2024	31 December 2023
Balance as at 1 January	147,415	174,880
Loss allowance	61,116	257,173
Release of loss allowance	(66,279)	(241,580)
Use of loss allowance	(6,827)	(35,043)
Partial write-off	-	(5,263)
FX movement	<u>1,369</u>	<u>(2,752)</u>
Closing balance	<u>136,794</u>	<u>147,415</u>

NOTE 8: INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS (in HUF mn)

	31 March 2024	31 December 2023
Investments in subsidiaries:		
Controlling interest	2,422,855	2,390,718
Other	<u>29,349</u>	<u>29,349</u>
Subtotal	<u>2,452,204</u>	<u>2,420,067</u>
Impairment loss	<u>(413,040)</u>	<u>(418,115)</u>
Total	<u>2,039,164</u>	<u>2,001,952</u>

An analysis of the change in the provision for impairment is as follows:

	31 March 2024	31 December 2023
Balance as at 1 January	418,115	542,769
Impairment loss for the period	-	348
Reversal of impairment loss	(563)	(87,345)
Use of impairment loss	<u>(4,512)</u>	<u>(37,657)</u>
Closing balance	<u>413,040</u>	<u>418,115</u>

Significant events related to investments

The Metropolitan Court of Registration has registered a capital increase at Monicomp Ltd. The registered capital of Monicomp Ltd. was increased to HUF 320,500,000 from HUF 226,500,000.

The Uzbek Court of Registration has registered a capital increase at JSCMB 'IPOTEKA BANK'. The registered capital of JSCMB 'IPOTEKA BANK' was increased to UZS 3,834,217,638,941 from UZS 2,989,584,338,941. As a consequence of the capital increase the ownership ratio of OTP Bank Plc. increased to 79.58%.

The Metropolitan Court of Registration has registered a capital increase at OTP Real Estate Ltd. The registered capital of OTP Real Estate Ltd. was increased to HUF 1,101,000,000 from HUF 1,100,000,000.

The Bank has concluded a share sale and purchase agreement to sell its directly and indirectly owned 100% shareholding in OTP Bank Romania S.A. to Banca Transilvania S.A. (hereinafter referred to as: BT). OTP Group is also selling its 100% shareholdings in its other Romanian subsidiaries, OTP Leasing Romania IFN S.A. and OTP Asset Management S.A.I. S.A. to BT under the transaction. The selling price is EUR 347.5 million. The financial closing of the transaction is expected in 2024 subject to the necessary regulatory approvals.

NOTE 9: DEPOSITS FROM CUSTOMERS (in HUF mn)

	31 March 2024	31 December 2023
Within one year:		
In HUF	7,996,308	7,747,906
In foreign currency	<u>3,202,958</u>	<u>2,962,206</u>
	<u>11,199,266</u>	<u>10,710,112</u>
Over one year:		
In HUF	23,287	24,213
In foreign currency	-	-
	<u>23,287</u>	<u>24,213</u>
Total	<u>11,222,553</u>	<u>10,734,325</u>

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

	31 March 2024		31 December 2023	
Retail deposits	4,666,797	42%	4,422,120	41%
Household deposits	4,666,797	42%	4,422,120	41%
Corporate deposits	6,555,756	58%	6,312,205	59%
Deposits to medium and large corporates	5,594,713	50%	5,402,710	50%
Municipality deposits	<u>961,043</u>	<u>8%</u>	<u>909,495</u>	<u>8%</u>
Total	<u>11,222,553</u>	<u>100%</u>	<u>10,734,325</u>	<u>100%</u>

NOTE 10: LIABILITIES FROM ISSUED SECURITIES (in HUF mn)

	31 March 2024	31 December 2023
Within one year:		
In HUF	106,504	161,217
In foreign currency	<u>26,096</u>	<u>26,670</u>
	<u>132,600</u>	<u>187,887</u>
Over one year:		
In HUF	42,877	43,025
In foreign currency	<u>1,198,658</u>	<u>932,197</u>
	<u>1,241,535</u>	<u>975,222</u>
Total	<u>1,374,135</u>	<u>1,163,109</u>

A significant event related to the bond issue

The Bank have been issued notes (ISIN: XS2754491640 on 31 January 2024 as value date in the aggregate nominal amount of EUR 600 million. The notes are rated 'Baa3' by Moody's Investor Services Cyprus Ltd. and 'BBB+' by Scope Ratings GmbH. The notes are listed on the Luxembourg Stock Exchange.

NOTE 11: OFF-BALANCE SHEET ITEMS (in HUF mn)

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

Contingent liabilities and commitments

	31 March 2024	31 December 2023
Loan commitments	2,272,918	1,987,539
Guarantees arising from banking activities	1,997,756	1,999,747
<i>from this: Payment undertaking liabilities (related to issue of mortgage bonds) of OTP Mortgage Bank</i>	1,183,471	1,177,213
Factoring loan commitments	360,750	366,181
Confirmed letters of credit	<u>6,022</u>	<u>8,626</u>
Contingent liabilities and commitments total in accordance with IFRS 9	<u>4,637,446</u>	<u>4,362,093</u>
Legal disputes (disputed value)	4,593	4,586
Contingent liabilities related to payments from shares in venture capital fund	20,405	20,803
Other	<u>22</u>	<u>19</u>
Contingent liabilities and commitments total in accordance with IAS 37	<u>25,020</u>	<u>25,408</u>
Total	<u>4,662,466</u>	<u>4,387,501</u>

Contingent liabilities and commitments

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

The Bank believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation. Provision due to legal disputes was HUF 1.935 million and HUF 1.931 million as at 31 March 2024 and 31 December 2023, respectively.

NOTE 12: DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn)

Fair value of derivative instruments

Positive fair values of derivative instruments designated as hedge accounting relationships are presented separately in the statement of financial position, while positive fair values of derivative instruments classified as held for trading are included in financial assets at fair value through profit or loss. Negative fair values of hedging derivative instruments are presented separately in the statement of financial position, negative fair values of derivatives held for trading are included in the negative fair value of derivative financial instruments classified as held for trading line.

The Bank has the following held for trading derivatives and derivatives designated as hedge accounting:

	31 March 2024					31 December 2023				
	Before netting		Netting	After netting		Before netting		Netting	After netting	
	Assets	Liabilities		Assets	Liabilities	Assets	Liabilities		Assets	Liabilities
Held for trading derivative financial instruments										
Interest rate derivatives										
Interest rate swaps	124,166	(106,278)	109,317	14,849	3,039	130,230	(113,742)	110,939	19,291	(2,803)
Cross currency interest rate swaps	10,836	(7,500)	-	10,836	(7,500)	8,644	(6,532)	-	8,644	(6,532)
OTC options	830	(830)	-	830	(830)	818	(818)	-	818	(818)
Forward rate agreement	-	112	-	-	112	-	(214)	-	-	(214)
Total interest rate derivatives (OTC derivatives)	135,832	(114,496)	109,317	26,515	(5,179)	139,692	(121,306)	110,939	28,753	(10,367)
<i>From this: Interest rate derivatives cleared by NBH</i>	<i>1,050</i>	<i>-</i>	<i>-</i>	<i>1,050</i>	<i>-</i>	<i>1,132</i>	<i>-</i>	<i>-</i>	<i>1,132</i>	<i>-</i>
Foreign exchange derivatives										
Foreign exchange swaps	46,341	(18,259)	-	46,341	(18,259)	54,528	(32,818)	-	54,528	(32,818)
Foreign exchange forward	7,813	(7,228)	-	7,813	(7,228)	6,551	(10,129)	-	6,551	(10,129)
OTC options	987	(713)	-	987	(713)	1,016	(871)	-	1,016	(871)
Foreign exchange spot conversion	279	(288)	-	279	(288)	347	(303)	-	347	(303)
Total foreign exchange derivatives (OTC derivatives)	55,420	(26,488)	-	55,420	(26,488)	62,442	(44,121)	-	62,442	(44,121)
<i>From this: Foreign exchange derivatives cleared by NBH</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>

NOTE 12: DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

Fair value of derivative instruments

The Bank has the following held for trading derivatives and derivatives designated as hedge accounting:

	Before netting		Netting	After netting		Before netting		Netting	After netting	
	Assets	Liabilities		Assets	Liabilities	Assets	Liabilities		Assets	Liabilities
Equity stock and index derivatives										
Commodity Swaps	37,160	(36,387)	-	37,160	(36,387)	32,402	(32,490)	-	32,402	(32,490)
Equity swaps	<u>23</u>	<u>(3,870)</u>	=	<u>23</u>	<u>(3,870)</u>	<u>126</u>	<u>(3,826)</u>	=	<u>126</u>	<u>(3,826)</u>
OTC derivatives	<u>37,183</u>	<u>(40,257)</u>	=	<u>37,183</u>	<u>(40,257)</u>	<u>32,528</u>	<u>(36,316)</u>	=	<u>32,528</u>	<u>(36,316)</u>
Exchange traded futures and options	669	(1,713)	-	669	(1,713)	433	(451)	-	433	(451)
Total equity stock and index derivatives	<u>37,852</u>	<u>(41,970)</u>	=	<u>37,852</u>	<u>(41,970)</u>	<u>32,961</u>	<u>(36,767)</u>	=	<u>32,961</u>	<u>(36,767)</u>
Derivatives held for risk management not designated in hedges										
Interest rate swaps	71,577	(104,903)	24,742	46,835	(80,161)	68,380	(91,634)	22,237	46,143	(69,397)
Foreign exchange swaps	5,085	(4,763)	-	5,085	(4,763)	11,796	(20,284)	-	11,796	(20,284)
Foreign exchange spot conversion	-	-	-	-	-	-	-	-	-	-
Forward	-	(28)	-	-	(28)	127	-	-	127	-
Cross currency interest rate swaps	<u>14,399</u>	<u>(2,823)</u>	=	<u>14,399</u>	<u>(2,823)</u>	<u>14,577</u>	<u>(2,629)</u>	=	<u>14,577</u>	<u>(2,629)</u>
Total derivatives held for risk management not designated in hedges	<u>91,061</u>	<u>(112,517)</u>	<u>24,742</u>	<u>66,319</u>	<u>(87,775)</u>	<u>94,880</u>	<u>(114,547)</u>	<u>22,237</u>	<u>72,643</u>	<u>(92,310)</u>
<i>From this: Total derivatives cleared by NBH held for risk management</i>	35,623	-	-	35,623	-	33,042	-	-	33,042	-
Total Held for trading derivative financial instruments	<u>320,165</u>	<u>(295,471)</u>	<u>134,059</u>	<u>186,106</u>	<u>(161,412)</u>	<u>329,975</u>	<u>(316,741)</u>	<u>133,176</u>	<u>196,799</u>	<u>(183,565)</u>

NOTE 12: DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

Fair value of derivative instruments

The Bank has the following held for trading derivatives and derivatives designated as hedge accounting:

	Before netting			After netting		Before netting			After netting	
	Assets	Liabilities	Netting	Assets	Liabilities	Assets	Liabilities	Netting	Assets	Liabilities
Derivative financial instruments designated as hedge accounting relationships										
Derivatives designated in cash flow hedges										
Interest rate swaps	-	(10,351)	1,073	(1,073)	(9,278)	-	(9,935)	1,066	(1,066)	(8,869)
Total derivatives designated in cash flow hedges	=	(10,351)	1,073	(1,073)	(9,278)	=	(9,935)	1,066	(1,066)	(8,869)
Derivatives designated in fair value hedges										
Interest rate swaps	38,058	(41,428)	23,060	14,998	(18,368)	37,651	(33,054)	25,130	12,521	(7,924)
Cross currency interest rate swaps	7,479	(17,302)	-	7,479	(17,302)	10,173	(10,679)	-	10,173	(10,679)
Foreign exchange swaps	-	-	-	-	-	-	-	-	-	-
Total derivatives designated in fair value microhedges	45,537	(58,730)	23,060	22,477	(35,670)	47,824	(43,733)	25,130	22,694	(18,603)
Interest rate swaps	37	(4,201)	37	-	(4,164)	168	(119)	168	-	49
Total derivatives designated in fair value macrohedges	37	(4,201)	37	=	(4,164)	168	(119)	168	=	49
<i>From this: Total derivatives cleared by NBH held for hedging</i>	-	(1,698)	-	-	(1,698)	-	(1,418)	-	-	(1,418)
Total derivatives held for risk management (OTC derivatives)	45,574	(73,282)	24,170	21,404	(49,112)	47,992	(53,787)	26,364	21,628	(27,423)

NOTE 13: INTEREST INCOME AND EXPENSES (in HUF mn)

	Three month period ended 31 March 2024	Three month period ended 31 March 2023	Year ended 31 December 2023
Interest income accounted for using the effective interest rate method from / on			
Loans at amortised cost	113,262	105,972	457,472
FVOCI securities	8,151	16,672	50,838
Securities at amortised cost	67,623	22,671	129,054
Placements with other banks	45,281	58,917	206,280
Financial liabilities	62	(833)	398
Amounts due from banks and balances with National Bank of Hungary	45,341	78,226	345,696
Repo receivables	<u>5,080</u>	<u>11,353</u>	<u>37,435</u>
Subtotal	<u>284,800</u>	<u>292,978</u>	<u>1,227,173</u>
Income similar to interest income			
Loans mandatorily measured at fair value through profit or loss	14,457	11,668	51,132
Swap and forward deals related to Placements with other banks	114,683	148,923	600,959
Swap and forward deals related to Loans at amortised cost	19,040	34,301	125,151
Swap and forward deals related to FVOCI securities	3,057	4,929	18,655
Investment properties	<u>2</u>	<u>2</u>	<u>9</u>
Subtotal	<u>151,239</u>	<u>199,823</u>	<u>795,906</u>
Interest income total	<u>436,039</u>	<u>492,801</u>	<u>2,023,079</u>
Interest expense due to / from / on			
Amounts due to banks and deposits from the National Bank of Hungary and other banks	145,671	164,322	641,908
Deposits from customers	102,184	150,524	608,340
Leasing liabilities	845	418	2,314
Liabilities from issued securities	25,285	11,216	64,774
Subordinated bonds and loans	8,288	5,487	29,893
Investment properties (depreciation)	37	34	138
Financial assets	722	2,120	6,857
Repo liabilities	<u>28,837</u>	<u>53,575</u>	<u>202,137</u>
Interest expense total	<u>311,869</u>	<u>387,696</u>	<u>1,556,361</u>