

## BASE PROSPECTUS DATED 12 December 2023



### OTP MORTGAGE BANK LTD.

(OTP JELZÁLOGBANK ZÁRTKÖRŰEN MŰKÖDŐ RÉSZVÉNYTÁRSASÁG)  
(incorporated with limited liability in Hungary)

**EUR 5,000,000,000**

**Programme for the issuance of Mortgage Notes (*jelzáloglevelek*)**

**unconditionally and irrevocably guaranteed by**

**OTP BANK Nyrt.**

(incorporated with limited liability in Hungary)

Under this EUR 5,000,000,000 Euro Mortgage Notes Programme (the “**Programme**”), OTP Mortgage Bank Ltd. (*OTP Jelzálogbank Zártkörűen Működő Részvénytársaság*) (the “**Issuer**”) may from time to time issue Mortgage Notes (the “**Mortgage Notes**”) (*jelzáloglevelek*) denominated in any currency agreed from time to time between the Issuer and the relevant Dealer (as defined below). The Mortgage Notes will be issued in bearer form. The payments of all amounts due in respect of the Mortgage Notes will be unconditionally and irrevocably guaranteed by OTP Bank Nyrt. (the “**Guarantor**” or “**OTP Bank**”) pursuant to an Irrevocable Payment Undertaking in form of a first demand suretyship (in Hungarian: *készfizető kezesség*) dated 7 July 2010 (as amended or supplemented from time to time, the “**Irrevocable Payment Undertaking**”), the form of which is set out herein. See “*Form of Irrevocable Payment Undertaking*” herein.

The maximum aggregate principal amount of all Mortgage Notes from time to time outstanding under the Programme will not exceed EUR 5,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement), subject to increase as described herein.

An investment in the Mortgage Notes involves certain risks. For a discussion of these risks, see “*Risk Factors*” beginning on page 15 of this Base Prospectus.

The Mortgage Notes may be issued on a continuing basis to one or more of the Dealers specified under “*General Description of the Programme*” and to any additional Dealer appointed under the Programme from time to time by the Issuer (each a “**Dealer**” and together the “**Dealers**”), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the **relevant Dealer** shall, in the case of an issue of Mortgage Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Mortgage Notes.

This Base Prospectus has been approved by the *Commission de Surveillance du Secteur Financier* (the “**CSSF**”) as competent authority under Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”) for the purpose of giving information with regard to the issue of Mortgage Notes issued under the Programme described in this Base Prospectus during the period of 12 months from the date of approval of this Base Prospectus. This Base Prospectus comprises a base prospectus for the purpose of Article 8 (1) of the Prospectus Regulation. Application has been made to the Luxembourg Stock Exchange for the Mortgage Notes to be admitted during the period of 12 months from the date of approval of this Base Prospectus to listing on the Official List of the Luxembourg Stock Exchange (the “**Official List**”) and to trading on the Luxembourg Stock Exchange’s regulated market (the “**Market**”). The Market is a regulated market for the purposes of Directive 2014/65/EU, as amended, on markets in financial instruments (“**MiFID II**”). References in this Base Prospectus to Mortgage Notes being **listed** (and all related references) shall, unless the context otherwise requires, mean that such Mortgage Notes have been admitted to the Official List and admitted to trading on the Market.

The CSSF only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation; such approval should not be considered as (a) an endorsement of the Issuer or the Guarantor; or (b) an endorsement of the quality of any Mortgage Notes that are the subject of this Base Prospectus. Investors should make their own assessment as to the suitability of investing in the Mortgage Notes. The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Base Prospectus or the quality or solvency of the Issuer.

The Issuer is in compliance with the requirements of Article 22 (2) of Act XXX of 1997 on Mortgage Loan Credit Institutions and on Mortgage Bonds (the “**Mortgage Credit Institutions Act**”) and obtained the relevant licence from the National Bank of Hungary (the “**MNB**”). The Mortgage Notes will be considered as European covered bonds (premium) (in Hungarian: “*európai (prémium) fedezett kötvény*”) pursuant to Article 19/A. of the Mortgage Credit Institutions Act.

This Base Prospectus (as supplemented as at the relevant time, if applicable) is valid for 12 months from its date (i.e. until 12 December 2024) in relation to Mortgage Notes which are to be admitted to trading on a regulated market in the European Economic Area (the **EEA**) and/or offered to the public in the EEA other than in circumstances where an exemption is available under Article 1(4) and/or 3(2) of the Prospectus Regulation. The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.

Notice of the aggregate principal amount of Mortgage Notes, interest (if any) payable in respect of Mortgage Notes, the issue price of Mortgage Notes and certain other information which is applicable to each Tranche (as defined in “*Terms and Conditions of the Mortgage Notes*”) of Mortgage Notes will be set out in final terms (the “**Final Terms**”) which, with respect to Mortgage Notes to be listed on the Official List of the Luxembourg Stock Exchange, will be filed with the CSSF. Copies of Final Terms in relation to Mortgage Notes to be listed on the Luxembourg Stock Exchange will also be published on the website of the Luxembourg Stock Exchange ([www.luxse.com](http://www.luxse.com)).

The Programme provides that Mortgage Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Mortgage Notes not admitted to trading on any market.

As at the date of this Base Prospectus, the long-term counterparty credit rating assigned to the Issuer by S&P Global Ratings Europe Limited (“**S&P**”) was BBB- and the long-term counterparty risk rating assigned to the Issuer by Moody’s Investors Service Cyprus Ltd (“**Moody’s**”) was Baa1. As at the date of this Base Prospectus, the long-term counterparty credit rating assigned to the Guarantor by S&P was BBB-, the long-term counterparty risk rating assigned to the Guarantor by Moody’s was Baa1, the issuer rating assigned to the Guarantor by Scope Ratings GmbH (“**Scope**”) was BBB+ and the issuer credit rating (China national scale) assigned to the Guarantor by China Lianhe Credit Rating Co., Ltd. (“**Lianhe**”) was AAA. Each of S&P, Moody’s and Scope is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the “**CRA Regulation**”). As such, S&P, Moody’s and Scope are included in the list of credit rating agencies published by the European Securities and Markets Authority’s (“**ESMA**”) on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. Lianhe is authorised by the China Securities Regulatory Commission and not certified under the CRA Regulation. Mortgage Notes issued under the Programme may be rated or unrated. The rating of certain Series of Mortgage Notes to be issued under the Programme may be specified in the applicable Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Interest and/or other amounts payable under the Mortgage Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (the “**Benchmark Regulation**”). If any such reference rate does constitute such a benchmark, the applicable Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of the Benchmark Regulation. Not every reference rate will fall within the scope of the Benchmark Regulation. Transitional provisions in the Benchmark Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the relevant Final Terms (or, if located outside the European Union (the “**EU**”), recognition, endorsement or equivalence). The registration status of any administrator under the Benchmark Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the relevant Final Terms to reflect any change in the registration status of the administrator.

The Issuer and the Guarantor may agree with any Dealer that Mortgage Notes may be issued in a form not contemplated by the Terms and Conditions of the Mortgage Notes set out herein, in which event (in the case of Mortgage Notes intended to be listed on the Official List or admitted to trading or publicly offered) a supplement to the Base Prospectus, if appropriate, may be made available which will describe the terms and conditions of, and the effect of the agreement reached in relation to, such Mortgage Notes.

The Mortgage Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), or any U.S. state securities laws, and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S (“**Regulation S**”) under the Securities Act), except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act and any applicable securities laws of any state or other jurisdiction of the United States.

There are restrictions on the offer, sale and transfer of the Mortgage Notes in certain jurisdictions as may be relevant in connection with the offering and sale of a particular Tranche of Mortgage Notes as discussed under “*Subscription and Sale*”. Investing in Mortgage Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer and the Guarantor to fulfil their obligations under the Notes are discussed under “*Risk Factors*” herein.

*Arranger*  
**BNP PARIBAS**  
*Dealers*

**BNP PARIBAS**

**OTP BANK**

## IMPORTANT NOTICES

### Responsibility for this Base Prospectus

The Issuer and the Guarantor accept responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Mortgage Notes issued under the Programme. To the best of the knowledge of the Issuer and the Guarantor, the information contained in this Base Prospectus (and the relevant Final Terms) is in accordance with the facts and this Base Prospectus (and the relevant Final Terms) makes no omission likely to affect the import of such information.

### Other relevant information

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*” below). This Base Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Base Prospectus. This Base Prospectus may only be used for the purposes for which it has been published.

Save for the Issuer and the Guarantor, no other party has separately verified the information contained in this Base Prospectus. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer or the Guarantor in connection with the Programme. Neither the Dealers nor the Agent accept any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer or the Guarantor in connection with the Programme.

No person is or has been authorised by the Issuer or the Guarantor to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Mortgage Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or any of the Dealers.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Mortgage Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Guarantor or the Guarantor and the Guarantor’s subsidiaries taken as a whole (collectively, the “**OTP Group**”), or any of the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Mortgage Notes should purchase any Mortgage Notes. Each investor contemplating purchasing any Mortgage Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Guarantor. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Mortgage Notes constitutes an offer or invitation by or on behalf of the Issuer or the Guarantor or any of the Dealers to any person to subscribe for or to purchase any Mortgage Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Mortgage Notes shall in any circumstances imply that the information contained herein concerning the Issuer and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Programme or to advise any investor in the Mortgage Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Base Prospectus when deciding whether or not to purchase any Mortgage Notes.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Mortgage Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Mortgage Notes may be restricted by law in certain jurisdictions. The Issuer, the Guarantor and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Mortgage Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor or the Dealers which would permit a public offering of any Mortgage Notes outside the EEA or

distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Mortgage Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Mortgage Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Mortgage Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Mortgage Notes in the United States, the EEA (including Hungary and Italy), the UK, Singapore and Japan (see “*Subscription and Sale*”).

The Mortgage Notes may not be a suitable investment for all investors. Each potential investor in the Mortgage Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Mortgage Notes, the merits and risks of investing in the Mortgage Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement to the Base Prospectus;
- (ii) has access to, and knowledge of, the appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Mortgage Notes and the impact the Mortgage Notes will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Mortgage Notes, including Mortgage Notes with principal or interest payable in one or more currencies or where the currency for principal or interest payments is different from the potential investor’s currency;
- (iv) understands thoroughly the terms of the Mortgage Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Mortgage Notes are legal investments for it, (2) Mortgage Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Mortgage Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Mortgage Notes under any applicable risk-based capital or similar rules.

**THE MORTGAGE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT AND, BEING IN BEARER FORM, ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, MORTGAGE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (SEE “*SUBSCRIPTION AND SALE*”).**

**IMPORTANT – EEA RETAIL INVESTORS** – The Mortgage Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a “**retail investor**” means a person who is one (or more) of:

1. a retail client as defined in point (11) of Article 4(1) of MiFID II; or
2. a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Consequently, no key information document required by Regulation (EU) No 1286/2014, as amended (the “**PRIIPs Regulation**”) for offering or selling the Mortgage Notes or otherwise making them available to retail

investors in the EEA has been prepared and therefore offering or selling the Mortgage Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**IMPORTANT – UK RETAIL INVESTORS** – The Mortgage Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the “UK”). For these purposes, a “**retail investor**” means a person who is one (or more) of:

1. a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); or
2. a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA (“**UK MiFIR**”).

Consequently, no key information document required by the PRIIPs Regulation as it forms part of UK domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Mortgage Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Mortgage Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**MiFID II PRODUCT GOVERNANCE/TARGET MARKET** – The Final Terms in respect of any Mortgage Notes will include a legend entitled “*MiFID II Product Governance/Target Market*” which will outline the target market assessment in respect of the Mortgage Notes and which channels for distribution of the Mortgage Notes are appropriate. Any person subsequently offering, selling or recommending the Mortgage Notes (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Mortgage Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance Rules under EU Delegated Directive 2017/593 (the “**MiFID Product Governance Rules**”), any Dealer subscribing for any Mortgage Notes is a manufacturer in respect of such Mortgage Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

**UK MiFIR PRODUCT GOVERNANCE/TARGET MARKET** – The Final Terms in respect of any Mortgage Notes may include a legend entitled “*UK MiFIR Product Governance/Target Market*” which will outline the target market assessment in respect of the Mortgage Notes and which channels for distribution of the Mortgage Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Mortgage Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Mortgage Notes is a manufacturer in respect of such Mortgage Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

#### **Singapore SFA Product Classification**

In connection with Section 309B(1)(c) of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore (as modified and amended from time to time, the **SFA**) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the **CMP Regulations 2018**), unless otherwise specified before an offer of Mortgage Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Mortgage Notes issued under the Programme are “prescribed capital markets products” (as defined in the CMP Regulations 2018) and Specified Investment Products (as defined in MAS Notice SFA 04-

N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

### Currency definitions

All references in this document to *U.S. dollars* refer to United States dollars. All references to *HUF* and *Forint* refer to Hungarian Forint. All references to *Sterling* and *£* refer to pounds sterling. All references to *euro*, *EUR* and *€* refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended from time to time. All references to *Swiss Francs* and *CHF* refer to the currency of Switzerland. All references to *Japanese Yen* and *JPY* refer to the currency of Japan. All references to *SDR* refer to the special drawing rights as defined pursuant to the Articles of Agreement of the International Monetary Fund.

Each of the Issuer and the Guarantor prepares its financial statements in Hungarian Forint and, unless otherwise indicated, the financial information contained in this Base Prospectus has been expressed in forint.

### Exchange Rates

The following table sets forth, for the periods set forth below, the high, low, average and period end Bloomberg Composite Rate expressed as HUF per EUR 1.00. The Bloomberg Composite Rate is a “best market” calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The rates may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this Base Prospectus. Neither the Issuer nor the Arranger nor the Dealers represents that the HUF amounts referred to below could be or could have been converted into euro or USD at any particular rate indicated or any other rate. The average rate for a financial year means the average of the closing Bloomberg Composite Rate on each business day during a year. The average rate for a month, or for any shorter period, means the average of the closing Bloomberg Composite Rate of each business day during that month, or shorter period, as the case may be.

Unless otherwise specified, where financial information in relation to the Issuer has been translated into EUR, it has been so translated, for convenience only, at the rate of HUF 398.50 per EUR 1.00. Such translation should not be construed as a representation that the amounts in question have been, could have been or could be converted into euro at that or any other rate.

The Bloomberg Composite Rate of the euro on 30 November 2023 was HUF 380.07 per EUR 1.00.

	HUF per EUR 1.00			
	High	Low	Average	Period end
<b>Year ended 31 December</b>				
2022	432.34	352.93	391.07	398.50
2021	370.39	345.81	358.54	369.33
2020	368.70	328.95	351.24	362.79
2019	336.62	313.08	325.31	331.23
<b>Month ended</b>				
30 November 2023	383.76	376.25	379.04	380.07
31 October 2023	389.44	381.59	385.34	382.54
30 September 2023	393.26	382.67	386.7	389.22
31 August 2023	393.29	379.33	385.09	381.28

	HUF per EUR 1.00			
	High	Low	Average	Period end
31 July 2023	387.07	372.63	378.90	387.07
30 June 2023	374.17	367.91	370.49	372.63
31 May 2023	375.61	368.68	372.11	370.35
30 April 2023	378.31	370.93	375.15	373.03
31 March 2023	398.06	373.18	384.64	379.73
28 February 2023	395.56	377.60	384.28	378.18
31 January 2023	401.54	387.26	394.70	390.82
31 December 2022	418.96	398.50	406.87	398.50

Certain figures in this Base Prospectus have been subject to rounding adjustments. Accordingly, amounts shown as totals in tables or elsewhere may not be an arithmetic aggregation of the figures which precede them and in some cases rounding may cause some figures to differ from those in the financial statements.

The term “mortgage bond” as used herein corresponds to the use of the term “*jelzáloglevelek*” as used in Hungarian legislation. The use of “mortgage bonds” herein is generic and should be construed to include Mortgage Notes.

In connection with the issue of any Tranche of Mortgage Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over-allot Mortgage Notes or effect transactions with a view to supporting the market price of the Mortgage Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Mortgage Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Mortgage Notes and 60 days after the date of the allotment of the relevant Tranche of Mortgage Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

## SUPPLEMENT TO THE BASE PROSPECTUS

If at any time the Issuer shall be required to prepare a supplement to this Base Prospectus pursuant to Article 23 of the Prospectus Regulation, the Issuer will prepare and make available an appropriate amendment or supplement to this Base Prospectus or a further base prospectus which, in respect of any subsequent issue of Mortgage Notes to be listed on the Official List and admitted to trading on the Market, shall constitute a supplement to the base prospectus as required by Article 23 of the Prospectus Regulation.

### FORWARD-LOOKING STATEMENTS

This Base Prospectus and the information incorporated by reference into this Base Prospectus include statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “plans”, “goal”, “target”, “aim”, “may”, “will”, “would”, “could” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Base Prospectus and the information incorporated by reference into this Base Prospectus and include statements regarding the intentions, beliefs or current expectations of the Issuer, the Guarantor or the OTP Group concerning, among other things, the operating results, financial condition, prospects, growth, strategies and dividend policy of the Issuer or the Guarantor and the sectors and markets in which they operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond the Issuer’s or the Guarantor’s ability to control or predict. Forward-looking statements are not guarantees of future performance.

The Issuer’s and the Guarantor’s actual operating results, financial condition and the development of the sectors and markets in which they operate may differ materially from the impression created by the forward-looking statements contained in this Base Prospectus and/or the information incorporated by reference into this Base Prospectus. In addition, even if the operating results and financial condition of the Issuer or the Guarantor, and the development of the sectors and markets in which they operate, are consistent with the forward-looking statements contained in this Base Prospectus and/or the information incorporated by reference into this Base Prospectus, those results or developments may not be indicative of results or the development of such sectors and markets in subsequent periods. Important factors that could cause these differences include, but are not limited to, general political, economic and business conditions, sector and market trends, changes in government, changes in law or regulation, stakeholder perception of the Issuer or the Guarantor and/or the sectors or markets in which it operates and those risks described in the section headed “*Risk Factors*”.

Investors are advised to read this Base Prospectus and the information incorporated by reference into this Base Prospectus in their entirety, and, in particular, the section headed “*Risk Factors*”, for a further discussion of the factors that could affect the Issuer’s and the Guarantor’s future performance and the sectors and markets in which they operate. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this Base Prospectus and/or the information incorporated by reference into this Base Prospectus may not occur.

Subject to applicable law or regulation, each of the Issuer and the Guarantor explicitly disclaims any intention or obligation or undertaking publicly to release the result of any revisions to any forward-looking statements in this Base Prospectus that may occur due to any change in the Issuer’s or the Guarantor’s expectations or to reflect events or circumstances after the date of this Base Prospectus.



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## GENERAL DESCRIPTION OF THE PROGRAMME

This section “*General Description of the Programme*” must be read as an introduction to this Base Prospectus and any decision to invest in any Mortgage Notes should be based on a consideration of this Base Prospectus as a whole, including the documents incorporated by reference.

The following is qualified in its entirety by the remainder of this Base Prospectus.

Words and expressions defined in “*Form of the Mortgage Notes*” and “*Terms and Conditions of the Mortgage Notes*” shall have the same meanings in this description.

<b>Issuer:</b>	OTP Mortgage Bank Ltd. <i>(OTP Jelzálogbank Zártkörűen Működő Részvénytársaság)</i>
<b>Legal Entity Identifier of the Issuer:</b>	529900925TK5QIGTBH86
<b>Website of the Issuer:</b>	<a href="http://www.otpjzb.hu">http://www.otpjzb.hu</a>
<b>Guarantor:</b>	OTP Bank Nyrt.
<b>Legal Entity Identifier of the Guarantor:</b>	529900W3MOO00A18X956
<b>Website of the Guarantor:</b>	<a href="https://www.otpbank.hu">https://www.otpbank.hu</a>
<b>Irrevocable Payment Undertaking:</b>	OTP Bank Nyrt. (as defined below) has issued an unconditional and irrevocable payment undertaking in form of a first demand suretyship (in Hungarian: <i>készfizető kezesség</i> ) in respect of all outstanding and future Unsubordinated Debt Instruments (as defined therein) issued by the Issuer, including the Mortgage Notes issued under the Programme.
<b>Description:</b>	Euro Mortgage Notes Programme for the issuance of Mortgage Notes.
<b>Arranger:</b>	BNP Paribas
<b>Dealers:</b>	BNP Paribas, OTP Bank Nyrt. and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Mortgage Notes (each a <b>Dealer</b> , and together the <b>Dealers</b> ).
<b>Risk Factors:</b>	There are certain factors that may affect the Issuer’s ability to fulfil its obligations under Mortgage Notes issued under the Programme. These are set out under “ <i>Risk Factors</i> ” below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Mortgage Notes issued under the Programme. These are set out under “ <i>Risk Factors</i> ” and include certain risks relating to the structure of particular Series of Mortgage Notes and certain market risks.
<b>Risk Factors relating to the Guarantor:</b>	There are certain risks that may affect the ability of the Guarantor to fulfil its obligations under the Irrevocable Payment Undertaking. These include risks relating to Hungary, and in particular, the banking industry therein. The Guarantor’s business may be impacted by factors such as credit risk, market risk, operational risk and liquidity risk. These are set out under “ <i>Risk Factors</i> ” below.
<b>Certain Restrictions:</b>	Each issue of Mortgage Notes in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see

“*Subscription and Sale*”) including the following restrictions applicable at the date of this Base Prospectus.

**Mortgage Notes having a maturity of less than one year**

Mortgage Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 (**FSMA**) unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see “*Subscription and Sale*”.

<b>Principal Paying Agent:</b>	Citibank, N.A., London Branch
<b>Programme Size:</b>	EUR 5,000,000,000 (or its equivalent in other currencies calculated as described under “ <i>General Description of the Programme</i> ”) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
<b>Distribution:</b>	<p>Mortgage Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.</p> <p>Any issue of Mortgage Notes under this Programme is purported to be made to institutional investors or, as the case may be, other legal entities only and it is not anticipated that private individuals will purchase the Mortgage Notes either at issue or subsequently on any regulated or other secondary market or through an over-the-counter transaction.</p>
<b>Currencies:</b>	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
<b>Maturities:</b>	Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
<b>Issue Price:</b>	Mortgage Notes may be issued only on a fully-paid basis and at an issue price which is at their principal amount or at a discount to, or premium over, their principal amount.
<b>Type of Mortgage Notes:</b>	For a description of certain aspects relevant to the Mortgage Notes, see “ <i>Overview of the Hungarian Mortgage Bond Regulation</i> ”.
<b>Form of the Mortgage Notes:</b>	<p>The Mortgage Notes will be issued in bearer form as described in “<i>Form of the Mortgage Notes</i>”.</p> <p>The Mortgage Notes will be tradeable only in principal amounts of at least the Specified Denomination and (if so specified in the applicable Final Terms and to the extent permitted by the relevant clearing system(s)) integral multiples of the Tradeable Amount in excess thereof.</p>
<b>Fixed Rate Mortgage Notes:</b>	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
<b>Reset Mortgage Notes:</b>	Reset Mortgage Notes will, in respect of an initial period, bear interest at the Initial Rate of Interest specified in the relevant Final Terms. Thereafter, the fixed rate of interest will be reset on one or more date(s) specified in the relevant Final Terms by reference to a mid-swap rate for the relevant

Specified Currency or a benchmark security rate, and for a period equal to the relevant reset period, as adjusted for any applicable margin, in each case as may be specified in the relevant Final Terms. Such interest will be payable in arrear on the Interest Payment Date(s) specified in the relevant Final Terms or determined pursuant to the Conditions.

**Floating Rate Mortgage Notes:**

Floating Rate Mortgage Notes will bear interest at a rate determined:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Mortgage Notes of the relevant Series); or
- (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Mortgage Notes.

Floating Rate Mortgage Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Mortgage Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

**Zero Coupon Mortgage Notes:**

Zero Coupon Mortgage Notes will be offered and sold at a discount to their principal amount and will not bear interest.

**Benchmark Discontinuation (in respect of Floating Rate Mortgage Notes and Reset Mortgage Notes referencing a rate other than SOFR):**

If a Benchmark Event occurs, such that any rate of interest (or any component part thereof) cannot be determined by reference to the original benchmark or screen rate (as applicable) specified in the relevant Final Terms, then the Issuer may (subject to certain conditions) be permitted to substitute such benchmark and/or screen rate (as applicable) with a successor, replacement or alternative benchmark and/or screen rate (with consequent amendment to the terms of the relevant Series of Mortgage Notes and the application of an adjustment spread (which could be positive or negative or zero)). See Condition 9(a) (*Benchmark Discontinuation*).

**Benchmark Transition Event (in respect of Floating Rate Mortgage Notes and Reset Mortgage Notes referencing SOFR):**

If the Issuer or its designee determines on or prior to the relevant Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Mortgage Notes in respect of all determinations on such date and for all determinations on all subsequent dates (with consequent amendment to the terms of the relevant Series of Mortgage Notes, as applicable). See Condition 9(b) (*Benchmark Transition Event*).

<b>Redemption:</b>	<p>The applicable Final Terms will indicate either that the Mortgage Notes cannot be redeemed prior to their stated maturity (other than for Tax Event or following an Event of Default) or that such Mortgage Notes will be redeemable at the option of the Issuer and/ or the Holders upon giving notice to the Holders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.</p> <p>Mortgage Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see “<i>Certain Restrictions</i>” above.</p>
<b>Denomination of Mortgage Notes:</b>	<p>Mortgage Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Mortgage Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see “<i>Certain Restrictions</i>” above, and save that the minimum denomination of each Mortgage Note will be EUR 100,000 (or, if the Mortgage Notes are denominated in a currency other than euro, the equivalent amount in such currency).</p>
<b>Taxation:</b>	<p>All payments in respect of the Mortgage Notes will be made without deduction for or on account of withholding taxes imposed by a Relevant Jurisdiction, subject as provided in Condition 12 (<i>Taxation</i>) of the Terms and Conditions of the Mortgage Notes unless such deduction is required by law. In the event that any such deduction is made, the Issuer or, as the case may be, the Guarantor will, save in certain limited circumstances provided in Condition 12 (<i>Taxation</i>) of the Terms and Conditions of the Mortgage Notes, be required to pay additional amounts to cover the amounts so deducted.</p>
<b>Negative Pledge:</b>	<p>The Terms and Conditions of the Mortgage Notes will not contain a negative pledge provision.</p>
<b>Cross Default:</b>	<p>The Terms and Conditions of the Mortgage Notes will not contain a cross default provision.</p>
<b>Status of the Mortgage Notes:</b>	<p>The Mortgage Notes will constitute direct, unconditional, unsubordinated obligations of the Issuer ranking <i>pari passu</i> among themselves. The Mortgage Notes will be covered in accordance with the Mortgage Credit Institutions Act. The Mortgage Notes will be considered as European covered bonds (premium) (in Hungarian: “<i>európai (prémium) fedezett kötvény</i>”) pursuant to Article 19/A. of the Mortgage Credit Institutions Act.</p>
<b>Subordination:</b>	<p>Mortgage Notes may not be issued on a subordinated basis.</p>
<b>Rating:</b>	<p>As at the date of this Base Prospectus, the issuer long-term counterparty credit rating assigned to the Issuer by S&amp;P was BBB- and the long-term counterparty risk rating assigned to the Issuer by Moody’s was Baa1. As at the date of this Base Prospectus, the long-term counterparty credit rating assigned to the Guarantor by S&amp;P was BBB-, the long-term counterparty risk rating assigned to the Guarantor by Moody’s was Baa1, the issuer rating assigned to the Guarantor by Scope was BBB+ and the issuer credit rating (China national scale) assigned to the Guarantor by Lianhe was AAA. Each of S&amp;P Europe, Moody’s Ltd and Scope is established in the European Union and is registered under the Regulation (EC) No.</p>

1060/2009 (as amended) (the CRA Regulation). As such, S&P Europe, Moody's Ltd and Scope are included in the list of credit rating agencies published by the European Securities and Markets Authority's (ESMA) on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. Lianhe is authorised by the China Securities Regulatory Commission and not certified under the CRA Regulation.

Each of S&P, Moody's and Scope is established in the European Union and is registered under the CRA Regulation. As such, S&P, Moody's and Scope are included in the list of credit rating agencies published by ESMA on its website in accordance with the CRA Regulation.

Series of Mortgage Notes issued under the Programme may be rated or unrated. Where a Series of Mortgage Notes is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the ratings assigned generally to the Mortgage Notes issued under the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Listing and admission to trading:**

This Base Prospectus has been approved by the CCSF. Application has been made to the Luxembourg Stock Exchange for the Mortgage Notes to be admitted during the period of 12 months from the date of approval of this Base Prospectus to the Official List of the Luxembourg Stock Exchange and to trading on the Market. The Mortgage Notes may also be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or markets as may be agreed between the Issuer and the relevant Dealer in relation to each Series. Unlisted Mortgage Notes not admitted to trading on any market may also be issued.

The applicable Final Terms will state whether or not the Mortgage Notes are to be listed and/or admitted to trading and, if so, on which stock exchange(s) and/or markets.

**Clearing:**

Mortgage Notes will clear through Clearstream, Luxembourg and Euroclear, as more fully described in "Form of the Mortgage Notes" below. See also "Risk Factors – *Mortgage Notes where denominations involve integral multiples*".

**Governing Law:**

The Mortgage Notes and any non-contractual obligations arising out of or in connection with the Mortgage Notes will be governed by, and shall be construed in accordance with, Hungarian law.

**Selling Restrictions:**

There are restrictions on the offer, sale and transfer of the Mortgage Notes in the United States, Japan, the EEA (including Hungary and Italy), the UK, Singapore and such other jurisdictions as may be relevant in connection with the offering and sale of a particular Tranche of Mortgage Notes (see "*Subscription and Sale*").

**United States Selling Restrictions:**

Regulation S

**Representation of the holders of the Mortgage Notes:**

There is no provision for the representation of holders of the Mortgage Notes.

## **RISK FACTORS**

*In purchasing Mortgage Notes, investors assume the risk that the Issuer or the Guarantor may become insolvent or otherwise be unable to make all payments due in respect of the Mortgage Notes and investors may lose the value of their entire investment or part of it. There is a wide range of factors which individually or together could result in the Issuer or, as the case may be, the Guarantor becoming unable to make all payments due in respect of the Mortgage Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer and the Guarantor may not be aware of all relevant factors and certain factors which it currently deem not to be material may become material as a result of the occurrence of events outside the Issuer's and the Guarantor's control. The Issuer and the Guarantor have identified in this Base Prospectus a number of factors which could materially adversely affect their business and ability to make payments due under the Mortgage Notes or, as the case may be, under the Irrevocable Payment Undertaking.*

*In addition, factors which are material for the purpose of assessing the market risks associated with the Mortgage Notes issued under the Programme are also described below, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with any Mortgage Notes may occur for other reasons which are as yet unknown or which they may not currently be able to anticipate, and the Issuer and the Guarantor do not represent that the statements below regarding the risks of holding any Mortgage Notes are exhaustive.*

*Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.*

*The following is a general discussion of certain risks typically associated with the Issuer and the Guarantor and the acquisition of, and holding, Mortgage Notes issued under the Programme. It does not consider an investor's specific knowledge and/or understanding of the risks typically associated with the Issuer or the Guarantor and the acquisition of and holding Mortgage Notes issued under the Programme, whether obtained through experience, training, or otherwise, or the lack of such knowledge and/or understanding, or circumstances that may apply to a particular investor.*

### **General**

During the life of each Series of Mortgage Notes, the risks specified in each of the sections below may impact on such Mortgage Notes at different points in time and for different lengths of time. Each Series of Mortgage Notes may have a risk profile that changes over time. Prospective investors should seek advice from professional financial advisers in order to further discuss and understand how the risk profile of a particular Series of Mortgage Notes may affect their overall investment portfolio.

More than one risk factor may have a simultaneous effect with regard to the Mortgage Notes such that the impact of a particular risk factor may not be predictable. In addition, more than one risk factor may have a compounding effect which may not be foreseeable. No assurance can be given as to the impact that any combination of risk factors may have on the value of the Mortgage Notes.

Furthermore, an investment in the Mortgage Notes involves a reliance on the creditworthiness of the Issuer and the Guarantor, and therefore also entails the risk that subsequent changes in the actual or perceived creditworthiness of the Issuer or the Guarantor may adversely affect the market value of the relevant Mortgage Notes.

## **FACTORS THAT MAY AFFECT THE ISSUER'S AND THE GUARANTOR'S ABILITY TO FULFIL THEIR OBLIGATIONS UNDER THE MORTGAGE NOTES ISSUED UNDER THE PROGRAMME AND UNDER THE IRREVOCABLE PAYMENT UNDERTAKING**

### **Risks related to the macroeconomic and geopolitical environment**

*The performance of the OTP Group is affected by adverse global political, economic and business conditions in the markets in which it operates*

The profitability of the OTP Group may be adversely affected by a worsening of general political and economic conditions in the markets in which the OTP Group operates, globally or in certain markets such as the EEA generally, and which are outside of the control of the OTP Group.

### *The impact of the conflict between Russia and Ukraine on the OTP Group*

OTP Group's operations in Russia and Ukraine have been negatively impacted by the consequences of the military conflict caused by Russia's invasion of Ukraine and international sanctions imposed on Russia's economic and financial system.

Russia began an invasion of Ukraine on 24 February 2022, aimed at key Ukrainian military and civilian assets across the country. The Russian military operation has led to high-intensity fighting resulting in mass casualties and large-scale damage to infrastructure and assets in Ukraine. OTP Group's ability to conduct business may be adversely affected by disruptions to its infrastructure, business processes and technology services. This may cause significant customer detriment, costs to reimburse losses incurred by the OTP Group's customers, and reputational damage.

As at the date of this Base Prospectus, it is difficult to predict the full extent and overall impact of the military conflict between Russia and Ukraine on the OTP Group's operation. Depending on how the military conflict between Russia and Ukraine develops, the impact of this conflict could result in a wide range of possible scenarios for the OTP Group, and in particular, for the operation and performance of its Ukrainian and Russian subsidiaries. Under the worst possible scenario, the Guarantor may lose control of its investments, which under extreme conditions could result in the full write-off of the invested amount.

#### Ukraine:

- (a) The developing conflict in Ukraine could lead to operational difficulties in servicing customers, potential damage to branches and other fixed assets, increased credit risks due to an increased probability of defaults and higher losses due to defaults within the loan portfolio and also impact on the sovereign debt held by the Ukrainian subsidiary of the OTP Group. A potentially severe economic downturn could negatively impact OTP Group's growth and profit-making capabilities in Ukraine. The outlook for the potential negative impact is uncertain and can quickly change in light of the turbulent situation.
- (b) The deepening conflict might trigger liquidity outflows due to deposit withdrawals. However, no such impact has been experienced as at the date of this Base Prospectus. As at the date of this Base Prospectus, OTP BANK JSC ("**OTP Bank Ukraine**" or "**OBU**") has a sufficient amount of UAH liquidity reserves and any potential shocks can be handled locally with the help of National Bank of Ukraine. OBU also has a significant amount of foreign currency denominated liquidity reserves too, which are maintained with the Guarantor and other banks on the interbank market. Liquidity withdrawal risk has been contained so far due to the strict restrictions on cash withdrawals, money transfers and spot conversions.
- (c) To manage the UAH/USD spot FX rate, the National Bank of Ukraine or the Ukrainian government might widen the spot conversion restrictions or reintroduce limitations on banks' open currency position management, forcing banks to keep a long UAH position in their books, which could result in FX revaluation losses for OBU.

#### Russia:

- (a) The existing conflict between Russia and Ukraine has led to a temporary material devaluation of Russia's local currency (RUB), and significantly increased volatility might cause further material valuation changes of RUB. The local capital markets temporarily collapsed and foreign investments were withdrawn from the country. Extensive sanctions have been imposed by EU member states, the UK and the US government which could lead to a severe downturn in the Russian economy. This scenario could negatively impact OTP Group's financial position due to the increased credit risks and lower profit-making capability of OTP Bank's Russian subsidiary ("**JSC OTP Bank (Russia)**" or "**OBRu**"). In reaction to US, UK and EU measures, countersanctions have been implemented by Russian authorities. The overall outlook for the potential negative impact is uncertain and can quickly change in light of the turbulent situation.
- (b) Similar to Ukraine, Russian banks could also face significant deposit withdrawals, mostly in foreign currency. As at the date of this Base Prospectus, OBRu has a significant amount of liquidity reserves kept outside the OTP Group (government bonds, central bank and money market placements).



- (c) Due to the scarce foreign currency liquidity in the Russian market, restrictions on FX conversions are very likely in the RUB FX market, which would also affect the international RUB FX market, while foreign currency and RUB settlements/payments are already difficult to execute on a cross-border basis.

In a worst-case scenario, significant deterioration of the relationship between the EU and Russia may lead to a situation where OTP Group is no longer able to operate its subsidiaries in Russia or in Ukraine.

#### *The COVID-19 pandemic*

Since the outbreak of the pandemic, the Issuer and the Guarantor have regularly updated their forecasts in light of the pandemic and the impact of the pandemic on the credit risk of their loan and receivables portfolio. However, the continuance of new waves of the pandemic emerging may require further revision by the Issuer and the Guarantor to such macroeconomic scenarios and their estimations of credit impairments. The future impact of any outbreak is highly uncertain and cannot be predicted.

#### *The volatile economic environment in the post-COVID era*

Over the last three years, the COVID-19 pandemic severely impacted the evolution of the global economy. The supply-chain and logistic relationships were disrupted by periodic lockdowns and social distancing requirements and the supply of several key raw materials dropped significantly, leading to a more volatile economic environment compared to previous years. Raw material and energy prices rose steeply, leading to higher inflation and interest rates in some of the OTP Group's operating countries. The Russian invasion of Ukraine and the subsequent implementation of sanctions on Russia have accelerated supply shortages and resulted in higher energy prices and more broad-based inflation. Several major central banks have already raised interest rates including the National Bank of Hungary (**MNB**) which raised its key rate to 13.0 per cent. in 2022 and also introduced a one-day deposit facility with 18 per cent. interest, which became the effective interest rate at the time. As a result of these and other factors, global financial markets have experienced significant volatility and disruption in recent years, which have adversely affected the performance and liquidity of many financial institutions and instruments, including the entry into of a merger agreement for the acquisition of Credit Suisse, a global systemically important bank, by UBS, following the intervention of the Swiss regulators, and the failure of Silicon Valley Bank and Signature Bank in the United States. In addition, the risk of local currency devaluations versus EUR or USD has increased and could lead to a more volatile operating environment for OTP Group.

This volatile environment could cause financial difficulties for the Issuer's and the Guarantor's customers. The deteriorating credit quality of the Issuer's and the Guarantor's customers may in particular result in increasing defaults and arrears in monthly payments on loans, higher credit impairments on the loan portfolios of the Issuer and the Guarantor, declining mortgage asset values and flat or decreasing loan portfolio levels, all of which could adversely affect the Issuer's and the Guarantor's ability to service their payment obligations, including those in respect of the Mortgage Notes. Furthermore, lower demand for, and origination of, new loans could expose the Issuer and the Guarantor to the risk of losing customers to competitors with less stringent lending requirements.

#### ***Risks related to the business of the Issuer, the Guarantor and the OTP Group***

##### ***The OTP Group is exposed to credit risk of its customers and counterparties***

Credit risk is present and inherent in both the on-balance sheet transactions and off-balance sheet commitments of the OTP Group.

The credit risk faced by the Issuer, the Guarantor and other members of the OTP Group arises primarily from the risks of non-payment and default on the part of the Issuer's, the Guarantor's and other OTP Group members' borrowers and other counterparties. Any deterioration or adverse change in the creditworthiness of the Issuer's, the Guarantor's and the OTP Group members' borrowers and other counterparties, or a fall in collateral values, are likely to affect the recoverability and value of the Issuer's, the Guarantor's and other OTP Group members' assets, and could require an increase in provisions appropriated either in respect of individual OTP Group members or at OTP Group level, which in turn could have a negative impact on the financial performance of the Issuer, the Guarantor and the OTP Group.

In addition, third parties that owe the Issuer, the Guarantor or any member of the OTP Group money, securities or other assets may not perform their obligations due to bankruptcy, shortage in liquidity, downturns in the economy and real estate values, operational failure or any other reasons.

Credit risk tends to be aggravated during periods of economic downturn or stagnation, which are typically characterised by higher rates of insolvencies and defaults. In addition, the credit risk faced by the Issuer, the Guarantor and other members of the OTP Group is increased by the fact that part of the OTP Group's business is conducted in markets with generally higher risk, including country risk, such as operations in Russia and Ukraine and, to a lesser extent, Albania, Montenegro, Moldova and Uzbekistan. The financial closure of the acquisition of Ipoteka Bank in Uzbekistan took place on 13 June 2023. There is a risk of losses arising from economic difficulties or political unrest and international sanctions in such countries.

Any negative developments in the operating performance, loan-loss levels, write-downs and impairments of the Issuer, the Guarantor and the OTP Group could adversely affect their results and may result in capital requirements that could constrain their operations, thereby reducing the Issuer's and the Guarantor's ability to service payments under the Mortgage Notes or the Irrevocable Payment Undertaking and potentially adversely affecting the trading price of the Mortgage Notes. The deteriorating credit quality of the Issuer's and the Guarantor's customers, in particular, may result in increasing defaults and arrears in payments on loans which could adversely affect the Issuer's and the Guarantor's ability to service payment obligations under the Mortgage Notes.

***The provisions made by the OTP Group may not be adequate to cover actual losses sustained***

The OTP Group, on a consolidated basis, sets aside provisions for loan losses in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS"). Such provisions are made, however, based on reasonable and supportable information that is available without undue cost and effort at the reporting date about past events, current conditions and forecasts of future economic conditions. Therefore, there can be no assurance that provisions made by the OTP Group are or will be sufficient to cover potential future losses.

Furthermore, actual credit impairments vary over the business cycle and, due to prevailing market conditions, additional credit impairments may occur at a rate higher than that experienced in the past. Moreover, the uncertainties and unusual market conditions that have arisen in the aftermath of the 2007/2009 global financial crisis and the COVID-19 pandemic may result in models currently used by the OTP Group for credit assessment purposes being inadequate and may have a negative impact on the OTP Group's ability to reliably assess default and credit migration risks. Future provisions for non-performing loans and an increase in the amount of allowances for credit impairments and credit impairments not covered by allowances could have a materially adverse effect on the Issuer's, the Guarantor's and the OTP Group's operating results.

Furthermore, the provisions made by the OTP Group are based on currently available information and different forward looking macroeconomic scenarios and may, therefore, need to be increased as the Ukraine-Russia conflict further evolves, to cover additional losses emerging from the loan portfolio. The crisis may have further impact on the operations of the OTP Group which cannot currently be predicted or quantified and which may affect forward-looking information with regard to IFRS 9 provisions and, as of the date of this Base Prospectus, the exact impact is not yet quantifiable due to the uncertainty.

***Specific credit risks from the Issuer's mortgage lending business***

The credit risk faced by the Issuer as a mortgage credit institution predominantly derives from the risk of default by its borrowers on mortgage-backed loans; in other words, the risk of borrowers failing to duly perform their obligations under such loans.

Defaults by borrowers under mortgage-backed loans may occur for a vast array of reasons. Various factors influence mortgage delinquency rates, prepayment rates, foreclosure and eviction frequency and the ultimate payment of interest and principal, such as changes in market interest rates, foreign exchange rates, international, national or local economic conditions, regional economic or housing conditions, changes in tax laws, inflation or real estate property values, unemployment, the financial standing of borrowers, the availability of financing, yields on alternative investments, political developments and government policies or factors similar to the foregoing.

Other factors in the borrowers' individual, personal or financial circumstances may also affect the ability of borrowers to repay mortgage loans. Loss of earnings, illness, divorce and other similar factors may lead to an

increase in delinquencies by borrowers and could ultimately have an adverse impact on the ability of borrowers to make repayments on their mortgage loans.

In addition, the ability of a borrower to sell a property mortgaged as security for a mortgage loan at a price sufficient to repay the amount outstanding under that loan will depend upon a number of factors, including the availability of buyers for that property, the value of that property and property values in general at the given time.

The Issuer's and the Guarantor's current credit approval and monitoring procedures (see "*Description of the Issuer's Business – Business Overview of the Issuer – Cooperation between the Issuer and OTP Bank in mortgage loan origination*" below) focus, *inter alia*, on the borrower's cash flow and ability to repay mortgage loans in an effort to improve the quality of the Issuer's mortgage loan portfolio and mitigate future allowances for loan losses and credit impairments. However, there is no assurance that these credit approval and monitoring procedures will reduce the amount of provisions for mortgage loans that become non-performing in the future..

No assurance can be given that the provisions made by the OTP Group will be sufficient to cover the amount of loan losses as they occur.

***Risks relating to the realisation value of real estate collateral taken by the Issuer, the Guarantor and members of the OTP Group***

A substantial proportion of the loans originated by the Issuer, the Guarantor and other members of the OTP Group are secured by real estate as collateral.

The exposure arising from defaults by borrowers on mortgage loans can be counterbalanced to a certain extent by, *inter alia*, enforcement actions taken in order to realise the encumbered real property serving as collateral to such loans. Therefore, the Issuer's credit risk may be increased when the collateral it holds cannot be enforced or is liquidated at prices not sufficient to recover the full amount due and payable under the relevant mortgage loan. The market value at which real estate properties mortgaged as security for mortgage loans can be sold, and thus the results of realisation through such enforcement actions, heavily depend on the current real estate market prices and the legal environment as amended from time to time.

For example, the fair market value of real estate which is mortgaged as security for loans, particularly in the real estate financing business, is subject to significant fluctuations over the course of time, caused in particular by changes in supply and demand, construction deficiencies and delays, land contamination and environmental hazards, leasing status (vacancies) or potential buyers and their financial resources, changes in the general legal framework such as tax treatment, and other factors that are beyond the control of the Issuer, the Guarantor and the OTP Group (such as natural disasters, civil war and terrorist attacks). Such market developments and changes may in particular reduce the value of real estate collateral. Furthermore, a continued decline in economic conditions in the markets where the OTP Group operates, an economic downturn in any industries in which borrowers of the OTP Group operate, or in markets where the real estate collateral is located, or a deterioration of the financial standing of the OTP Group's borrowers may result in decreases in the value of such collateral below the principal balance outstanding on the relevant mortgage loans. A decline in the value of collateral taken by the Issuer, the Guarantor and other members of the OTP Group or the inability of the Issuer, the Guarantor and other members of the OTP Group to obtain additional collateral may require the Issuer, the Guarantor and the OTP Group (both at the level of the OTP Group's individual members and on a consolidated basis) to reclassify the relevant loans, set aside additional provisions for loan losses and could result in increased reserve and/or capital requirements.

Real estate properties in which a security interest has been taken by the Issuer, the Guarantor or other members of the OTP Group may be concentrated in certain locations. Specific geographic regions may have experienced or may, in the future, experience economic conditions and residential or, as the case may be, commercial real estate markets that are weaker than in other regions, the concentration of mortgage loans secured by residential or, as the case may be, commercial real estate properties in such areas may therefore result in a greater risk of borrower default or arrears on mortgage loans than if such concentration were not present.

Furthermore, the ability of the Issuer, the Guarantor or other members of the OTP Group to enforce collateral without the consent of the respective borrower may be dependent on the relevant court decision and execution measures and on other relevant circumstances in the real estate or mortgage markets.

The ability of the Issuer, the Guarantor or the OTP Group to enforce the security interest it has taken over real estate properties may be adversely affected by regulatory or governmental measures such as the transitional moratorium imposed in Hungary in respect of evictions and enforcement sales outside court enforcement in certain circumstances. No assurance can be given that the values of the relevant real estate properties will not decline or, since origination, have not declined and it cannot be excluded that the Issuer may have to increase its loan loss provisions in the future, for example if the market value of the underlying collateral decreases, which in turn may be detrimental to the Issuer's interest revenues and its profitability.

There is no guarantee that governments or legislative bodies in other countries where the OTP Group operates will not adopt similar or other measures adversely affecting the ability of the Issuer, the Guarantor or the OTP Group to enforce any security interest it has taken over real estate property or that the Hungarian Government will not introduce further restrictions in relation to foreclosure proceedings against mortgaged properties.

Any failure to recover the expected value of real estate collateral taken by the Issuer, the Guarantor or other members of the OTP Group in the case of foreclosure may expose the Issuer, the Guarantor and the OTP Group to losses, which may have a material adverse effect on the Issuer's, the Guarantor's and the OTP Group's businesses, financial condition and results of operations.

### ***Special asset-liability structure of the Issuer***

Since the Issuer operates as a mortgage credit institution under stringent legal requirements, it has a special asset-liability structure as compared with that generally characterising the Hungarian banking system. The Issuer primarily funds its mortgage lending business by issuing mortgage bonds. Mortgage loans have long-term maturities and provide for repayments in the form of annuities with principal amounts being subject to amortisation on a periodic basis. Mortgage bonds, on the other hand, are shorter-term obligations of the Issuer with bullet repayments. Consequently, financing mortgage loans through the issuance of mortgage bonds exposes the Issuer to (funding) liquidity risks (besides interest rate risks).

Furthermore, as the activities of a mortgage credit institution, such as the Issuer, are strictly limited by statute (see "*Description of the Issuer's Business – Business Overview of the Issuer – Introduction*" below), the Issuer may not take deposits and, therefore, its refinancing possibilities heavily depend on its ability to issue mortgage bonds (including the Mortgage Notes) and access wholesale lending markets on adequate economic terms. To the extent that the volume of, or the Issuer's ability to access on commercially reasonable terms and/or in a timely manner, these funding sources becomes constrained, the Issuer may face funding gaps, in particular, in periods of turmoil or in the event of unexpected governmental interventions in the markets where it operates. The Guarantor, as the parent bank of the Issuer and the OTP Group, provides intragroup refinancing to the Issuer to, *inter alia*, close such funding gaps (see also "*Description of the Issuer's Business – Business Overview of the Issuer – Cooperation between the Issuer and OTP Bank in mortgage loan origination*" below). A significant decline in capital market transactions and/or liquidity stress in the wholesale lending markets or unexpected losses from governmental measures that interfere with existing contractual arrangements might, therefore, necessitate the Guarantor increasing such intragroup refinancing or providing the Issuer with other forms of financial support. This may result in a diversion of funds from other businesses of the OTP Group, which may, in turn, have a negative effect on the OTP Group's businesses, financial position and results of operations.

### ***Refinancing risk***

Mortgage loans granted by the OTP Group usually have maturities beyond the maturity of the corresponding funding, which results in the OTP Group's dependence on its ability to continuously refinance its maturing debts with new funding. The OTP Group's funding capacity and ability to raise funding can deteriorate due to a number of different causes, such as, *inter alia*, a lowered credit rating, large financial losses, rumours, market price changes that affect the size of liquidity reserves, increase in interest rates and/or a widening of credit spreads. Some of these factors may also increase the OTP Group's need for funding through, for example, a higher amount of collateral demanded by the counterparties to certain financing transactions.

As a result of a turmoil or crises in the financial and capital markets (such as the recent energy crisis and inflation) the Issuer, the Guarantor and the OTP Group may encounter difficulties in obtaining refinancing or may only be able to obtain refinancing at elevated costs. The inability of the OTP Group to anticipate or provide for unforeseen

decreases or changes in funding sources and to refinance itself would have a material adverse effect on the Issuer's ability to meet its obligations when they fall due under the Mortgage Notes issued under the Programme.

In addition, present uncertainties as to the liquidity and solvency of, and the risks associated with, the banking sector in Hungary and in the CEE region may result in an outflow of funds and increased refinancing costs in such countries, which may have an adverse effect on the Issuer's, the Guarantor's and the OTP Group's profitability and access to refinancing.

***The OTP Group is exposed to risks relating to the value and realisation of its security interests generally***

The OTP Group's exposure arising from defaults by borrowers under loans can be counterbalanced, *inter alia*, by enforcement action taken to realise assets provided as security in respect of such loans. Therefore, the credit risk of the Issuer, the Guarantor and the other OTP Group members may increase when the security it holds cannot be enforced or is liquidated at prices insufficient to recover the full amount due and payable under the relevant loan. The market value at which collateralised assets can be sold, and thus the results of realisation through such enforcement actions, heavily depends on the then prevailing conditions of the market for such collateralised assets (such as, but not limited to, the real estate market) and the legal environment at the relevant time. A decline in the value of security taken by the Issuer, the Guarantor or any member of the OTP Group, or the inability to obtain additional security may require the relevant member of the OTP Group (both at the level of the OTP Group's individual members and on a consolidated basis) to reclassify the relevant loans, set aside additional provisions for loan losses and could result in increased reserve and/or capital requirements. As at 31 December 2022, 26 per cent. of the OTP Group's consolidated net loan book related to mortgage loan assets.

In addition, the Guarantor and certain members of the OTP Group, including the Issuer permit their clients in certain transactions to purchase securities on margin (i.e. to borrow a proportion of the purchase price from the Issuer, the Guarantor or the relevant member of the OTP Group and to provide collateral for such credit with a set percentage of the securities purchased). During declines in securities prices, the value of the collateral securing margin purchases may fall significantly below the amount of these clients' indebtedness. The inability of such clients to provide additional collateral may expose the Issuer, the Guarantor or the relevant member of the OTP Group to significant losses on these margin transactions.

The ability of the Issuer, the Guarantor and the other members of the OTP Group to enforce the security interests they have taken may be dependent on decisions of courts and applicable execution measures in the jurisdictions in which the OTP Group operates. Such ability may be adversely affected in the future by regulatory or governmental measures such as the imposition of further transitional moratoria, quota regimes imposed on evictions and enforcement sales outside of the court processes, such as the restrictions in relation to foreclosure proceedings against mortgaged properties that have been introduced by the Hungarian Government.

Any failure to recover the expected value of the security taken by the Issuer, the Guarantor or other members of the OTP Group, may expose the Issuer, the Guarantor and the other members of the OTP Group to losses, which may have a material adverse effect on the Issuer, the Guarantor and the other members of the OTP Group's businesses, financial condition and results of operations and ultimately its ability to meet its obligations under the Mortgage Notes.

***Interest rate risks specific to the Issuer***

As a consequence of its distinctive asset-liability structure, the Issuer earns interest primarily from mortgage loans and pays interest mainly to the holders of mortgage bonds. An increase in interest rates may reduce the demand for mortgage loans and the Issuer's ability to originate such loans. Conversely, a decrease in the general level of interest rates may adversely affect the Issuer through, *inter alia*, increased prepayments on the Issuer's mortgage loan portfolio. Changes in interest rates may also affect the Issuer's ability to issue mortgage bonds.

A mismatch in interest-earning assets and interest-bearing liabilities in any given period, which tends to accompany changes in interest rates, may have a material adverse effect on the financial condition and results of operations of the Issuer, the Guarantor and other members of the OTP Group.

***The OTP Group may be adversely affected by the risks associated with the integration of the OTP Group's acquisitions***

The OTP Group's recent acquisitions in the CEE region, the conclusion of its acquisition of Ipoteka Bank in Uzbekistan and the expansion and integration of its acquired businesses may have an impact upon the consolidated financial results of the OTP Group. The ongoing integration also requires the OTP Group to monitor the risk of these operations and incur continued capital expenditure, which may give rise to execution risk in respect of implementation. There is no assurance as to the future profitability of the Issuer's and the Guarantor's acquisitions and their continued strategic viability as part of the OTP Group.

The integration of these acquisitions has involved and will continue to involve integration challenges, particularly where management information and accounting systems differ materially from those used elsewhere in the OTP Group. Furthermore, the OTP Group may face unknown actual or potential liabilities arising from any of these acquisitions, which, in turn, may result in unexpected losses in relation to the acquired businesses and may impose further capital requirements on such subsidiaries. Unexpected losses or a failure to establish clear governance rules within the OTP Group and to align the strategies of the members of the OTP Group with the overall strategy of the OTP Group as a whole, as well as a failure to integrate the businesses of the OTP Group, could result in an inability to implement some or all of the OTP Group's strategic goals or to fully realise expected synergies, all of which could have a material adverse effect on the OTP Group's business, financial condition and results of operations. Integration of the recent acquisitions also assumes higher attention and time spent by the management of the OTP Group and the management of affected subsidiaries, which may result in decreased attention to the regular banking business and decreasing profitability.

***The OTP Group is dependent on customer deposits for liquidity***

In managing its liquidity risk, the OTP Group is dependent on external sources of funding through deposits and wholesale markets. The ability of the OTP Group to access these funding sources on favourable economic terms, or at all, in circumstances where the OTP Group's financial condition and/or the economies in which the OTP Group operates substantially deteriorates, is subject to a variety of factors, including a number of factors outside of its control, such as liquidity constraints, general market conditions and the level of confidence in the OTP Group.

As at the date of this Base Prospectus, the OTP Group's principal source of funds is customer deposits, particularly retail deposits. As at 30 September 2023, on a consolidated basis, customer deposits represented 81 per cent. of total liabilities (73 per cent. of total assets) of the OTP Group.

The availability of ongoing funding from customer deposits is subject to factors such as depositors' concerns relating to the economy in general, the financial services industry and the OTP Group specifically, and any significant deterioration in economic conditions in the countries in which the OTP Group operates. Any of these factors separately or in combination could lead to a sustained reduction in the OTP Group's ability to access customer deposit funding on appropriate terms in the future.

If there is a material decrease in the OTP Group's customer deposits or a large, unexpected outflow of deposits, the OTP Group may not be able to maintain its current levels of funding without disposing of a number of the OTP Group's assets or having to raise additional funding through other sources.

Furthermore, should the OTP Group seek to diversify further its source of funds, the OTP Group may be exposed to refinancing liquidity risks such that it is not able to refinance its liabilities on time or is only able to refinance such liabilities at a higher-than-expected cost. Such refinancing risk could have a material adverse effect on the Issuer, the Guarantor and the other members of the OTP Group's businesses, financial condition and results of operations and ultimately its ability to meet its obligations under the Mortgage Notes.

***The OTP Group is exposed to risks associated with movements in interest rates***

The Issuer, the Guarantor and certain members of the OTP Group earn interest from loans and other assets and pay interest to their depositors and other creditors. The Issuer and the Guarantor may fund their assets with fixed and/or relatively high interest rates, by liabilities obtained at floating and/or lower interest rates, and vice versa. Interest rate risk may also arise when interest rate fixing periods on assets and liabilities do not coincide. A mismatch of interest-earning assets and interest-bearing liabilities in any given period, which tends to accompany

changes in interest rates, may have a material adverse effect on the financial conditions and results of operations of the Issuer, the Guarantor and the OTP Group.

Interest rates are highly sensitive to many factors beyond the Issuer's, the Guarantor's and other OTP Group members' control, including monetary policies and domestic and international economic and political conditions. Changes in market interest rates (including changes in the difference between prevailing short-term and long-term rates) and correlations between changes in interest rates in the reference markets and those in interest margins could affect the interest rates the Issuer and certain members of the OTP Group charge on their interest-earning assets in a different way to the interest rates they pay on their interest-bearing liabilities. This difference could reduce the Issuer's, the Guarantor's and other OTP Group members' net interest income. In particular, as a result of the measures taken by governments in response to the COVID-19 pandemic or related to the higher energy prices, there may be a significant increase in the level of fiscal deficit and state indebtedness in the countries in which the OTP Group operates which may, in turn, result in the cost of borrowing rising for the Issuer, the Guarantor and other members of the OTP Group and consequently lower profitability or losses where the interest expenses of such members of the OTP Group exceed interest income received on their interest-earning assets. If interest rates remain higher than expected, the Issuer, the Guarantor may face increased interest expenses which may have a material adverse effect on the financial conditions and results of operations of the Issuer, the Guarantor and the OTP Group.

***The OTP Group could be adversely affected by fluctuations in currency exchange rates***

The OTP Group is exposed to foreign exchange risk because the assets and the liabilities of the Issuer, the Guarantor and the members of the OTP Group can be denominated in a currency different from those of the liabilities funding such assets. As at 30 September 2023, 25 per cent. of gross loans of the OTP Group and 24 per cent. of deposits of the OTP Group were in foreign currencies. As a result of the 2007/2009 global financial crisis, several countries in which members of the OTP Group operate practically prohibit retail foreign currency borrowing. However, the corporate sector in several countries in which members of the OTP Group operate still maintains a certain degree of foreign exchange rate risk.

In addition, the Issuer, the Guarantor and the OTP Group may become subject to governmental interventions and measures in the markets where they operate that aim to alleviate the effects of increased delinquency rates on foreign currency denominated loans granted to borrowers without matching foreign currency income as a result of the significant foreign exchange rate volatility in recent periods.

Foreign exchange rate fluctuations between the HUF and the local currencies of the countries where the OTP Group operates may have an adverse effect on the consolidated balance sheet positions of the OTP Group and, in the longer term, on its consolidated financial results, which are stated in its functional currency, the HUF. The financial statements of the OTP Group's subsidiaries located outside Hungary are stated in their respective local currencies and their financial results are converted into HUF for consolidation purposes.

Furthermore, because some of the OTP Group's consolidated risk-weighted assets, against which the OTP Group is required to hold a minimum level of capital, are denominated in local currencies, any significant depreciation of the currency in which such capital charges are denominated as against these local currencies may have a negative impact on the capital adequacy ratio of the OTP Group.

***The OTP Group is subject to the risk that the value of its assets could be impaired by market risks***

Fluctuations in debt and equity markets or changes in trading parameters influencing market prices (including, *inter alia*, interest rates, credit spreads, bond prices, other securities and commodities prices, derivatives prices, prices of other marketable assets, indirect indicators such as implied volatility of, and correlations between, the foregoing and general financial markets liquidity risks (e.g. the possibility of obtaining requisite funding or selling assets)) may affect the market value and liquidity of the Issuer, the Guarantor and the OTP Group's assets and may lead to impairment charge or write-down of goodwill. Changes in interest rate levels, yield curves and spreads may affect the Issuer's, the Guarantor's and certain OTP Group members' net revenue margin.

The investment banking activities, revenues from trading operations (whether for its own account or for the account of its customers), asset-liability management activities and hedging strategies of the OTP Group (or the availability of such hedging strategies) may also be adversely affected by market volatility.

Sustained market downturns may lead to a decline in the volume of capital market transactions that the OTP Group executes for its customers and, therefore, a decrease in the revenues from commissions and spreads earned from such trades. Furthermore, the fair value of financial instruments held by the OTP Group, including bonds (government, corporate and bank bonds), equity investments, cash in various foreign currencies, investments in private equity, hedge, credit and other investment funds, commodities and derivatives are also subject to the volatility of, and correlations between, market prices and trading parameters. To the extent that volatile market conditions persist or recur, the fair value of the OTP Group's bond, derivative and structured credit portfolios, as well as other classes, could fall more than estimated, and therefore cause the OTP Group to record write-downs. Furthermore, these developments may lead to material losses if the Issuer, the Guarantor or members of the OTP Group cannot close out deteriorating positions. Monitoring the deterioration in the value of positions taken may, at the same time, be particularly difficult in the case of assets which are not traded on stock exchanges or on organised over-the-counter (**OTC**) markets, such as certain derivative contracts between banks, and whose value is calculated by using financial models, rather than on the basis of publicly quoted prices.

Adverse market movements and/or a failure to identify and adequately manage any of the foregoing risks may have a negative impact on the OTP Group's businesses, financial condition and results of operations, and thus on the Issuer's and the Guarantor's ability to service its respective payment obligations under the Mortgage Notes.

***The OTP Group is exposed to the risks associated with its approach to handling its non-performing loan portfolio***

Rather than selling its non-performing loans at distressed prices on a large scale, as is more commonly the practice among the OTP Group's competitors, part of the OTP Group's strategy has involved seeking to recover such non-performing loans by handling the process and management of non-performing loans in-house, as the OTP Group believes this can create value for shareholders while also maintaining relationships with its relevant customers. This in-house approach has, however, resulted in higher non-performing loan levels within the OTP Group as compared to the approach of selling non-performing loans to a third-party. The OTP Group may also be unable to maintain its past levels of recoveries on such non-performing loans which may impact its profits.

***The OTP Group may be unable to raise new capital***

The OTP Group's strategy is based on, among other things, certain financial expectations, including its ability to raise new capital and/or debt. Several factors, including the perceived creditworthiness of the OTP Group (including any credit ratings assigned to the Issuer or any of its debt obligations) as well as adverse macroeconomic conditions, significant or unexpected changes in the regulation of the banking sector in Hungary and the CEE region, and loss of confidence by investors, counterparties and/or customers in the OTP Group, may affect the ability of the OTP Group to access the capital markets and/or the cost and other terms upon which the OTP Group is able to obtain market funding.

***The OTP Group's profitability is subject to its customers' demands to prepay***

The volatility of interest rates and foreign exchange rates will increase demands for prepayment among the Issuer's customers, which could adversely affect the Issuer's profitability.

Prepayment risk means an increasingly significant exposure for the Issuer, especially due to the legislative provisions applicable to mortgage loans, which are granted to consumers. Pursuant to the Act CLXII of 2009 on Consumer Credits (the "**Consumer Credit Act**"), consumer borrowers are entitled at any time to discharge, in whole or in part, their obligations under their credit agreements, including mortgage-backed loans. Further, the provisions of the Consumer Credit Act impose limitations on the right of credit institutions to recover their losses and costs incurred as a consequence of a prepayment by consumer borrowers. This in turn requires more stringent asset-liability management, further increasing the cost of funding for the Issuer.

Any legislative measures that may facilitate prepayments and/or early repayments by borrowers or impose further restrictions on the Issuer's, the Guarantor's and the OTP Group's ability to recoup possible losses from such prepayments and/or early repayments, such as an early repayment scheme for certain foreign currency denominated loans, may have an adverse effect on the businesses, financial condition and results of operations of the relevant member of the OTP Group.



### ***The OTP Group faces risks associated with the implementation of its business strategy***

The OTP Group intends to continue to explore and pursue opportunities to strengthen and grow its business generally. This includes the implementation of its digital transformation strategy.

The success of the OTP Group's business, financial position and results of operations, in general, depends, in part, on the success of new products and services offered to clients, including the shift to digitalisation pursuant to the OTP Group's implementation of its digital transformation strategy. The OTP Group's success is also dependent on its ability to anticipate and leverage new and existing technologies that may have an impact on products and services in the banking industry. Technological changes may further intensify and complicate the competitive landscape and influence client behaviour. If the OTP Group's products and services employ technology that is not as attractive to clients as that employed by its competitors, if it fails to employ technologies desired by clients before its competitors do so, such as digitalisation, or if it fails to execute targeted strategic technology initiatives on time or on budget, its business, financial condition and results of operations could be adversely affected. In addition, if the OTP Group cannot respond in a timely fashion to the changing needs of its clients, it may lose clients, which could in turn materially adversely affect its financial condition and results of operations.

There can be no assurance that the implementation of the OTP Group's digital transformation strategy or other strategic initiatives will not be affected as a result of the potential impact of the COVID-19 crisis, or the Ukraine-Russia conflict and the consequent sanctions imposed on Russia.

### ***The Issuer's dependence on the OTP Group***

The Issuer, as a member of the OTP Group, is dependent to a significant extent on the OTP Group in relation to the origination and servicing of residential mortgage loans, financing, administration and accounting services, treasury services, hedging arrangements, equity and regulatory capital and services relating to the issuance of Mortgage Notes.

In addition, the Issuer's credit rating is, to a large extent, determined by the credit ratings assigned to the Guarantor as the Issuer's parent bank. Any decision by a rating agency to suspend, downgrade, put on negative watch or withdraw a rating which relates to the Guarantor may have an adverse effect on the Issuer's credit rating and thereby on the market value and trading price of the Mortgage Notes.

## **RISKS RELATED TO THE OPERATIONAL AND COMPETITIVE ENVIRONMENT**

### ***The OTP Group is exposed to the failure or malfunctioning of their information technology systems***

The Issuer's, the Guarantor's and the OTP Group's activities is dependent on highly sophisticated information technology (**IT**) systems. IT systems are vulnerable to a number of problems, such as computer virus infection, malicious hacking, physical damage to vital IT centres and software or hardware malfunctions. Neither the Issuer nor the Guarantor can provide any assurances that such failures or interruptions will not occur or, if they do occur, they will be adequately addressed. The occurrence of any failures or interruptions could result in a loss of customer data and an inability to service the Issuer's or the Guarantor's customers, which could have a material adverse effect on the Issuer, the Guarantor and the OTP Group's reputation, financial condition and results of operations.

In addition, the Issuer's, the Guarantor's and the OTP Group's operations rely on the secure processing, storage and transmission of confidential and other information in their computer systems and networks. Although the Issuer, the Guarantor and the OTP Group take protective measures and endeavour to modify them as circumstances warrant, their computer systems, software and networks may be vulnerable to unauthorised access and other events that could have a security impact. Given the high volume of transactions of the Issuer, the Guarantor and the OTP Group, certain errors may be repeated or compounded before they are discovered and rectified. If one or more of such events occurs, this could potentially jeopardise the Issuer's, the Guarantor's, the OTP Group's, their clients', counterparties' or third parties' confidential and other information processed and stored in, and transmitted through, the Issuer's, the Guarantor's and the OTP Group's computer systems and networks, or otherwise cause interruptions or malfunctions in the Issuer's, the Guarantor's and the OTP Group's, their clients', counterparties' or third parties' operations, which could result in significant losses or reputational damage.

***The OTP Group is subject to the risk that its risk management controls may not be effective***

The OTP Group has implemented comprehensive risk management strategies and systems aimed at adequately identifying and measuring the risks they face, such as the incidence of loan losses or delinquency, and at mitigating those risks. Although the Issuer, the Guarantor and the OTP Group invest substantial time and effort in their risk management strategies and systems, such procedures may nonetheless fail under some circumstances, particularly when confronted with risks that are not identified or anticipated.

Furthermore, the methods and models applied by the OTP Group for risk measurement and control only model reality and cannot, therefore, guarantee with any certainty that each and every risk in every circumstance will be identified, hedged and controlled. Any failure of the risk management system and strategies of the OTP Group may lead to unexpected losses from unidentified or incorrectly evaluated market developments, trends or other circumstances, which in turn may affect the Issuer's ability to fulfil its obligations under the Mortgage Notes.

***The OTP Group's information systems and networks are vulnerable to privacy or data protection failures and cyber-security risks***

The OTP Group is subject to regulation regarding the processing (including disclosure and use) of personal data. The OTP Group processes significant volumes of personal data relating to customers as part of its business, some of which may also be classified under legislation as sensitive personal data. The OTP Group must therefore comply with strict data protection and privacy laws and regulations.

The OTP Group also faces the risk of a breach in the security of its IT systems, for example from increasingly sophisticated attacks by cybercrime groups with criminal or malicious intent, including attacks designed to overload the OTP Group's systems. These risks are accentuated as the OTP Group increasingly digitalises its products, services, key functions and distribution channels and as cyber-attacks become more sophisticated and prevalent. The OTP Group is subject to the risk that any cyber-attack may result in data breaches and/or a temporary loss of operational availability of the OTP Group's systems to its employees and/or customers which could have a material adverse effect on the OTP Group's business, financial conditions, reputation and operating results.

There is a risk that the OTP Group may not continue to invest sufficiently in its information security controls in response to emerging threats, such as cybercrime and fraud, and to seek to ensure that controls for known threats remain robust. The risks associated with cyber-attacks, where an individual or group seeks to exploit vulnerabilities in IT systems for financial gain or to disrupt services, are a material risk to the OTP Group.

The OTP Group seeks to mitigate such risks, including by ensuring that systems and procedures are in place to ensure compliance with relevant regulations. There can, however, be no assurance that such security measures will be effective.

***The OTP Group is subject to risks associated with human resources***

The Issuer, the Guarantor and the OTP Group are exposed to personnel risks, in particular, qualification, fluctuation, availability and motivation risks. The Issuer's, the Guarantor's and the OTP Group's current senior management team includes a number of executives who the Issuer believes contribute significant experience and expertise to their management in the banking sectors in which the Issuer operates. The continued success of the Issuer, the Guarantor and the OTP Group's businesses and the Issuer's ability to execute its business strategy will depend, in large part, on the efforts of their senior management. Compensation is a key element of retaining highly qualified employees. At the same time, EU and Hungarian legislation imposes significant restrictions as to the remuneration policies that may be applied by credit institutions (such as the Issuer, the Guarantor and other bank members of the OTP Group) including, *inter alia*, the requirement that remuneration policies be consistent with, and promote, sound and effective risk management, do not encourage risk-taking that exceeds the level of tolerated risk in respect of the relevant credit institution and distinguish between basic fixed remuneration and variable (or performance-based) remuneration. If a substantial portion of the Issuer's, the Guarantor's and the OTP Group's senior management leaves the Issuer, the Guarantor or the OTP Group, their business may be materially adversely affected.

***The OTP Group operates in markets where competition is high and this may increase significantly in the future***

The Issuer, the Guarantor and other members of the OTP Group are subject to intense competition which is expected to increase further in the future with the implementation of the European single market in the financial services sector. Apart from local competitors, other international banks may enter the banking market in the markets in which OTP Group operates, thus increasing the pressure on profit margins of the Issuer, the Guarantor and the OTP Group.

The OTP Group's competitive position may also be affected by its exposure to certain sectors that are subject to specific risks and challenges, such as Commercial Real Estate (CRE) sector. The CRE sector is sensitive to cyclical fluctuations, demand and supply imbalances, regulatory changes, environmental and social factors, and valuation uncertainties, which could result in lower revenues, higher impairments, lower collateral values for the OTP Group.

There can be no assurance that the Issuer, the Guarantor and the other members of the OTP Group can maintain their competitive position. If the OTP Group is unable to provide competitive products and/or services, it may fail to attract new customers and/or retain existing customers, experience decreases in its interest, fee and other income and/or lose market share, the occurrence of which may have a material adverse effect on the business, financial condition and results of operations of the Issuer, the Guarantor and the OTP Group.

**RISKS RELATED TO THE LEGAL AND REGULATORY ENVIRONMENT**

***The OTP Group is subject to changes to government policy and regulation***

In response to the severe market conditions arising from the 2007/2009 global financial crisis, central banks and governments throughout the world have adopted several measures aimed at increasing liquidity in, and promoting the stability of, the financial markets. In particular, numerous governments in the EU have provided additional capital and funding facilities to financial institutions and are implementing other measures including increased regulatory oversight and administrative restrictions as well as additional capital requirements. In Hungary, for example, special tax obligations were levied by the Hungarian Government on the financial sector in response to the global financial crisis, and these have become a permanent burden on this sector in the past years.

Such measures partially lead to increased government ownership of, and control over, financial institutions, disparate competitive positions and further consolidation in the banking sector. Furthermore, a direct or indirect governmental acquisition of ownership in, or control over, financial institutions may result in interference with the business and commercial operations of the relevant financial institutions, which may include the imposition on such financial institutions (whether in the form of legislative measures, direct orders or guidance) of commercial, business, financial and transactional strategies and policies or the requirement to take up certain activities, which may be based (wholly or partially) on political or fiscal rather than rational, commercial or market-based considerations. No assurance can be given, for example, that the Hungarian Government will not acquire directly or indirectly (whether by contractual arrangements, operation of law, on the open market or otherwise) an ownership interest in, or control over, the Issuer or, if it does so, it will not interfere with the business and operations of the OTP Group.

Although the members of the OTP Group work closely with their regulators and continuously monitor the situation, future changes in regulation, fiscal or other policies can be unpredictable and are beyond the control of the Issuer or the Guarantor.

Regulatory risk faced by the OTP Group is further increased by the fact that some operations of the OTP Group are carried out in non-EU countries whose financial and banking laws are not harmonised with the relevant EU legislation as implemented in the EU member states, which may give rise to significant differences or, in certain circumstances, conflicts between EU financial and banking laws (including their application and interpretation) and the laws of the relevant countries outside the EU. All this, in turn, creates uncertainty and may have a negative impact on the ability of the OTP Group to harmonise, and monitor the implementation of, its compliance policies and/or lead to increased compliance costs.

Separately, the ability of the OTP Group to generate profit from its fund management subsidiary is subject to changes in regulations in the countries where it operates. This generally depends on the aggregate amount of assets under management and the level of management fees that may be charged for fund management by the OTP

Group. Any governmental, legislative or regulatory measure that affects the amount of assets under management or imposes restrictions on the level of such fees may have an adverse effect on the profitability of the OTP Group's fund management business.

With regard to the pension fund management business, no assurance can be given that governments or legislative bodies in countries where the OTP Group operates will not adopt measures adversely affecting the profitability of the private pension fund management business.

In response to the COVID-19 pandemic, several countries in which the OTP Group has operations adopted measures granting payment moratoria for existing debtors, with application deadlines extended in several instances. However, as at the date of this Base Prospectus, the application dates of these moratoria have already passed in all countries in which the OTP Group has operations. Credit institutions in Hungary (such as the Issuer and the Guarantor) are also subject to special taxes, including a special tax on extraordinary profits levied in relation to the COVID-19 crisis.

Any of the foregoing may have an adverse effect on the OTP Group's businesses, financial condition and results of operations, and consequently on the Issuer and the Mortgage Notes.

In addition, a state of emergency has been declared in Hungary due to the COVID-19 pandemic and then due to the Russian-Ukraine war the Hungarian government (see "*Description of the Issuer's Business – Recent developments – Termination of the state of emergency related to the COVID-19 pandemic and the proclamation of the new state of emergency related to the Ukrainian-Russian war*"). During the state of emergency, the Hungarian Government governs Hungary by decrees which as a general rule remains in effect for 15 days and after that period, each decree may be extended by the Parliament on an individual basis. These decrees often include the introduction of new taxes and levies, which may impact the profitability of the OTP Group. The state of emergency and the government decrees may create legal uncertainty and instability for businesses, as they may face sudden changes in regulations without parliamentary oversight or judicial review, which may have an impact on the operation of the OTP Group.

***The OTP Group is subject to changes in Hungarian housing policy***

The Issuer's, the Guarantor's and the OTP Group's businesses and revenues therefrom may, in particular, be adversely affected by restrictive fiscal or other austerity policies or measures adopted by the Hungarian Government. A significant risk relating to the legislative environment may especially stem from changes in the Hungarian housing policy and amendments to the regime of housing subsidies. The Issuer and the Guarantor monitor changes in the legislative environment and draws up models to explore their short-term and long-term impact on its profitability and financial plans. However, it is important to note that any changes in the regulation have only affected future demand for subsidised loans and have had no impact on existing subsidised loan agreements or the Issuer's or the Guarantor's ability to perform its obligations under the Mortgage Notes.

***The OTP Group is exposed to changes in the mandatory deposit guarantee and investor compensation schemes***

With effect from 1 January 2011, the guarantee provided by the National Deposit Insurance Fund ("*Országos Betétbiztosítási Alap*") (the **Fund I**) on so-called "registered" ("*névre szóló*") bank account deposits (as defined in the Hungarian Credit Institutions Act) placed with the domestic credit institutions (being members of the Fund) was extended to an aggregate amount of €100,000 per depositor. This is in line with the requirements of Directive 2014/49/EU of the European Parliament and of the Council on deposit guarantee schemes. Such directive requires, *inter alia*, faster payouts and additional ex-post contributions by credit institutions under mandatory deposit guarantee schemes. On this basis, from 1 January 2021 the deadline for a payout from the Fund was reduced from 15 days to ten days.

Any future changes in the laws governing the Fund could increase the OTP Group's membership costs or, if they are perceived as adverse by the OTP Group's customers, could expose the OTP Group to the risk of losing customers to competitors which could adversely affect the OTP Group's businesses or reputation. For the avoidance of doubt, investors in the Mortgage Notes should be aware that the Mortgage Notes are not covered by the Fund I.

***The OTP Group is exposed to litigation risk***

The Issuer, the Guarantor and the OTP Group may from time to time be subject to litigation, whether of a substantive or vexatious nature. Such litigation, if not dismissed at an early stage or decided contrary to the best commercial interests of the Issuer, the Guarantor or the OTP Group may have an adverse impact on the operations of the Issuer, the Guarantor or the OTP Group. Furthermore, such cases may include claims or actions in which the petitioner or plaintiff has not specifically, or not in whole, quantified the penalties or damages sought. In these circumstances, it may, in particular, be difficult to predict the outcome of a dispute and estimate possible losses in a reliable manner and, therefore, to set aside adequate provisions for such possible losses.

***The OTP Group is exposed to the risk of fraud and illegal activities***

The OTP Group is subject to rules and regulations related to money laundering, anti-bribery and terrorism financing. Compliance with anti-money laundering, anti-bribery and anti-terrorist financing rules entails significant cost and effort, including obtaining information from clients and other third parties. Non-compliance with these rules may have serious consequences, including adverse legal and reputational consequences. Although the OTP Group has anti-money laundering, anti-bribery and counter-terrorism financing policies and procedures which aim to ensure compliance with applicable legislation and strive for zero tolerance of any violations, it may not always be successful in identifying all instances of suspicious activity, fraud or human error and, therefore, may not be able to comply at all times with all rules applicable to money laundering, anti-bribery and terrorism financing as extended to the whole OTP Group and applied to its workers in all circumstances. As a general statement, a violation, or even any suspicion of a violation, of any of these rules may have serious legal and financial consequences, which could have a material adverse effect on the OTP Group's reputation, business, financial condition and results of operations.

***The OTP Group is subject to compliance with economic sanctions programmes***

The OTP Group's operations are subject to various anti-corruption laws and constantly changing economic sanction programmes, including those administered by the United Nations, the UK and the EU, as well as those of the United States Department of Treasury's Office for Foreign Assets Control ("OFAC"). In addition, the OTP Group's Russian operation is also subject to various Russian countersanctions. The anti-corruption laws generally prohibit providing anything of value for the purposes of obtaining or retaining business or securing any improper business advantage. As part of its business, the OTP Group may deal with entities whose employees are considered government officials. In addition, economic sanctions programmes restrict the OTP Group's business dealings with certain sanctioned countries, individuals and entities. In particular, the OTP Group is exposed to risks in relation to the EU's and OFAC's economic sanctions programme against Russia and Ukraine, and certain Russian and Ukrainian citizens and businesses due to its presence in the mentioned countries. The Issuer cannot give any assurance that the current sanctions regimes directed at Russia will not have a material impact on the OTP Group's operations in Russia.

Although the OTP Group has internal policies and procedures and several monitoring measures designed to ensure compliance with applicable anti-corruption laws and sanctions regulations, these policies and procedures cannot provide complete assurance that the OTP Group's employees, directors, officers, clients, partners, agents, service providers or introducers will not take actions in violation of its policies and procedures (or otherwise in violation of the relevant anti-corruption laws and sanctions regulations) for which the Issuer or they may be ultimately held responsible. Litigation or investigations relating to alleged or suspected violations of anti-corruption laws and sanctions regulations could lead to financial penalties being imposed on the OTP Group, limits being placed on the OTP Group's activities, the OTP Group's authorisations and licences being revoked, damage to the OTP Group's reputation and other consequences that could have a material adverse effect on the OTP Group's business, financial condition and results of operations. Further, violations of anti-corruption laws and sanctions regulations could be costly.

## **FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH MORTGAGE NOTES ISSUED UNDER THE PROGRAMME**

### **Risks relating to the particular structure of Mortgage Notes**

A wide range of Mortgage Notes may be issued under the Programme and some Mortgage Notes may have features which contain particular risks for potential investors. Set out below is a description of certain risks relating to particular structures of Mortgage Notes:

***If the Issuer has the right to redeem the Mortgage Notes at its option, this may limit the market value of such Mortgage Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similarly effective return.***

An optional redemption feature of Mortgage Notes is likely to limit their market value. During any period when the Issuer may elect to redeem the Mortgage Notes, the market value of those Mortgage Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

If the Issuer redeems such Notes in any of the circumstances mentioned above, there is a risk that the Mortgage Notes may be redeemed at times when the redemption proceeds are less than the current market value of the Mortgage Notes or when prevailing interest rates may be relatively low, in which latter case Holders may only be able to reinvest the redemption proceeds in securities with a lower yield. Potential investors should consider the reinvestment risk in the light of other investments available at that time.

### ***Holders may not require the redemption of the Mortgage Notes prior to their maturity***

Save where the Holders have a put right, the Issuer is under no obligation to redeem the Mortgage Notes at any time prior to their stated Maturity Date and the Holders of such Mortgage Notes have no right to require the Issuer to redeem or purchase such Mortgage Notes at any time. Holders may not be able to sell such Mortgage Notes in the secondary market (if at all) at a price equal to or higher than the price at which they purchased their Mortgage Notes.

### ***The value of Fixed Rate Mortgage Notes may be adversely affected by movements in market interest rates***

Investment in Fixed Rate Mortgage Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Mortgage Notes, this will adversely affect the value of the Fixed Rate Mortgage Notes.

### ***The interest rate on Reset Mortgage Notes will reset on each Reset Date, which can be expected to affect the interest payment on an investment in Reset Mortgage Notes and could affect the market value of Reset Mortgage Notes***

Reset Mortgage Notes will initially bear interest at the Initial Rate of Interest until (but excluding) the First Reset Date. On the First Reset Date and each Subsequent Reset Date (if any) thereafter, the interest rate will be reset to the sum of the applicable Mid-Swap Rate or CMT Rate and the First Margin or Subsequent Margin (as applicable) (with such sum converted (if necessary) to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Mortgage Notes) such calculation to be made by the Calculation Agent on the relevant Reset Determination Date (each such interest rate being a **Subsequent Reset Rate of Interest**). The Subsequent Reset Rate of Interest for any Reset Period could be less than the Initial Rate of Interest or the Subsequent Reset Rate of Interest for prior Reset Periods and could affect the market value of an investment in the Reset Mortgage Notes.

### ***If the Mortgage Notes include a feature to convert the interest basis from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Mortgage Notes concerned***

Fixed/Floating Rate Mortgage Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest rate may affect the secondary market in, and the market value of, such Mortgage Notes as the change of interest basis may result in a lower overall interest return for Noteholders. If the Mortgage Notes are converted from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Mortgage Notes may be less favourable than the prevailing spreads on comparable

Floating Rate Mortgage Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Mortgage Notes. If the Mortgage Notes are converted from a floating rate to a fixed rate, the fixed rate in such circumstances may be lower than the prevailing rates on those Mortgage Notes and could affect the market value of an investment in the relevant Mortgage Notes.

### ***Market disruption***

In certain situations, interest on Mortgage Notes is determined by reference to market information sources. Such market information sources might become unavailable for various reasons, including suspensions or limitations on trading, events which affect or impair the ability of market participants in general, or early closure of market institutions. These could be caused by, among other things, physical threats to the publishers of the market information sources, market institutions or market participants in general, or unusual trading, or matters such as currency changes.

In respect of a Floating Rate Mortgage Note, a Fixed/Floating Rate Mortgage Note or a Reset Mortgage Note (where the Rate of Interest is to be determined by reference to a screen rate, such as the euro interbank offered rate (**EURIBOR**)), if such Reference Rate does not appear on the relevant screen page or if the relevant screen page is not available for any reason, the Issuer will request each of the Reference Banks, appointed by the Issuer, to provide the Issuer with its offered quotation to leading banks for the Reference Rate for the purposes of determining the applicable Rate of Interest. However, there can be no assurance that the Issuer will be able to appoint one or more Reference Banks to provide offered quotations and no Reference Banks have been appointed at the date of this Base Prospectus. Condition 5 (*Reset Mortgage Note Provisions*) and Condition 6 (*Floating Rate Mortgage Note Provisions*) of the Mortgage Notes set out fallback provisions if fewer than the requisite number of Reference Banks are appointed.

### ***The regulation and reform of benchmarks may adversely affect the value of Mortgage Notes linked to or referencing such “benchmarks”***

Reference rates and indices, including interest rate benchmarks, which are deemed to be “benchmarks” (including EURIBOR) are subject of national and international regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Mortgage Notes linked to or referencing such a benchmark. The Benchmark Regulation applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities (such as the Issuer) of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmark Regulation could have a material impact on any Mortgage Notes linked to or referencing a benchmark, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the Benchmark Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

### ***Fallbacks under the Conditions of the Mortgage Notes***

The Conditions also provide for certain fallback arrangements in the event that a Benchmark Event occurs. The Issuer may, after appointing and consulting with an Independent Adviser, determine a Successor Rate or, failing which, an Alternative Rate to be used in place of the Original Reference Rate. The use of any such Successor Rate or Alternative Rate may result in the Mortgage Notes performing differently (including paying a lower rate of interest) than they would do if the Original Reference Rate were to continue to apply in its current form.

Furthermore, if a Successor Rate or Alternative Rate is determined, the Conditions provide that the Issuer may vary the Conditions, as necessary, to ensure the proper operation of such Successor Rate or Alternative Rate, without any requirement for consent or approval of the Noteholders.

If a Successor Rate or Alternative Rate is determined, the Conditions also provide that an Adjustment Spread will be determined to be applied to such Successor Rate or Alternative Rate. Accordingly, while any Adjustment Spread may be expected to be designed to eliminate, to the fullest extent reasonably practicable in the circumstances, or minimise any potential transfer of value between counterparties, the application of the Adjustment Spread to the Mortgage Notes may not do so and may result in the Mortgage Notes performing differently (which may include payment of a lower interest rate) than they would do if the Original Reference Rate were to continue to apply. However, there is no guarantee that such an Adjustment Spread will be determined or applied, or that the application of an Adjustment Spread will either reduce or eliminate economic prejudice to Noteholders. If no positive or negative Adjustment Spread is determined, a Successor Rate or Alternative Rate may nonetheless be used to determine the Reset Rate of Interest. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, the Mortgage Notes.

If, following the occurrence of a Benchmark Event no Successor Rate or Alternative Rate is determined, the ultimate fallback for the purposes of calculation of the Rate of Interest for a particular Interest Period may result in the Rate of Interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Mortgage Notes based on the rate which was last observed on the Relevant Screen Page or, in the case of Reset Mortgage Notes, the application of the previous Reset Rate for the preceding Reset Period, or for the First Reset Rate of Interest, the application off the Initial Rate of Interest applicable to such Mortgage Notes on the Interest Commencement Date or a rate based on Condition 5(d) (*Fallback – Mid-Swap Rate*) or Condition 5(e) (*Fallback – CMT Rate*) of the Mortgage Notes.

***The market continues to develop in relation to near risk-free rates (including overnight rates) which are possible reference rates for the Mortgage Notes***

Investors should be aware that the market continues to develop in relation to near risk-free rates (**risk-free rates**), such as the Secured Overnight Financing Rate (**SOFR**) and the euro short-term rate (**€STR**), as reference rates in the capital markets for U.S. Dollar and euro bonds, respectively, and their adoption as alternatives to the relevant interbank offered rates. This relates not only to the substance of the calculation and the development and adoption of market infrastructure for the issuance and trading of bonds referencing such rates, but also how widely such rates and methodologies might be adopted.

In addition, market participants and relevant working groups have been working together to design alternative reference rates based on risk-free rates, including applying term versions of certain risk-free rates (which seek to measure the market's forward expectation of an average of these reference rates over a designated term, as they are overnight rates) or different measures of such risk-free rates. The market or a significant part thereof may over time adopt an application of risk-free rates that differs significantly from that set out in the Conditions and used in relation to Mortgage Notes that reference such risk-free rates issued under this Programme. If the relevant risk-free rates do not prove to be widely used in securities such as the Mortgage Notes, the trading price of such Mortgage Notes linked to such risk-free rates may be lower than those of Mortgage Notes referencing rates that are more widely used. The Issuer may in the future also issue Mortgage Notes referencing SOFR, SOFR Compounded Index or €STR that differ materially in terms of interest determination when compared with any previous SOFR, SOFR Compounded Index or €STR referenced Mortgage Notes issued by it under this Programme. The development of risk-free rates for the Eurobond markets could result in reduced liquidity or increased volatility, or could otherwise affect the market price of any Mortgage Notes that reference a risk-free rate issued under this Programme from time to time.

In addition, the manner of adoption or application of risk-free rates in the Eurobond markets may differ materially compared with the application and adoption of risk-free rates in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of such reference rates in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Mortgage Notes referencing such risk-free rates.



In particular, investors should be aware that several different methodologies have been used in notes linked to such risk-free rates issued to date and no assurance can be given that any particular methodology, including the compounding formula in the Conditions, will gain widespread market acceptance. In addition, the methodology for determining any overnight rate index used to determine the Rate of Interest in respect of certain Mortgage Notes could change during the life of such Mortgage Notes.

Mortgage Notes referencing risk-free rates may also have no established trading market when issued, and an established trading market may never develop or may not be very liquid. Market terms for debt securities referencing such risk-free rates, such as the spread over the index reflected in interest rate provisions, may evolve over time, and trading prices of such Mortgage Notes may be lower than those of later-issued indexed debt securities as a result. Investors in such Mortgage Notes may not be able to sell such Mortgage Notes at all or may not be able to sell such Mortgage Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market and may consequently suffer from increased pricing volatility and market risk.

Certain administrators of risk-free rates have published hypothetical and actual historical performance data. Hypothetical data inherently includes assumptions, estimates and approximations and actual historical performance data may be limited in the case of certain risk-free rates. Investors should not rely on hypothetical or actual historical performance data as an indicator of the future performance of such risk-free rates.

Investors should consider these matters when making their investment decision with respect to any Mortgage Notes which reference SOFR, SOFR Compounded Index or €STR.

***Risk-free rates differ from interbank offered rates in a number of material respects***

Risk-free rates may differ from interbank offered rates in a number of material respects, including (without limitation) by being backwards-looking in most cases, calculated on a compounded or weighted average basis, risk-free, overnight rates and, in the case of SOFR, secured, whereas such interbank offered rates are generally expressed on the basis of a forward-looking term, are unsecured and include a risk-element based on interbank lending. As such, investors should be aware that risk-free rates may behave materially differently to interbank offered rates as interest reference rates for the Mortgage Notes. Furthermore, SOFR is a secured rate that represents overnight secured funding transactions, and therefore will perform differently over time to an unsecured rate. For example, since publication of SOFR began on 3 April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmarks or other market rates.

Risk-free rates offered as alternatives to interbank offered rates also have a limited history. For that reason, future performance of such rates may be difficult to predict based on their limited historical performance. The level of such rates during the term of the Mortgage Notes may bear little or no relation to historical levels. Prior observed patterns, if any, in the behaviour of market variables and their relation to such rates such as correlations, may change in the future. Investors should not rely on historical performance data as an indicator of the future performance of such risk-free rates nor should they rely on any hypothetical data.

Furthermore, interest on Mortgage Notes which reference a backwards-looking risk-free rate is only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Mortgage Notes which reference such risk-free rates to reliably estimate the amount of interest which will be payable on such Mortgage Notes, and some investors may be unable or unwilling to trade such Mortgage Notes without changes to their IT systems, both of which could adversely impact the liquidity of such Mortgage Notes. Further, in contrast to Mortgage Notes linked to interbank offered rates, if Mortgage Notes referencing backwards-looking SOFR or €STR become due and payable under Condition 11 (*Redemption and Purchase*) of the Mortgage Notes or are otherwise redeemed early on a date which is not an Interest Payment Date, the final Rate of Interest payable in respect of such Mortgage Notes shall be determined by reference to a shortened period ending immediately prior to the date on which the Mortgage Notes become due and payable or are scheduled for redemption.

***Administrators of SOFR or €STR may make changes that could change the value of SOFR, or €STR or discontinue SOFR or €STR respectively***

The Federal Reserve Bank of New York or the European Central Bank (or their successors) as administrators of SOFR (and SOFR Compounded Index) or €STR, respectively, may make methodological or other changes that could change the value of these risk-free rates and/or indices, including changes related to the method by which such rates and/or indices are calculated, eligibility criteria applicable to the transactions used to calculate such rates and/or indices, or timing related to the publication of SOFR, SOFR Compounded Index or €STR. In addition, an administrator may alter, discontinue or suspend calculation or dissemination of SOFR, SOFR Compounded Index or €STR, in which case a fallback method of determining the interest rate on the Mortgage Notes will apply in accordance with the Conditions. An administrator has no obligation to consider the interests of Noteholders when calculating, adjusting, converting, revising or discontinuing any such risk-free rate.

***Mortgage Notes where denominations involve integral multiples***

In relation to any issue of Mortgage Notes that have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Mortgage Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case, a Holder who (as a result of trading such amounts) holds an amount that is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Mortgage Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a Holder who, as a result of trading such amounts, holds an amount that is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Mortgage Notes be printed) and would need to purchase a principal amount of Mortgage Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

***The application of the net proceeds of Green Mortgage Notes as described in “Use of Proceeds” may not meet investor expectations or be suitable for an investor’s investment criteria***

Prospective investors in any Mortgage Notes where the “Reasons for the offer” in Part B of the relevant Final Terms are stated to be for “green” purposes as described in “Use of Proceeds” below (“**Green Mortgage Note**”), should have regard to the information in “Use of Proceeds” regarding the use of the net proceeds of those Green Mortgage Notes and must determine for themselves the relevance of such information for the purpose of any investment in such Green Mortgage Notes together with any other investigation such investor deems necessary. In particular no assurance is given by the Issuer, the Arranger or the Dealers that the use of such proceeds for any Eligible Loan Portfolio (as defined in the “Use of Proceeds” section below) will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply.

Furthermore, it should be noted that there is currently no clear definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a “green” or an equivalently-labelled loan or as to what precise attributes are required for a particular loan to be defined as “green” or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time or that any prevailing market consensus will not significantly change.

A basis for the determination of such “green” loan definition has been established in the European Union with the publication in the Official Journal of the EU on 22 June 2020 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 (the “**Sustainable Finance Taxonomy Regulation**”) on the establishment of a framework to facilitate sustainable investment (the “**EU Sustainable Finance Taxonomy**”), which is subject to phased implementation. The EU Sustainable Finance Taxonomy is subject to further development by way of the implementation by the European Commission through delegated regulations of technical screening criteria for the environmental objectives set out in the Sustainable Finance Taxonomy Regulation. Until the technical screening criteria for the objectives of the EU Sustainable Finance Taxonomy have been finalised, it is not known whether the Issuer’s Green Mortgage Bond Framework (as defined below) will satisfy those criteria. Accordingly, alignment with the EU Sustainable Finance Taxonomy or the proposed

European Green Bond Standard is not certain and no assurance is or can be given to investors that any loan or uses the subject of, or related to, any Eligible Loan Portfolio will meet any or all investor expectations regarding such “green” or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the uses the subject of, or related to, any Eligible Loan Portfolio. In addition, the criteria for what constitutes an Eligible Loan Portfolio may be changed from time to time.

Provisional political agreement has been reached in February 2023 on the legislative proposal for a European Green Bond Standard, which will be a voluntary label for issuers of green use of proceeds bonds (such as certain Green Mortgage Notes) where the proceeds will be invested in economic activities aligned with the EU Sustainable Finance Taxonomy with a flexibility pocket of 15 per cent. for allocation to areas not yet covered by taxonomy standards. The European Parliament adopted the contents of the agreement in its position on 5 October 2023 and the Council adopted the regulation on 23 October 2023. On 30 November 2023, the regulation on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds (the “**EU GBS Regulation**”) was published in the Official Journal of the European Union. The EU GBS Regulation will enter into force on 20 December 2023 and will apply from 21 December 2024. Any Green Mortgage Notes issued under this programme will not be aligned with such European Green Bond Standard and are intended to comply with the criteria and processes set out in the Issuer’s Green Mortgage Bond Framework only. It is not clear at this stage the impact which the European Green Bond Standard, when implemented, may have on investor demand for, and pricing of, green use of proceeds bonds (such as certain Green Mortgage Notes) that do not meet such standard. It could reduce demand and liquidity for Green Mortgage Notes and their price.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any report, assessment, opinion or certification of any third party (whether or not solicited by the Issuer) which may or may not be made available in connection with the issue of any Green Mortgage Notes and in particular with any Eligible Loan Portfolio to fulfil any environmental, sustainability and/or other criteria. Any such report, assessment, opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Base Prospectus. Any such report, assessment, opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer, the Arranger, the Dealers or any other person to buy, sell or hold any such Green Mortgage Notes. Any such report, assessment, opinion or certification is only current as of the date it was issued. Prospective investors must determine for themselves the relevance of any such report, assessment, opinion or certification and/or the information contained therein and/or the provider of such report, assessment, opinion or certification for the purpose of any investment in such Green Mortgage Notes. Currently, the providers of such reports, assessments, opinions and certifications are not subject to any specific oversight or regulatory or other regime.

In the event that any Green Mortgage Notes are listed or admitted to trading on any dedicated “green”, “environmental”, “social” or “sustainable” or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer, the Arranger, the Dealers or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply. Furthermore, the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer, the Arranger, the Dealers or any other person that any such listing or admission to trading will be obtained in respect of any such Green Mortgage Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Green Mortgage Notes.

While it is the intention of the Issuer to apply the net proceeds of any Green Mortgage Notes and obtain and publish the relevant reports, assessments, opinions and certifications in, or substantially in, the manner described in “*Use of Proceeds*”, there can be no assurance that the Issuer will be able to do this. Nor can there be any assurance that the relevant project(s) or use(s) the subject of, or related to, any Eligible Loan Portfolio will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer or in the second-party opinion as referred under the “*Use of Proceeds*” section.

The Green Mortgage Notes are issued subject to their applicable terms and conditions including, without limitation, in relation to their status, interest payments, redemption and events of default as described in the “*Terms*

*and Conditions of the Mortgage Notes*” and the relevant Final Terms, regardless of the issue of such Mortgage Notes as Green Mortgage Notes.

Further, the performance of the Green Mortgage Notes will in no circumstances be linked to the performance of any Eligible Loan Portfolio that may be identified by the Issuer and no segregation of assets and liabilities regarding any Green Mortgage Notes or Eligible Loan Portfolio will occur at any time. Payments of principal and interest on any Green Mortgage Notes shall not depend on the performance of any Eligible Loan Portfolio nor will holders of any Green Mortgage Notes have any preferred right against the assets of any Eligible Loan Portfolio.

The withdrawal of any report, assessment, opinion or certification as described above, or any such report, assessment, opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such report, assessment, opinion or certification is reporting, assessing, opining or certifying on, and/or any such Green Mortgage Notes no longer being listed or admitted to trading on any stock exchange or securities market, as aforesaid, may have a material adverse effect on the value of such Green Mortgage Notes and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

#### ***Withdrawal of the Irrevocable Payment Undertaking***

Potential investors should consider that, pursuant to the Irrevocable Payment Undertaking, the Guarantor may withdraw from its obligations under the Irrevocable Payment Undertaking on the conditions set out therein (for the full text of the Irrevocable Payment Undertaking, please see “*Form of Irrevocable Payment Undertaking*” below). Notwithstanding such expiry however, the Irrevocable Payment Undertaking shall remain in full force and effect with respect to all Mortgage Notes issued under the Programme, which are outstanding at the time of such expiry, and may not be terminated until all amounts which may be or become payable by the Guarantor under or in connection with such Mortgage Notes have been irrevocably paid in full.

Withdrawal of the Irrevocable Payment Undertaking, if exercised by the Guarantor, may have an adverse effect on the ratings assigned to the Issuer or the Mortgage Notes issued under the Programme.

#### **Risks relating to the Mortgage Notes generally**

Set out below is a brief description of certain risks relating to the Mortgage Notes generally.

##### ***The Issuer may not be liable to pay certain taxes***

All payments of principal, interest and any other amounts in respect of the Mortgage Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such Additional Amounts as will result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions as described in Condition 12 (*Taxation*).

Potential investors should be aware that neither the Issuer nor any other person will be liable for or otherwise obliged to pay, and the Noteholders and Couponholders will be liable for and/or pay, any tax, duty, charge, withholding or other payment whatsoever which may arise as a result of, or in connection with, the ownership, any transfer and/or any payment in respect of the Mortgage Notes.

##### ***Changes in law may adversely affect the rights of Holders***

The value of the Mortgage Notes could be adversely affected by a change in the relevant law or administrative practice. The terms and conditions of the Mortgage Notes are based on Hungarian law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to Hungarian law or administrative practice after the date of this Base Prospectus and any such change could materially adversely impact the value of any Mortgage Notes affected by it.

***A downgrade of the credit rating assigned by any credit rating agency to the Issuer or, if applicable, to the Mortgage Notes could adversely affect the liquidity or market value of the Mortgage Notes. Credit ratings downgrades could occur as a result of, among other causes, changes in the ratings methodologies used by credit rating agencies***

Tranches of Mortgage Notes issued under the Programme may be rated by credit rating agencies and may in the future be rated by additional credit rating agencies, although the Issuer is under no obligation to ensure that any Mortgage Notes issued by them under the Programme are rated by any credit rating agency. Credit ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed in these Risk Factors and other factors that may affect the liquidity or market value of the Mortgage Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the credit rating agency at any time.

Any rating assigned to the Issuer and/or, if applicable, the Mortgage Notes may be withdrawn entirely by a credit rating agency, may be suspended or may be lowered, if, in that credit rating agency's judgment, circumstances relating to the basis of the rating so warrant. Ratings may be impacted by a number of factors which can change over time, including the credit rating agency's assessment of: the Issuer's strategy and management's capability; the Issuer's financial condition including in respect of capital, funding and liquidity; competitive and economic conditions in the OTP Group's key markets; the level of political support for the industries in which the OTP Group operates; and legal and regulatory frameworks affecting the Issuer's legal structure, business activities and the rights of its creditors. The credit rating agencies may also revise the ratings methodologies applicable to an issuer within a particular industry or political or economic region. If credit rating agencies perceive there to be adverse changes in the factors affecting an issuer's credit rating, including by virtue of change to applicable ratings methodologies, the credit rating agencies may downgrade, suspend or withdraw the ratings assigned to an issuer and/or its securities. Revisions to ratings methodologies and actions on the Issuer's ratings by the credit rating agencies may occur in the future.

If the Issuer determines to no longer maintain one or more ratings, or if any credit rating agency withdraws, suspends or downgrades the credit ratings of the Issuer or the Mortgage Notes, or if such a withdrawal, suspension or downgrade is anticipated (or any credit rating agency places the credit ratings of the Issuer or, if applicable, the Mortgage Notes on "credit watch" status in contemplation of a downgrade, suspension or withdrawal), whether as a result of the factors described above or otherwise, such event could adversely affect the liquidity or market value of the Mortgage Notes (whether or not the Mortgage Notes had an assigned rating prior to such event).

***Investors to rely on the procedures of Euroclear and Clearstream, Luxembourg for transfer, payment and communication with the Issuer***

Mortgage Notes issued under the Programme may be represented by one or more Global Mortgage Notes. Such Global Mortgage Notes may be deposited with a common depositary or, as applicable, a common safekeeper, for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Mortgage Notes, investors will not be entitled to receive the Mortgage Notes in definitive form. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Mortgage Notes. While the Mortgage Notes are represented by one or more Global Mortgage Notes deposited with Euroclear and/or Clearstream, Luxembourg, investors will be able to trade their beneficial interests only through these settlement systems.

***A Holder's actual yield on the Mortgage Notes may be reduced from the stated yield by transaction costs***

When Mortgage Notes are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the current price of the security. These incidental costs may significantly reduce or even exclude the profit potential of the Mortgage Notes. For instance, credit institutions as a rule charge their clients for own commissions which are either fixed minimum commissions or pro-rata commissions depending on the order value. To the extent that additional domestic or foreign parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, Holders must take into account that they may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

In addition to such costs directly related to the purchase of Mortgage Notes (direct costs), Holders must also take into account any follow-up costs (such as custody fees). Prospective investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Mortgage Notes before investing in the Mortgage Notes.

***Mortgage Notes issued at a substantial discount or premium***

The market values of securities issued at a substantial discount (such as Zero Coupon Mortgage Notes) or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

**Risks relating to the market generally**

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

***There can be no assurance about the development or performance of a secondary trading market for the Mortgage Notes***

The Mortgage Notes issued under the Programme represent a new security for which no secondary trading market exists (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Mortgage Notes which is already issued) and there can be no assurance that one will develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Mortgage Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of Mortgage Notes.

If a market for the Mortgage Notes does develop, the trading price of the Mortgage Notes may be subject to wide fluctuations in response to many factors, including those referred to in this risk factor, as well as stock market fluctuations and general economic conditions, interest rates, currency exchange rates and inflation rates that may adversely affect the market price of the Mortgage Notes, such volatility may be increased in an illiquid market including in circumstances where a significant proportion of the Mortgage Notes are held by a limited number of initial investors. Publicly traded bonds from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them, and such volatility may be increased in an illiquid market. If any market in the Mortgage Notes does develop, it may become severely restricted, or may disappear, if the financial condition of the Issuer deteriorates such that there is an actual or perceived increased likelihood of the Issuer being unable to pay interest on the Mortgage Notes in full, or, where relevant, of the Mortgage Notes being subject to loss absorption under an applicable statutory loss absorption regime. In addition, the market price of the Mortgage Notes may fluctuate significantly in response to a number of factors, some of which are beyond the Issuer's control.

Any or all of such events could result in material fluctuations in the price of Mortgage Notes which could lead to investors losing some or all of their investment.

The issue price of the Mortgage Notes might not be indicative of prices that will prevail in the trading market, and there can be no assurance that an investor would be able to sell its Mortgage Notes at or near the price which it paid for them, or at a price that would provide it with a yield comparable to more conventional investments that have a developed a secondary market.

Moreover, although the Issuer and any subsidiary or an affiliate of the Issuer can (subject to Supervisory Permission and compliance with prevailing Regulatory Capital Requirements or Loss Absorption Regulations, as applicable) purchase Mortgage Notes at any time, they have no obligation to do so. Purchases made by the Issuer (or on behalf of the Issuer) could affect the liquidity of the secondary market of the Mortgage Notes and thus the price and the conditions under which investors can negotiate these Mortgage Notes on the secondary market.

In addition, Holders should be aware of the prevailing credit market conditions, whereby there is a general lack of liquidity in the secondary market which may result in investors suffering losses on the Mortgage Notes in

secondary resales even if there is no decline in the performance of the Mortgage Notes or the assets of the Issuer. The Issuer cannot predict whether these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Mortgage Notes and instruments similar to the Mortgage Notes at that time.

Although an application has been made to admit the Mortgage Notes issued under the Programme to trading on the market, there can be no assurance that such application will be accepted, that the Mortgage Notes will be so admitted, or that an active trading market will develop. Even if an active trading market does develop, it may not be liquid and may not continue for the term of the Mortgage Notes.

***There are exchange rate risks and exchange control risks associated with the Mortgage Notes***

The Issuer will pay principal and interest on the Mortgage Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease; (a) the Investor's Currency equivalent yield on the Mortgage Notes; (b) the Investor's Currency equivalent value of the principal payable on the Mortgage Notes; and (c) the Investor's Currency equivalent market value of the Mortgage Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal as measured in the Investor's Currency.

***Foreign Account Tax Compliance Act withholding***

While the Mortgage Notes are in global form and held within Euroclear Bank SA/NV or Clearstream Banking S.A. (together the "**ICSDs**"), in all but the most remote circumstances, it is not expected that the reporting regime and potential withholding tax imposed by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") will affect the amount of any payment received by the ICSDs (see "*Taxation – Foreign Account Tax Compliance Act*"). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Mortgage Notes are discharged once it has paid the common depository or common safekeeper for the ICSDs (as bearer holder of the Mortgage Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries.

***The tax impact of an investment in the Mortgage Notes should be carefully considered***

Interest payments on Mortgage Notes, or profits realised by an investor upon the sale or repayment of Mortgage Notes, may be subject to taxation in its home jurisdiction or in other jurisdictions in which it is required to pay taxes. The tax impact on investors generally is described under "*Taxation*" below; however, the tax impact on an individual investor may differ from the situation described for investors generally. Prospective investors, therefore, should contact their own tax advisers for advice on the tax impact of an investment in the Mortgage Notes. Furthermore, the applicable tax regime may change to the disadvantage of the investors in the future.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have previously been published and have been filed with the CSSF, shall be incorporated by reference in, and form part of, this Base Prospectus:

- (i) the audited annual financial statements of the Issuer for each of the financial years ended 31 December 2021 and 31 December 2022 and the audit reports thereon;
- (ii) the audited annual consolidated financial statements of the Guarantor for each of the financial years ended 31 December 2021 and 31 December 2022 and the audit reports thereon;
- (iii) the unaudited consolidated interim financial statements for the first nine months ended 30 September 2023 of the Guarantor; and
- (iv) the unaudited interim financial statements for the first nine months ended 30 September 2023 of the Issuer.

Following the publication of this Base Prospectus, a supplement may be prepared by the Issuer and approved by the CSSF in accordance with Article 23 of the Prospectus Regulation. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of this Base Prospectus and documents incorporated by reference in this Base Prospectus can be obtained from the website of the Luxembourg Stock Exchange, [www.luxse.com](http://www.luxse.com). In addition, such documents will be available free of charge from the principal office in London of Citibank, N.A., London Branch at Citigroup Centre, Canada Square, London E14 5LB United Kingdom for Mortgage Notes listed on the Official List of the Luxembourg Stock Exchange. Copies of documents of the Guarantor incorporated by reference in this Base Prospectus will be available for viewing on the Guarantor's website at <https://www.otpgroup.info/investor-relations/capital-market/issues>. The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Mortgage Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Mortgage Notes.

The following documents of the Issuer shall be incorporated in, and form part of, this Base Prospectus:

Document	Section incorporated
I. The audited annual financial statements of the Issuer for the financial year ended 31 December 2021 ( <a href="https://www.otpbank.hu/static/otpjelzalogbank/sw/file/OTPMB_IFRSreport_2021.pdf">https://www.otpbank.hu/static/otpjelzalogbank/sw/file/OTPMB_IFRSreport_2021.pdf</a> ) including the information set out at the following pages in particular:	
Independent Auditor's Report	Pages I to II
Statement of Financial Position	Page 2
Statement of Recognised Income	Page 3
Statement of Comprehensive Income	Page 4
Statement of Cash Flows	Pages 5
Statement of Changes in Shareholders' Equity	Page 6
Notes to the Financial Statements	Pages 7 to 60



Document	Section incorporated
<p>II. The audited annual financial statements of the Issuer for the financial year ended 31 December 2022 (<a href="https://www.otpbank.hu/static/otpjelzalogbank/sw/file/OTPMB_IFRSreport_2022.pdf">https://www.otpbank.hu/static/otpjelzalogbank/sw/file/OTPMB_IFRSreport_2022.pdf</a>) including the information set out at the following pages in particular:</p>	
Independent Auditor's Report	Pages 1/8 to 8/8
Statement of Financial Position	Page 2
Statement of Recognised Income	Page 3
Statement of Comprehensive Income	Page 4
Statement of Cash Flows	Page 5
Statement of Changes in Shareholders' Equity	Page 6
Notes to the Financial Statements	Pages 7 to 52
<p>III. The unaudited interim financial statements of the Issuer for the nine months ended 30 September 2023 (<a href="https://www.otpbank.hu/static/otpjelzalogbank/sw/file/OTP_Mortgagebank_Q3_2023_IFRS_ENG_20231110.pdf">https://www.otpbank.hu/static/otpjelzalogbank/sw/file/OTP_Mortgagebank_Q3_2023_IFRS_ENG_20231110.pdf</a>) including the information set out at the following pages in particular:</p>	
Statement of Financial Position (unaudited)	3
Statement of Profit or Loss (unaudited)	4
Statement of Comprehensive Income (unaudited)	5
Statement of Changes in Shareholders' Equity (unaudited)	6
Statement of Cash Flows (unaudited)	7
Notes to the Financial Statements (unaudited)	8-18.
<p>The above-mentioned documents are unofficial English translations of the 2022 and 2021 financial statements and the interim financial statements of the Issuer that were originally prepared in the Hungarian language.</p> <p>The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of the Prospectus Regulation.</p>	

The following documents of the Guarantor shall be incorporated in, and form part of, this Base Prospectus:

Document	Section incorporated
<p>IV. The audited consolidated financial statements of the Guarantor for the year ended 31 December 2021 (<a href="https://www.otpbank.hu/static/portal/sw/file/220413_IFRS_konsz_e_064.pdf">https://www.otpbank.hu/static/portal/sw/file/220413_IFRS_konsz_e_064.pdf</a>) including the information set out at the following pages in particular:</p>	
Consolidated Statement of Financial Position	Page 4
Consolidated Statement of Profit or Loss	Page 5
Consolidated Statement of Comprehensive Income	Page 6

Document	Section incorporated
Consolidated Statement of Changes in Equity	Page 7
Consolidated Statement of Cash-Flows	Pages 8 to 9
Notes to the Consolidated Financial Statements	Pages 10 to 179
The above-mentioned document is an unofficial English translation of the 2021 financial statements of the Guarantor that were originally prepared in Hungarian language.	
V. The independent auditor's report in respect of the audited consolidated financial statements of the Guarantor for the year ended 31 December 2021 ( <a href="https://www.otpbank.hu/static/portal/sw/file/220413_Audit_report_konsz_e_064.pdf">https://www.otpbank.hu/static/portal/sw/file/220413_Audit_report_konsz_e_064.pdf</a> )	Pages 1 to 8
The independent auditor's report in respect of the audited consolidated financial statements of the Guarantor for the year ended 31 December 2021 is unqualified but contains the following "Emphasis of Matter":  "We draw attention to Note 51 of notes to the consolidated financial statements, which describes the risk and potential impact of the Ukrainian-Russian conflicts on the OTP Group's operation in Ukraine and Russia. Our opinion is not modified in respect of this matter."  The above-mentioned document is an unofficial English translation of the Independent Auditor's Report 2021 that was originally prepared in the Hungarian language.	
VI. The audited consolidated financial statements of the Guarantor for the year ended 31 December 2022 ( <a href="https://www.otpgroup.info/static/sw/file/230428_IFRS_konsz_e_062.pdf">https://www.otpgroup.info/static/sw/file/230428_IFRS_konsz_e_062.pdf</a> ) including the information set out at the following pages in particular:	
Consolidated Statement of Financial Position	Page 5
Consolidated Statement of Profit or Loss	Pages 6 to 7
Consolidated Statement of Comprehensive Income	Page 8
Consolidated Statement of Changes in Equity	Page 9
Consolidated Statement of Cash-Flows	Pages 10 to 11
Notes to the Consolidated Financial Statements	Pages 12 to 213
The above-mentioned document is an unofficial English translation of the 2022 financial statements of the Guarantor that were originally prepared in the Hungarian language.	
VII. The full independent auditor's report in respect of the audited consolidated financial statements of the Guarantor for the year ended 31 December 2022 ( <a href="https://www.otpgroup.info/static/sw/file/OTP_Audit_report_consolidated_e_060.pdf">https://www.otpgroup.info/static/sw/file/OTP_Audit_report_consolidated_e_060.pdf</a> ).	Pages 1 to 11
The Guarantor's 2022 independent auditor's report is unqualified.  The above-mentioned document is an unofficial English translation of the Independent Auditor's Report 2022 that was originally prepared in the Hungarian language.	
VIII. The unaudited interim financial statements of the Guarantor for the nine months ended 30 September 2023	

Document	Section incorporated
<a href="https://www.otpgroup.info/static/sw/file/OTP_20233Q_e_final.pdf">https://www.otpgroup.info/static/sw/file/OTP_20233Q_e_final.pdf</a> including the information set out at the following pages in particular:	
Consolidated IFRS Statement of Financial Position (unaudited)	Page 47
Consolidated IFRS Statement of Recognised Income (unaudited)	Page 49
Consolidated IFRS Statement of Changes in Shareholders' Equity (unaudited)	Page 50
Consolidated IFRS Statement of Cash Flows (unaudited)	Page 52
Notes to the Consolidated Financial Statements (unaudited)	Pages 64 to 67
The above-mentioned document is an unofficial English translation of the interim financial statements of the Guarantor that were originally prepared in Hungarian language.	

The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of the Prospectus Regulation. Financial information incorporated by reference and also set out in this Base Prospectus shall be deemed to be incorporated by reference for information purposes only.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

Any non-incorporated parts of a document referred to herein are deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

## FORM OF THE MORTGAGE NOTES

Each Tranche of Mortgage Notes will be in bearer form and will be initially issued in the form of a temporary global note (a “**Temporary Global Mortgage Note**”) or, if so specified in the applicable Final Terms, a permanent global note (a “**Permanent Global Mortgage Note**”) which, in either case, will:

- (i) if the Global Mortgage Notes are intended to be issued in new global note (“**NGN**”) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the “**Common Safekeeper**”) for Euroclear and Clearstream, Luxembourg; and
- (ii) if the Global Mortgage Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depository (the “**Common Depository**”) for, Euroclear and Clearstream, Luxembourg.

Where the Global Mortgage Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will also indicate whether such Global Mortgage Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Mortgage Notes are to be so held does not necessarily mean that the Mortgage Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg, as indicated in the applicable Final Terms.

While any Mortgage Note is represented by a Temporary Global Mortgage Note, payments of principal, interest (if any) and any other amount payable in respect of the Mortgage Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Mortgage Note if the Temporary Global Mortgage Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Mortgage Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

On and after the date (the “**Exchange Date**”) which is 40 days after a Temporary Global Mortgage Note is issued, interests in such Temporary Global Mortgage Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Global Mortgage Note of the same Series or (b) for definitive Mortgage Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Mortgage Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Mortgage Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Mortgage Note for an interest in a Permanent Global Mortgage Note or for definitive Mortgage Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Mortgage Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Mortgage Note if the Permanent Global Mortgage Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Mortgage Note will be exchangeable (free of charge), in whole but not in part, for definitive Mortgage Notes with, where applicable, interest coupons and talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 14 (*Events of Default*)) has occurred and is continuing, or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available. **A Permanent Global Mortgage Note will not be exchanged for a definitive Mortgage Note for any reason other than as set out in the Permanent Global Mortgage Note.** The Issuer will promptly give notice to Noteholders in

accordance with Condition 16 (*Paying Agents*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Mortgage Note) may give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

The following legend will appear on all Permanent Global Mortgage Notes and definitive Mortgage Notes and on all interest coupons relating to such Mortgage Notes where TEFRA D is specified in the applicable Final Terms or Pricing Supplement, as the case may be:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Mortgage Notes or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of such Mortgage Notes or interest coupons.

Mortgage Notes which are represented by a Global Mortgage Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Pursuant to the Agency Agreement (as defined in “*Terms and Conditions of the Mortgage Notes*”), the Agent shall arrange that, where a further Tranche of Mortgage Notes is issued which is intended to form a single Series with an existing Tranche of Mortgage Notes at a point after the Issue Date of the further Tranche, the Mortgage Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Mortgage Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Mortgage Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

A Mortgage Note may be accelerated by the holder thereof in certain circumstances described in Condition 14 (*Events of Default*). In such circumstances, where any Mortgage Note is still represented by a Global Mortgage Note and the Global Mortgage Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Mortgage Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Mortgage Note then the Global Mortgage Note will become void at 8.00 p.m. (London time) on such day. At the same time, holders of interests in such Global Mortgage Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the “**Deed of Covenant**”) dated 12 December 2023 and executed by the Issuer.

The Issuer and the Guarantor may agree with any Dealer that Mortgage Notes may be issued in a form not contemplated by the Terms and Conditions of the Mortgage Notes, in which event, a new Base Prospectus will be made available which will describe the effect of the agreement reached in relation to such Mortgage Notes.

## FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section the expression “**necessary information**” means, in relation to any Tranche of Mortgage Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Guarantor and of the rights attaching to the Mortgage Notes, the reasons for the issuance and the impact on the Issuer. In relation to the different types of Mortgage Notes which may be issued under the Programme, the Issuer has included in this Base Prospectus all of the necessary information except for information relating to the Mortgage Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Mortgage Notes.

Any information relating to the Mortgage Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Mortgage Notes will be contained either in the relevant Final Terms or in a Drawdown Prospectus.

For a Tranche of Mortgage Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, complete this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Mortgage Notes which is the subject of Final Terms are the Conditions described in this Base Prospectus as completed to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Mortgage Notes which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus.

In the case of a Tranche of Mortgage Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus, unless the context requires otherwise.

## FORM OF FINAL TERMS<sup>1</sup>

*Set out below is the form of Final Terms which will be completed for each Series/Tranche of Mortgage Notes issued under the Programme.*

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Mortgage Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIPs Regulation**) for offering or selling the Mortgage Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Mortgage Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

**PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Mortgage /Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (**UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the **FSMA**) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA (**UK MiFIR**). Consequently, no key information document required by [the PRIIPs Regulation][Regulation (EU) No 1286/2014] as it forms part of UK domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Mortgage Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Mortgage Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**MiFID II PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer[’s/s’] product approval process, the target market assessment in respect of the Mortgage Notes has led to the conclusion that: (i) the target market for the Mortgage Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended **MiFID II**)/MiFID II]; and (ii) all channels for distribution of the Mortgage Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Mortgage Notes (a **distributor**) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Mortgage Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.

**[UK MiFIR PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer[’s/s’] product approval process, the target market assessment in respect of the Mortgage Notes has led to the conclusion that: (i) the target market for the Mortgage Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in [Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the [European Union (Withdrawal) Act 2018]/[EUWA] (**UK MiFIR**)]/[UK MiFIR]; and (ii) all channels for distribution of the Mortgage Notes to eligible counterparties and professional clients are appropriate. Any [person subsequently offering, selling or recommending the Mortgage Notes (a **distributor**)/distributor] should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target

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<sup>1</sup> *Certificate of the Hungarian Cover Pool Monitor (vagyonellenőr) will be circulated with the Final Terms for each Series of Mortgage Notes pursuant to section 11§. (3)(n) of Act XXX of 1997 on Mortgage Loan Credit Institutions and on Mortgage Bonds (1997. évi XXX. törvény a jelzálog-hitelintézettről és a jelzáloglevélről).*

market assessment in respect of the Mortgage Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

[Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore, as modified or amended from time to time (the **SFA**) – In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the **CMP Regulations 2018**), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Mortgage Notes are prescribed capital markets products (as defined in the CMP Regulations 2018) and are Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]<sup>2</sup>

[Date]

**OTP MORTGAGE BANK LTD.**  
**(OTP JELZÁLOGBANK ZÁRTKÖRŰEN MŰKÖDŐ RÉSZVÉNYTÁRSASÁG)**

**Legal Entity Identifier (LEI): 529900925TK5QIGTBH86**  
**Issue of [Aggregate Principal Amount of Tranche] [Title of Mortgage Notes]**  
**Guaranteed by OTP BANK Nyrt.**  
**under the EUR 5,000,000,000**

**Euro Mortgage Notes Programme**

**PART A – CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 12 December 2023 [and the supplement[s] to it dated [●] [and [●]]], which [together] constitute[s] a base prospectus (the **Base Prospectus**) for the purposes of the Regulation (EU) 2017/1129 (the **Prospectus Regulation**). This document constitutes the Final Terms of the Mortgage Notes described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the Base Prospectus. Full information on the Issuer, the Guarantor and the offer of the Mortgage Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published, and the applicable Final Terms will be published, on the Luxembourg Stock Exchange website ([www.luxse.com](http://www.luxse.com)). [This Base Prospectus and the Final Terms applicable to each issue of Mortgage Notes will be available on the website of the Luxembourg Stock Exchange ([www.luxse.com](http://www.luxse.com)).]

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.]*

*[If the Mortgage Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]*

- |    |   |  |
|----|---|--|
| 1. | Series Number:  | [     ]  |
|    | (i)     Tranche Number:   | [     ]  |
|    | (ii)    Date on which the Mortgage Notes will be consolidated and form a single Series: | The Mortgage Notes will be consolidated and form a single Series with [Provide issue amount/ISIN maturity date/issue date of earlier Tranches] on [the Issue Date/exchange of the Temporary Global Mortgage Note for interests in the Permanent Global Mortgage Note which is expected to occur on or about [date]][[Not Applicable] |

<sup>2</sup> Legend to be included on front of the Final Terms if the Issuer has re-classified the Mortgage Notes as “prescribed capital markets products” and “Excluded Investment Products” pursuant to Section 309B of the SFA prior to the launch of the offer and the Mortgage Notes are to be offered in Singapore. Relevant Dealer(s) to consider whether it / they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA.



2. Specified Currency: [ ]
3. Aggregate Principal Amount:
- (i) Series: [ ]
- (ii) Tranche: [ ]
- (i) [Issue Price (per Mortgage Note):] [ ] per cent. of the Specified Denomination [plus accrued interest from *[insert date]* (*in the case of fungible issues only, if applicable*)]
- (ii) [Net Proceeds: [ ]]
- (Required only for listed issues)*
4. (i) Specified Denominations: [ ]
- (N.B. Mortgage Notes must have a minimum denomination of EUR 100,000 (or equivalent))*
- (Note – where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:*
- “[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Mortgage Note in definitive form will be issued with a denomination above [€199,000].”)*
- (ii) Calculation Amount: [ ]
- (If only one Specified Denomination, insert the Specified Denomination.*
- If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations).*
5. (i) Issue Date (value date): [ ]
- (ii) Interest Commencement Date: [specify/Issue Date/Not Applicable]
- (N.B. An Interest Commencement Date will not be relevant for certain Mortgage Notes, for example Zero Coupon Mortgage Notes.)*
6. Maturity Date: [Specify date or for Floating rate notes - Interest Payment Date falling in or nearest to [specify month and year]]
7. Interest Basis: [ ] per cent. Fixed Rate
- [[[●] month [BUBOR/EURIBOR/SOFR/ESTR]] +/- [ ] per cent.
- Floating Rate]
- [Floating Rate: SOFR Compounded Index]
- [Floating Rate: CMS Linked Interest]
- [Zero Coupon]
- (see paragraph [12]/[13]/[14]/[15]below)

8. Redemption/Payment Basis: [Redemption at the Specified Denomination]  
Subject to any purchase and cancellation or early redemption, the Mortgage Notes will be redeemed on the Maturity Date at [100]per cent. of their principal amount
9. Change of Interest Basis [For the period from (and including) the Interest Commencement Date, up to (but excluding) [date] paragraph [12/13] applies and for the period from (and including) [date], up to (and including) the Maturity Date, paragraph [12/13] applies] [Not Applicable]
10. Put/Call Options: [Investor Put]  
[Issuer Call]  
[(further particulars specified below)]
11. [Date [Board] approval for issuance of Mortgage Notes obtained: [ ] [and [ ]], respectively]]  
*(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Mortgage Notes)*

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

12. Fixed Rate Mortgage Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Rate(s) of Interest: [ ] per cent. per annum in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [[ ] in each year up to and including the Maturity Date]  
*(Amend appropriately in the case of irregular coupons)*
- (iii) Fixed Coupon Amount per Mortgage Note: [ ] per Calculation Amount
- (iv) Broken Amount(s): [ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ] [Not Applicable]
- (v) Day Count Fraction: [30/360]  
[Actual/Actual (ICMA)]  
[Actual/Actual (ISDA)]  
[Actual/365 (Fixed)]  
[Actual/360]  
[30E/360]  
[Eurobond Basis]  
[30E/360(ISDA)]
- (vi) Determination Date(s): [[ ] in each year] [Not Applicable]

*[Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case insert regular interest payment dates, ignoring issue date or maturity date in the case of long or short first or last coupon.*

- (vii) Party responsible for calculating amounts payable: [Agent/[if not the Agent, insert details of Calculation Agent]]
13. Reset Mortgage Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Initial Rate of Interest: [ ] subject to adjustment in accordance with the Business Day Convention set out in (ii) below/, not subject to adjustment, as the Business Day Convention in (ii) below is specified to be Not Applicable]
- (ii) Reset Rate: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]] [Not applicable]
- (iii) First Margin: [ ]
- (iv) Subsequent Margin: [Screen Rate Determination/ISDA Determination]
- (v) Interest Payment Date(s): [Agent/[if not Agent, insert details of Calculation Agent]]
- (vi) Fixed Coupon Amount in respect of the period from (and including) the Interest Commencement Date up to (but excluding) the First Reset Date:
- Broken Amount(s): [ ] month[BUBOR/EURIBOR].
- (vii) First Reset Date: Relevant Financial Centre: [Budapest/Brussels]
- Subsequent Reset Date(s): [ ]
  - Fixed Leg Swap Payment Frequency:
  - *(Second Budapest business day prior to the start of each Interest Period if BUBOR and the second day on which the T2 is open prior to the start of each Interest Period if EURIBOR)*
  - CMT Designated Maturity: [ ]
- (viii) Relevant Screen Page: *(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate)*
- (ix) CMT Rate Screen Page:
- Mid-Swap Rate: [ ]
  - Mid-Swap Maturity: [ ]

- (x) Initial Mid-Swap Rate Final Fallback: [ ]  
 (In the case of a EURIBOR based option, the first day of the Interest Period)
- Initial Mid-Swap Rate:
- (xi) Reset Maturity Initial Mid-Swap Rate Final Fallback: [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
- (xii) Reset Period Maturity Initial Mid-Swap Rate:
- (xiii) Last Observable Mid-Swap Rate Final Fallback: [+/-][ ] per cent. per annum
- (xiv) Subsequent Reset Rate Mid-Swap Rate Final Fallback: [ ] per cent. per annum
- (xv) Subsequent Reset Rate Last Observable Mid-Swap Rate Final Fallback: [ ] per cent. per annum
- (xvi) Reference Rate: [EURIBOR]/[SOFR]/[€STR]/[CMS Rate]/[BUBOR]/[●]
- (xvii) Reference Banks:
- (xviii) Day Count Fraction: [30/360]  
 [Actual/Actual (ICMA)]  
 [Actual/Actual (ISDA)]  
 [Actual/365 (Fixed)]  
 [Actual/360]  
 [30E/360]  
 [Eurobond Basis]  
 [30E/360(ISDA)]
- (xix) Reset Determination Date(s): [●]/[The provisions of the Conditions apply]
- (xx) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Principal Paying Agent): [[●] shall be the Calculation Agent]
14. Floating Rate Mortgage Note Provisions [Applicable]/[Not Applicable]/[Applicable from [●] to [●] [if so elected by the Issuer on or before [●]]]
- (i) Specified Period(s): [●]
  - (ii) Interest Payment Dates: [●] [and [●]] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to adjustment, as the Business Day Convention in (iv) below is specified to be Not Applicable]
  - (iii) First Interest Payment Date: [●]
  - (iv) Effective Interest Payment Date: [The date falling [●] Local Business Days following each Interest Payment Date, provided that the Effective Interest Payment Date with respect to the last Interest Period will be the Maturity Date or, if the Issuer elects to redeem the Notes before the Maturity

- Date, the date fixed for redemption (*include for Payment Delay only*)/[Note Applicable]
- (v) Business Day Convention: [Following Business Day Convention]  
 [Modified Following Business Day Convention]  
 [Modified Business Day Convention]  
 [Preceding Business Day Convention]  
 [FRN Convention]  
 [Floating Rate Convention]  
 [Eurodollar Convention]  
 [No Adjustment]  
 [Not Applicable]
- (vi) Additional Business Centre(s): [Not Applicable]/[●]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination]/[ISDA Determination]
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Principal Paying Agent): [[●] shall be the Calculation Agent]
- (ix) Screen Rate Determination: [Applicable]/[Not Applicable]
- Index Determination: [Applicable]/[Not Applicable]
- Insert only if Index Determination is not applicable*
- Reference Rate: [*currency*] [[●] month]  
 [EURIBOR]/[SOFR/€STR/Index Determination (SOFR)/CMS Rate]/[●]
  - Reference Bank(s): [●]
  - Interest Determination Date(s): [●]/[The date falling [●] [Local] Business Days prior to the first day of each Interest Period]/ [First day of each Interest Period]/[The [[●] *first, second, third etc.*] [Local] Business Day immediately preceding the Interest Payment Date for each Interest Period (or immediately preceding such earlier date, if any, on which the Notes are due and payable).][*provide details*]/[The Interest Payment Date at the end of each Interest Period; provided that the Interest Determination Date with respect to the last Interest Period prior to the Maturity Date or the date fixed for redemption will be the Rate Cut-off Date – *Include this wording for Payment Delay only*]]<sup>3</sup>
  - Relevant Screen Page: [●]/[New York Federal Reserve’s Website]/[ECB’s Website]/[Not Applicable]

<sup>3</sup> To be at least five Business Days before the relevant Interest Payment Date where the Reference Rate is SOFR or €STR, without the prior agreement of the Principal Paying Agent.

- Relevant Time: [[●] in the Relevant Financial Centre]/[as per the Conditions]/[Not Applicable]<sup>4</sup>
- Relevant Financial Centre: [London]/[Brussels]/[New York City]/[●]
- Calculation Method: [Weighted Average/Compounded Daily/Not Applicable]
- Observation Method: [Lag/Lock-out/Observation Shift/Payment Delay/Not Applicable]
- Observation Look-back Period: [[●]/five Local Business Days]/[Not Applicable]<sup>5</sup>
- D: [365/360/[●]]/[Not Applicable]
- Rate Cut-off Date: [The date falling [●] Local Business Days prior to the Maturity Date or the date fixed for redemption, as applicable – used for Payment Delay only]<sup>6</sup>/[Not Applicable]
- Reference Currency: [●]/[Not Applicable]<sup>7</sup>
- Designated Maturity: [●]/[Not Applicable]<sup>8</sup>
- Determination Time: [[●] [a.m.]/[p.m.] ([●] time)]/[Not Applicable]<sup>9</sup>
- CMS Rate Fixing Centre(s): [●]/[Not Applicable]<sup>10</sup>

*Insert only if Index Determination is applicable*

- SOFR Compounded Index: [Applicable/Not Applicable]
- Relevant Decimal Place: [●]/[As per the Conditions]
- Relevant Number: [●]/[As per the Conditions]<sup>11</sup>
- Numerator: [●]/[As per the Conditions]
- ISDA Determination: [Applicable]/[Not Applicable]
- Floating Rate Option: [●]
- Reset Date: [●]
- ISDA Definitions: 2006
- Linear Interpolation: [Not Applicable]/[Applicable – the Rate of Interest for the [long]/[short] [first]/[last] Interest Period shall be calculated using Linear Interpolation]
- Margin(s): [+/-][●] per cent. per annum
- Minimum Rate of Interest: [●] per cent. per annum
- Maximum Rate of Interest: [●] per cent. per annum
- Day Count Fraction: [30/360]

<sup>4</sup> Select “Not Applicable” for SOFR or €STR.

<sup>5</sup> The Observation Look-back Period should be at least as many Local Business Days before the Interest Payment Date as the Interest Determination Date. “Observation Look-back Period” is only applicable where “Lag” or “Observation Shift” is selected as the Observation Method; otherwise, select “Not Applicable”.

<sup>6</sup> The Rate Cut-off Date should be at least five Business Days before the Maturity Date or the date fixed for redemption, unless otherwise agreed with the Principal Paying Agent.

<sup>7</sup> Select “Not Applicable” for SOFR or €STR.

<sup>8</sup> Select “Not Applicable” for SOFR or €STR.

<sup>9</sup> Select “Not Applicable” for SOFR or €STR.

<sup>10</sup> Select “Not Applicable” for SOFR or €STR.

<sup>11</sup> This number should be five (or greater), unless otherwise agreed with the Principal Paying Agent.

- [Actual/Actual (ICMA)]  
 [Actual/Actual (ISDA)]  
 [Actual/365 (Fixed)]  
 [Actual/360]  
 [30E/360]  
 [Eurobond Basis]  
 [30E/360(ISDA)]
15. Zero Coupon Mortgage Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Accrual Yield: [ ] per cent. per annum
- (ii) Reference Price: [ ]
- (iii) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
 [Actual/Actual (ICMA)]  
 [Actual/Actual (ISDA)]  
 [Actual/365 (Fixed)]  
 [Actual/360]  
 [30E/360]  
 [Eurobond Basis]  
 [30E/360(ISDA)]

**PROVISIONS RELATING TO REDEMPTION**

16. Notice periods for Condition 11(b) [Redemption and Purchase – Redemption for Tax Event]: Minimum period: [ 30] days  
 Maximum period: [ 60] days
17. Issuer Call: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount of each Mortgage Note: [[ ] per Calculation Amount]
- (iii) If redeemable in part:
- (i) Minimum Redemption Amount: [ ]
- (ii) Maximum Redemption Amount: [ ]
- (iv) Notice periods: Minimum period: [ 15] days  
 Maximum period: [ 30] days  
*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of*

information through intermediaries, for example, clearing systems (which require a minimum of five clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)

18. Investor Put: [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)

(i) Optional Redemption Date(s): [ ]

(ii) Optional Redemption Amount: [ ] per Calculation Amount

(iii) Notice periods: Minimum period: [ 15] days  
Maximum period: [ 30] days[ ]

(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of five clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)

19. Final Redemption Amount of each Mortgage Note: [ ] per Calculation Amount

(N.B. In relation to any issue of Mortgage Notes which are expressed at item 4 above to have a minimum denomination and tradeable amounts above such minimum denomination which are smaller than it, the following wording should be added: "For the avoidance of doubt, in the case of a holding of Mortgage Notes in an integral multiple of [ ] in excess of [ ] as envisaged in item 4 above, such holding will be redeemed at its principal amount.")

20. Early Redemption Amount of each Mortgage Note payable [on redemption for Tax Event or] on event of default [ ] per Calculation Amount

(N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)

#### GENERAL PROVISIONS APPLICABLE TO THE MORTGAGE NOTES

21. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details]

(Note that this item relates to the place of payment and not Interest Period end dates, to which item 14(i) relates)

#### [MISCELLANEOUS]

22. Form of the Mortgage Notes:



- (i) Form: [Temporary Global Mortgage Note exchangeable for a Permanent Global Mortgage Note which is exchangeable for Definitive Mortgage Notes only upon an Exchange Event]
- [Temporary Global Mortgage Note exchangeable for Definitive Mortgage Notes on and after the Exchange Date]
- [Permanent Global Mortgage Note exchangeable for Definitive Mortgage Notes [only upon an Exchange Event/at any time at the request of the Issuer]]
- [Dematerialised]
- (N.B. If the Specified Denominations of the Mortgage Notes in item 4 above include language substantially to the following effect: "EUR 100,000 and integral multiples of EUR 1,000" the Temporary Global Mortgage Note must not be exchangeable for Definitive Mortgage Notes)*
- (ii) New Global Note: [Yes/No]
23. Talons for future Coupons to be attached to Definitive Mortgage Notes (and dates on which such Talons mature): [Yes, as the Mortgage Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

### THIRD PARTY INFORMATION

[[ ] has been extracted from [ ]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: ..... By: .....  
*Duly authorised* *Duly authorised*

**OTP JELZÁLOGBANK ZÁRTKÖRŰEN MŰKÖDŐ RÉSZVÉNYTÁRSASÁG**

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing: [Luxembourg/ other (specify)/ None]
- (ii) Admission to trading: [Application has been made for the Mortgage Notes to be admitted to trading on [the regulated market of the Luxembourg Stock Exchange]/ [●] with effect from [ ].]/[Not Applicable.]
- (iii) Estimate of total expenses related to admission to trading: [EUR] [ ]
- (iv) Place of creation [ ]  
(Note: outside Hungary, in an OECD country)
- (v) Place of issue [ ]  
(Note: outside Hungary, in an OECD country)

### 2. RATINGS

- Ratings: [The Mortgage Notes to be issued [[have been]/[are expected to be]] rated]/[The following rating[s] reflect[s] rating[s] assigned to the Mortgage Notes of this type issued under the Programme generally]: [insert details] by [insert the legal name of the relevant credit rating agency entity(ies)].  
[To include brief description of the meaning given to the relevant rating by the assigning rating agency]
- [[●]/Each of [●] and [●]] is established in the European Economic Area (the EEA) and are registered under Regulation (EC) No. 1060/2009 (as amended) (the CRA Regulation). As such, [[●]/Each of [●] and [●]] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.]

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUES

[Save for any fees payable to the Dealers, so far as the Issuer is aware, no person involved in the issue of the Mortgage Notes has an interest material to the offer.] The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and the Guarantor and their affiliates in the ordinary course of business [Amended as appropriate if there are other interests].

[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 23 of the Prospectus Regulation.)]

### 4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (i) [Reasons for the offer: [ ]]
- (ii) [Estimated net proceeds: [ ]]

### 5. YIELD (Fixed Rate Mortgage Notes only)

- Indication of yield: [ ]

## 6. OPERATIONAL INFORMATION

- (i) ISIN Code: [ ]
- (ii) Common Code: [ ]
- (iii) Alphabetical code of Series: [ ]
- (iv) Any clearing system(s) other than Clearstream, Luxembourg [./and], Euroclear and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]  
*(If the Series of Mortgage Notes is listed on the Official List of the Luxembourg Stock Exchange, then clearing will occur through Clearstream, Luxembourg and/or Euroclear)*
- (v) Delivery: Delivery [free of/against] payment
- (vi) Names and addresses of additional Paying Agent(s) (if any): [ ]/[Not Applicable]
- (vii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation “yes” simply means that the Mortgage Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Mortgage Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]  
  
[No. While the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Mortgage Notes are capable of meeting them the Mortgage Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Mortgage Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]
- (viii) Serial number of the Mortgage Notes: [ ]

## 7. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/give names]
- (iii) Date of [Subscription] Agreement: [ ]
- (iv) Stabilisation Manager(s) (if any): [Not Applicable/give name and address]
- (v) If non-syndicated, name of relevant Dealer: [Not Applicable/give name]

- (vi) U.S. Selling Restrictions: [Reg. S Compliance Category [1/2]; TEFRA D/TEFRA C/TEFRA not applicable]
- (vii) Singapore Sales to Institutional Investors and Accredited Investors only: [Applicable/Not Applicable]

**8. BENCHMARK REGULATION** (*Floating Rate Mortgage Notes calculated by reference to a benchmark only*)

[specify benchmark] is provided by [administrator legal name]. As at the date hereof, [administrator legal name] [appears]/[does not appear] in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of Regulation (EU) 2016/1011, as amended.

[As far as the Issuer is aware, as at the date hereof, [●] does not fall within the scope of Regulation (EU) 2016/1011, as amended.]/[Not Applicable]

[BUBOR]

[If the References Rate is EURIBOR, select the below option]

[EURIBOR is provided by European Money Markets Institute. As at the date hereof, European Money Markets Institute appears in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of Regulation (EU) 2016/1011, as amended.]

[If the References Rate is CMS Rate, select the below option.]

[CMS Rate is provided by ICE Benchmark Administration Limited (**IBA**). As at the date hereof, IBA is not included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of Regulation (EU) 2016/1011, as amended. As far as the Issuer is aware, the transitional provisions in Article 51 of the Regulation (EU) 2016/1011, as amended, apply, such that the IBA is not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence).]

[If the Reset Rate is CMT Rate, select the below option.]

[CMT Rate is provided by the Board of Governors of the Federal Reserve System. As at the date hereof, the Board of Governors of the Federal Reserve System is not included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of Regulation (EU) 2016/1011, as amended. As far as the Issuer is aware, the transitional provisions in Article 2 of the Regulation (EU) 2016/1011, as amended, apply, such that the Board of Governors of the Federal Reserve System is not currently required to obtain authorisation/registration.]

## USE OF PROCEEDS

The net proceeds from the issue of the Mortgage Notes will be used by the Issuer for its general corporate purposes, including as specified in Part B of the relevant Final Terms.

In addition, where the Mortgage Notes are stated to be “Green” Mortgage Notes in “*Reasons for the offer*” in Part B of the relevant Final Terms and it is stated that the proceeds from the issue of the Mortgage Notes are intended to be used for “green” purposes as described in this “*Use of Proceeds*” section (“**Green Mortgage Notes**”), it is the intention of the Issuer that the net proceeds from each such issue of Green Mortgage Notes will be used as so described. If specified otherwise in the relevant Final Terms, the net proceeds from the issue of the relevant Mortgage Notes will be used as so specified.

For any Green Mortgage Notes, an amount equivalent to the net proceeds of such Green Mortgage Notes is intended to be used to finance and/or refinance a portfolio (such portfolio, an “**Eligible Loan Portfolio**”) of residential mortgages for the purpose of the construction or purchase of used or newly refurbished residential homes, and general purpose mortgages for renovating and upgrading existing properties, where the property(ies) serving as collateral for the loan meet at least one of the criteria of the following two categories:

- (i) energy-efficient properties: buildings falling within the best 15 per cent. of Hungary’s total stock of buildings based on their energy efficiency rating; and
- (ii) buildings with significantly improving energy performance: buildings undergoing refurbishment or upgrading as a result of the loan provided in order to improve their energy performance,

subject to the energy performance certificate of such property(ies) being issued after 31 December 2015 and including already disbursed such loans, and all as further described in the Issuer’s Green Mortgage Bond Framework.

The proceeds of any Green Mortgage Notes will not be used to finance loans for purposes that contribute to increase greenhouse gas emissions, for financing activities that are in conflict with its Green Strategy 2021 ([https://www.otpbank.hu/OTP\\_JZB/file/OTPMortgageBank\\_GreenStrategy.pdf](https://www.otpbank.hu/OTP_JZB/file/OTPMortgageBank_GreenStrategy.pdf)) (“**Green Strategy**”) or for disbursing loans that do not meet the above eligibility criteria.

The proceeds from the issuance of Green Mortgage Notes will be managed by the Issuer using a portfolio approach. The Issuer intends to allocate these proceeds to an Eligible Loan Portfolio as soon as possible and within 24 months, selected in accordance with the use of proceeds criteria and evaluation and selection process described in the Green Mortgage Bond Framework. The Issuer will endeavour, over time, to achieve a level of allocation for the Eligible Loan Portfolio that matches or exceeds the balance of net proceeds from its outstanding Green Mortgage Notes.

Unallocated net proceeds from any Green Mortgage Notes will be allocated to Hungarian government securities, Hungarian green government securities, green bonds or other such instruments defined in the relevant international and Hungarian standards and regulations.

The Issuer has obtained an independent second-party opinion from Deloitte Könyvvizsgáló és Tanácsadó Kft. in order to ensure compliance of its Green Mortgage Bond Framework with the ICMA Green Bond Principles. This independent second-party opinion is published on the Issuer’s website at: <https://www.otpbank.hu/static/otpjelzalogbank/sw/file/IndependentLimitedAssuranceReport.pdf>.

The Issuer intends to publish on an annual basis, within a year of the issuance of any Green Mortgage Notes and until the maturity of such Green Mortgage Notes a report including certain core information, data and indicators on its issued Green Mortgage Notes and Eligible Loan Portfolio, as described in the Green Mortgage Bond Framework.

Neither the Green Mortgage Bond Framework, nor any of the above reports, opinions or contents of any of the above websites are incorporated in or form part of this Base Prospectus.

Prospective investors in any Green Mortgage Notes should also refer to “*Risk Factors – Risks relating to the Mortgage Notes generally – Risks relating to the particular structure of Mortgage Notes – The application of the*”

*net proceeds of Green Mortgage Notes as described in “Use of Proceeds” may not meet investor expectations or be suitable for an investor’s investment criteria”.*

**Green Mortgage Bond Framework** means the Green Mortgage Bond Framework 2021 of the Issuer published on its website ([https://www.otpbank.hu/static/otpjelzalogbank/sw/file/OTPMortgageBank\\_GreenMortgageBondFramework.pdf](https://www.otpbank.hu/static/otpjelzalogbank/sw/file/OTPMortgageBank_GreenMortgageBondFramework.pdf)), including as amended, supplemented, restated or otherwise updated on such website from time to time, relating to the issuance of Green Mortgage Notes.

**ICMA Green Bond Principles** means the Green Bond Principles June 2021 published by the International Capital Markets Association (<https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>).

## TERMS AND CONDITIONS OF THE MORTGAGE NOTES

*The following are the Terms and Conditions of the Mortgage Notes which will be incorporated by reference into, and will form part of, each Global Mortgage Note (as defined below) and each definitive Mortgage Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Mortgage Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Mortgage Note and definitive Mortgage Note. Reference should be made to “Form of the Mortgage Notes” for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Mortgage Notes.*

This Mortgage Note is one of a Series (as defined below) of Mortgage Notes issued by OTP Mortgage Bank Ltd. (OTP Jelzálogbank Zártkörűen Működő Részvénytársaság) (the **Issuer**) pursuant to the Agency Agreement (as defined below).

The place of issue and place of creation of the Mortgage Notes and the Global Mortgage Notes each are outside Hungary within a member of the Organisation for Economic Co-operation and Development (the **OECD**) in accordance with clause 11 (4) of the Mortgage Credit Institutions Act.

References herein to the Mortgage Notes shall be references to the Mortgage Notes of this Series and shall mean:

- (a) in relation to any Mortgage Notes represented by a global Note (a **Global Mortgage Note**), units of each Specified Denomination in the Specified Currency;
- (b) any Global Mortgage Note; and
- (c) any definitive Mortgage Notes issued in exchange for a Global Mortgage Note.

The Mortgage Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 12 December 2023 and made between the Issuer, OTP Bank Nyrt. as guarantor (the **Guarantor**), Citibank, N.A., London Branch as issuing and principal paying agent and agent bank (the **Principal Paying Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents).

The final terms for this Mortgage Note (or the relevant provisions thereof) are set out in the Final Terms attached to or endorsed on this Mortgage Note which supplement these Terms and Conditions (the **Conditions**). References to the **applicable Final Terms** are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Mortgage Note.

Interest bearing definitive Mortgage Notes have interest coupons (**Coupons**) and, in the case of Mortgage Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Global Mortgage Notes do not have Coupons or Talons attached on issue.

The payment of all amounts in respect of the Mortgage Notes has been guaranteed by the Guarantor pursuant to an Irrevocable Payment Undertaking (the **Irrevocable Payment Undertaking**) dated 7 July 2010 and executed by the Guarantor.

Any reference to **Noteholders** or **holders** in relation to any Mortgage Notes shall mean the holders of the Mortgage Notes and shall, in relation to any Mortgage Notes represented by a Global Mortgage Note, be construed as provided below. Any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, **Tranche** means Mortgage Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Mortgage Notes together with any further Tranche or Tranches of Mortgage Notes which are (a) expressed to be consolidated and form a single series and (b) identical

in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Noteholders and the Couponholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant as modified and/or supplemented and/or restated from time to time, the **Deed of Covenant**) dated 12 December 2023 and made by the Issuer. The original Deed of Covenant is held by a common depository for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement, the Irrevocable Payment Undertaking and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Paying Agents. Copies of the applicable Final Terms are available for viewing at the registered office of the Issuer and of the Agent and copies may be obtained from those offices save that, if this Mortgage Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Regulation, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Mortgage Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such Mortgage Notes and identity. If the Mortgage Notes are to be admitted to trading on the regulated market of the Luxembourg Stock Exchange the applicable Final Terms will be published on the website of the Luxembourg Stock Exchange ([www.luxse.com](http://www.luxse.com)). The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Irrevocable Payment Undertaking, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

## 1. DEFINITIONS

(a) **Definitions:** In these Conditions the following expressions have the following meanings:

“**Accrual Yield**” has the meaning given in the relevant Final Terms;

“**Additional Amounts**” has the meaning given in Condition 12(a) (*Gross-up*);

“**Additional Business Centre(s)**” means the city or cities specified as such in the relevant Final Terms;

“**Additional Financial Centre(s)**” means the city or cities specified as such in the relevant Final Terms;

“**Adjustment Spread**” has the meaning given in Condition 9(a)(7) (*Definitions*);

“**Alternative Rate**” has the meaning given in Condition 9(a)(7) (*Definitions*);

“**Benchmark Amendments**” has the meaning given in Condition 9(a)(4) (*Benchmark Amendments*);

“**Benchmark Event**” has the meaning given in Condition 9(a)(7) (*Definitions*);

“**Broken Amount**” means, in respect of any Mortgage Notes, the amount (if any) that is specified in the relevant Final Terms;

“**Business Day**” means:

- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;
- (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre; and
- (iii) in relation to any Mortgage Notes for which the Reference Rate is specified as SOFR in the relevant Final Terms, any weekday that is a U.S. Government Securities Business Day and is



not a legal holiday in New York and each (if any) Additional Business Centre and is not a date on which banking institutions in those cities are authorised or required by law or regulation to be closed;

“**Business Day Convention**”, in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) “**Following Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) “**Modified Following Business Day Convention**” or “**Modified Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) “**Preceding Business Day Convention**” means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) “**FRN Convention**”, “**Floating Rate Convention**” or “**Eurodollar Convention**” means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:
  - (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) “**No Adjustment**” means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

“**Calculation Amount**” has the meaning given in the relevant Final Terms;

“**Civil Code**” means Act V of 2013 on the Civil Code (*2013. évi V. törvény a Polgári Törvénykönyvről*);

“**CMS Rate**” means the Relevant Swap Rate for swap transactions in the Reference Currency with a maturity of the Designated Maturity (expressed as a percentage rate per annum) which appears on the Relevant Screen Page as at (a) the Determination Time specified in the relevant Final Terms or (b) if no Determination Time is specified in the relevant Final Terms, 11.00 a.m. (Relevant Financial Centre time) on the Interest Determination Date in question, all as determined by the Calculation Agent;

“**CMS Rate Fixing Centre**” has the meaning given in the relevant Final Terms;

“**CMS Rate Fixing Day**” means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business in each CMS Rate Fixing Centre specified in the relevant Final Terms;

“**CMT Designated Maturity**” has the meaning given to it in the relevant Final Terms;

“**CMT Rate**” means, in relation to a Reset Period and the Reset Determination Date in relation to such Reset Period, the rate determined by the Calculation Agent, and expressed as a percentage, equal to:

- (i) the yield for United States Treasury Securities at “constant maturity” for the CMT Designated Maturity, as published in the H.15(519) under the caption “treasury constant maturities (nominal)”, as that yield is displayed on the CMT Rate Screen Page on such Reset Determination Date; or
- (ii) if the yield referred to in paragraph (i) above is not published by 4:00 p.m. (New York City time) on the CMT Rate Screen Page on such Reset Determination Date, the yield for the United States Treasury Securities at “constant maturity” for the CMT Designated Maturity as published in the H.15(519) under the caption “treasury constant maturities (nominal)” on such Reset Determination Date; or
- (iii) if the yield referred to in paragraph (ii) above is not published by 4:30 p.m. (New York City time) on such Reset Determination Date, the Reference Bank CMT Rate on such Reset Determination Date;

“**CMT Rate Screen Page**” has the meaning given to it in the relevant Final Terms or any successor service or such other page as may replace that page on that service for the purpose of displaying “treasury constant maturities” as reported in H.15(519);

“**Code**” has the meaning given in Condition 12(b) (*FATCA*);

“**Coupon Sheet**” means, in respect of a Mortgage Note, a coupon sheet relating to such Mortgage Note;

“**Day Count Fraction**” means, in respect of the calculation of an amount for any period of time (the “**Calculation Period**”), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (i) if “**Actual/Actual (ICMA)**” is so specified, means:
  - (A) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (a) the actual number of days in such Regular Period and (b) the number of Regular Periods in any year; and
  - (B) where the Calculation Period is longer than one Regular Period, the sum of:
    - (1) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (I) the actual number of days in such Regular Period and (II) the number of Regular Periods in any year; and
    - (2) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (I) the actual number of days in such Regular Period and (II) the number of Regular Periods in any year;
- (ii) if “**Actual/Actual (ISDA)**” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (1) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (2) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if “**30/360**” is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and **D<sub>1</sub>** is greater than 29, in which case **D<sub>2</sub>** will be 30;

- (vi) if “**30E/360**” or “**Eurobond Basis**” is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case **D<sub>2</sub>** will be 30;

- (vii) if “**30E/360 (ISDA)**” is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis is as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless (1) that day is the last day of February or (2) such number would be 31, in which case D<sub>1</sub> will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (1) that day is the last day of February but not the Maturity Date or (2) such number would be 31, in which case D<sub>2</sub> will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from (and including) the first day of the Calculation Period to (but excluding) the last day of the Calculation Period;

“**Designated Maturity**” shall have the meaning specified in the relevant Final Terms;

“**Directors**” means the directors of the Issuer;

“**Early Redemption Amount (Tax)**” means, in respect of any Mortgage Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

“**EEA Regulated Market**” means a market as defined by Article 4.1(21) of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments, as amended or any equivalent or successor provision;

“**EURIBOR**” means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Eurozone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Money Markets Institute (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor);

“**euro**” and “**€**” means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended;

“**Extraordinary Resolution**” has the meaning given in the Agency Agreement;

“**FATCA Withholding**” has the meaning given in Condition 12(b) (*FATCA*);

“**Final Redemption Amount**” means, in respect of any Mortgage Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

“**First Interest Payment Date**” means the date specified in the relevant Final Terms;

“**First Margin**” means the margin specified as such in the relevant Final Terms;

“**First Reset Date**” means the date specified in the relevant Final Terms;

“**First Reset Period**” means the period from (and including) the First Reset Date until (but excluding) the first Subsequent Reset Date or, if a Subsequent Reset Date is not specified in the relevant Final Terms, the Maturity Date;

“**First Reset Rate of Interest**” means, in respect of the First Reset Period and subject to Conditions 5(d) (*Fallback – Mid-Swap Rate*) and 5(e) (*Fallback – CMT Rate*) (as applicable), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Reset Rate and the First Margin (with such sum converted (if necessary) from a basis equivalent to the Fixed Leg Swap Payment Frequency to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Mortgage Notes during the First Reset Period (such calculation to be made by the Calculation Agent));

“**Fixed Coupon Amount**” has the meaning given in the relevant Final Terms;

“**Fixed/Floating Rate Mortgage Notes**” means (i) that the Issuer has elected to convert on the date set out in the relevant Final Terms from a Fixed Rate Note to a Floating Rate Note, or from a Floating Rate

Note to a Fixed Rate Note or (ii) that will automatically change from a Fixed Rate Note to a Floating Rate Note, or from a Floating Rate Note to a Fixed Rate Note on the date set out in the relevant Final Terms, in either case, as set out in the relevant Final Terms;

“**Fixed Leg Swap Payment Frequency**” has the meaning given in the relevant Final Terms;

“**Fixed Rate Mortgage Note**” means a Mortgage Note on which interest is calculated at a fixed rate payable in arrear on a fixed date or dates in each year and on redemption or on such other dates as may be agreed between the Issuer and the relevant dealer(s) (as indicated in the relevant Final Terms);

“**Floating Rate Mortgage Note**” means a Mortgage Note on which interest is calculated at a floating rate payable at intervals of one, two, three, six or 12 months or at such other intervals as may be agreed between the Issuer and the relevant dealer(s) (as indicated in the relevant Final Terms);

“**IA Determination Cut-Off Date**” means the day falling no later than five Business Days prior to the Interest Determination Date or the Reset Determination Date (as applicable);

“**Independent Adviser**” has the meaning given in Condition 9(a)(7) (*Definitions*);

“**Initial Mid-Swap Rate**” has the meaning specified in the relevant Final Terms;

“**Initial Mid-Swap Rate Final Fallback**” has the meaning given in the relevant Final Terms;

“**Initial Rate of Interest**” has the meaning specified in the relevant Final Terms;

“**Interest Amount**” means, in relation to a Mortgage Note and an Interest Period, the amount of interest payable in respect of that Mortgage Note for that Interest Period;

“**Interest Commencement Date**” means the Issue Date of the Mortgage Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

“**Interest Determination Date**” shall mean:

- (i) if the Reference Rate is not CMS Rate, the date specified as such in the relevant Final Terms, or if the Reference Rate is EURIBOR, unless specified otherwise in the relevant Final Terms, the second TARGET Settlement Day prior to the start of each Interest Period; or
- (ii) if the Reference Rate is CMS Rate, the date specified as such in the relevant Final Terms, provided that if any day specified as an Interest Determination Date in the relevant Final Terms is not a CMS Rate Fixing Day, the relevant Interest Determination Date shall be the immediately preceding CMS Rate Fixing Day;

“**Interest Payment Date**” means the First Interest Payment Date and any date or dates specified as such in the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

“**Interest Period**” means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the first Interest Payment Date or next Interest Payment Date (as the case may be);

“**ISDA Definitions**” means the 2006 ISDA Definitions (as amended and updated as at the Issue Date of the first Tranche of Mortgage Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

“**Issue Date**” has the meaning given in the relevant Final Terms;

“**Last Observable Mid-Swap Rate Final Fallback**” has the meaning given in the relevant Final Terms;

“**Margin**” has the meaning given in the relevant Final Terms;

“**Market**” means the EEA Regulated Market of the Luxembourg Stock Exchange;

“**Maturity Date**” has the meaning given in the relevant Final Terms;

“**Maximum Redemption Amount**” has the meaning given in the relevant Final Terms;

“**Mid-Market Swap Rate**” means, for any Reset Period, the mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the Fixed Leg Swap Payment Frequency during the relevant Reset Period (calculated on the day count basis then customary for fixed rate payments in the Specified Currency) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (i) has a term equal to the relevant Reset Period and commencing on the relevant Reset Date, (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on the Mid-Swap Floating Leg Benchmark Rate for the Mid-Swap Maturity (as specified in the relevant Final Terms) (calculated on the day count basis then customary for floating rate payments in the Specified Currency);

“**Mid-Market Swap Rate Quotation**” means a quotation (expressed as a percentage rate per annum) for the relevant Mid-Market Swap Rate;

“**Mid-Swap Floating Leg Benchmark Rate**” means EURIBOR if the Specified Currency is euro or the Reference Rate as specified in the relevant Final Terms;

“**Mid-Swap Maturity**” has the meaning given in the relevant Final Terms;

“**Mid-Swap Rate**” means, in relation to a Reset Determination Date and subject to Condition 5(d) (*Fallback – Mid-Swap Rate*), either:

(i) if Single Mid-Swap Rate is specified in the relevant Final Terms, the rate for swaps in the Specified Currency:

(A) with a term equal to the relevant Reset Period; and

(B) commencing on the relevant Reset Date,

which appears on the Relevant Screen Page; or

(ii) if Mean Mid-Swap Rate is specified in the relevant Final Terms, the arithmetic mean (expressed as a percentage rate per annum) of the bid and offered swap rate quotations for swaps in the Specified Currency:

(A) with a term equal to the relevant Reset Period; and

(B) commencing on the relevant Reset Date,

which appear on the Relevant Screen Page,

in either case, as at approximately 11.00 a.m. in the Principal Financial Centre of the Specified Currency on such Reset Determination Date, all as determined by the Calculation Agent;

“**Minimum Redemption Amount**” has the meaning given in the relevant Final Terms;

“**Mortgage Credit Institutions Act**” means Act XXX of 1997 on Mortgage Loan Credit Institutions and on Mortgage Bonds (*1997. évi XXX. törvény a jelzálog-hitelintézettről és a jelzáloglevélről*);

“**Official List**” means the official list of the Luxembourg Stock Exchange;

“**Optional Redemption Amount (Call)**” means, in respect of any Mortgage Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

“**Optional Redemption Amount (Put)**” means, in respect of any Mortgage Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

“**Optional Redemption Date (Call)**” has the meaning given in the relevant Final Terms;

“**Optional Redemption Date (Put)**” has the meaning given in the relevant Final Terms;

“**Original Reference Rate**” has the meaning given in Condition 9(a)(7) (*Definitions*);

“**OTP Group**” means the Issuer and each entity (if any) that is part of the prudential consolidation group (as that term, or its successor, is used in the Regulatory Capital Requirements) of which the Issuer is part from time to time, if any;

“**Payment Business Day**” means:

- (i) if the currency of payment is euro, any day (other than a Saturday, Sunday or public holiday) which is:
  - (A) a day on which (1) banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies or (2) commercial banks are open for general business (including dealings in foreign currencies) in the city where the Principal Paying Agent has its Specified Office; and
  - (B) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not euro, any day (other than a Saturday, Sunday or public holiday) which is:
  - (A) a day on which (1) banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies or (2) commercial banks are open for general business (including dealings in foreign currencies) in the city where the Principal Paying Agent has its Specified Office; and
  - (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

“**person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“**Principal Financial Centre**” means, in relation to any currency, the principal financial centre for that currency provided, however, that:

- (i) in relation to euro, it means the principal financial centre of such Member State of the European Union as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Issuer;
- (ii) in relation to Australian dollars, it means Sydney; and
- (iii) in relation to New Zealand Dollars, it means either Wellington or Auckland as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Issuer;

“**Prospectus Regulation**” means Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017;

“**Put Option Notice**” means a notice which must be delivered to an Agent by any Noteholder wanting to exercise a right to redeem a Mortgage Note at the option of the Noteholder;

“**Put Option Receipt**” means a receipt issued by an Agent to a depositing Noteholder upon deposit of a Mortgage Note with such Agent by any Noteholder wanting to exercise a right to redeem a Mortgage Note at the option of the Noteholder;

“**Rate of Interest**” means: (i) in the case of Mortgage Notes other than Reset Mortgage Notes, the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Mortgage Notes

specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms; and (ii) in the case of Reset Mortgage Notes, the Initial Rate of Interest, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest, as applicable;

“**Redemption Amount**” means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put) or such other amount in the nature of a redemption amount as may be specified in the relevant Final Terms;

“**Reference Banks**” (i) in the case of Mortgage Notes other than Reset Mortgage Notes and Floating Rate Mortgage Notes where the Reference Rate is CMS Rate, has the meaning given in the relevant Final Terms or, if none, five major banks selected by the Issuer in the market that is most closely connected with the Reference Rate, (ii) in the case of Floating Rate Mortgage Notes where the Reference Rate is CMS Rate, (A) where the Reference Currency is euro, the principal office of five leading swap dealers in the Eurozone inter-bank market, (B) where the Reference Currency is pounds sterling, the principal London office of five leading swap dealers in the London inter-bank market, (C) where the Reference Currency is U.S. dollars, the principal New York City office of five leading swap dealers in the New York City inter-bank market, or (D) in the case of any other Reference Currency, the principal Relevant Financial Centre office of five leading swap dealers in the Relevant Financial Centre inter-bank market, in each case as selected by the Issuer, and (iii) in the case of Reset Mortgage Notes, has the meaning given in the relevant Final Terms or, if none (1) in the case of the calculation of a Mid-Market Swap Rate, five major banks in the swap, money, securities or other market most closely connected with the relevant Mid-Swap Rate as selected by the Issuer or (2) in the case of the calculation of a CMT Rate, five banks which are primary U.S. Treasury securities dealers or market makers in pricing corporate bond issues denominated in U.S. dollars in New York as selected by the Issuer;

“**Reference Bank CMT Rate**” means, if “CMT Rate” is specified in the Final Terms, the Reset United States Treasury Securities Quotations provided by the Reference Banks to the Issuer at or around 4:30 p.m. (New York City time) on the relevant Reset Determination Date and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards). If at least four quotations are provided, the Reference Bank CMT Rate will be the rounded arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Reference Bank CMT Rate will be the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Reference Bank CMT Rate will be the rounded quotation provided;

“**Reference Currency**” has the meaning given in the relevant Final Terms;

“**Reference Price**” has the meaning given in the relevant Final Terms;

“**Reference Rate**” shall mean (i) EURIBOR, (ii) SOFR, (iii) €STR, (iv) the CMS Rate or (v) as otherwise specified in the relevant Final Terms, in each case for the relevant currency and for the relevant period as specified in the relevant Final Terms;

“**Regular Period**” means:

- (i) in the case of Mortgage Notes where interest is scheduled to be paid only by means of regular payments, each period from (and including) the Interest Commencement Date to (but excluding) the first Interest Payment Date and each successive period from (and including) one Interest Payment Date to (but excluding) the next Interest Payment Date;
- (ii) in the case of Mortgage Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from (and including) a Regular Date falling in any year to (but excluding) the next Regular Date, where “**Regular Date**” means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Mortgage Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from (and including) a Regular Date falling in any year to (but excluding) the next Regular Date, where “**Regular Date**” means the day and month (but not the year) on which any Interest



Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

**“Relevant Date”** means: (i) in respect of any payment other than a sum to be paid by the Issuer in a Winding-Up of the Issuer, the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Holders that, upon further surrender of the Mortgage Note being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender, and (ii) in respect of a sum to be paid by the Issuer in a Winding-Up of the Issuer, the date which is one day prior to the date on which an order is made or a resolution is passed for the Winding-Up;

**“Relevant Financial Centre”** has the meaning given in the relevant Final Terms;

**“Relevant Jurisdiction”** means Hungary or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer or the Guarantor (as the case may be) becomes subject in respect of payments made by it of principal, premium (if any) and/or interest on the Mortgage Notes;

**“Relevant Nominating Body”** has the meaning given in Condition 9(a)(7) (*Definitions*);

**“Relevant Screen Page”** means the page, section or other part of a particular information service (or any successor or replacement page, section or other part of a particular information service, including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

**“Relevant Swap Rate”** means:

- (i) where the Reference Currency is euro, the mid-market annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is equivalent to EURIBOR-Reuters (as defined in the ISDA Definitions) with a designated maturity of six months;
- (ii) where the Reference Currency is pounds sterling, the mid-market semi-annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the semi-annual fixed leg, calculated on an Actual/365 (Fixed) day count basis, of a fixed-for-floating pounds sterling interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/365 (Fixed) day count basis, is equivalent (A) if the Designated Maturity is greater than one year, to SONIA (as defined in the ISDA Definitions) with a designated maturity of six months or (B) if the Designated Maturity is one year or less, to SONIA with a designated maturity of three months;
- (iii) where the Reference Currency is U.S. dollars, the mid-market semi-annual swap rate determined on the basis of the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating U.S. dollar interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to SOFR (as defined in the ISDA Definitions) with a designated maturity of three months; and

(iv) where the Reference Currency is any other currency, the mid-market swap rate as determined by the Calculation Agent on a commercial basis as it shall consider appropriate and in accordance with standard market practice;

“**Relevant Time**” has the meaning given in the relevant Final Terms;

“**Representative Amount**” means an amount that is representative for a single transaction in the relevant market at the relevant time;

“**Reset Date**” means the First Reset Date and each Subsequent Reset Date (as applicable);

“**Reset Determination Date**” means, in respect of a Reset Period, (a) each date specified as such in the Final Terms or, if none is so specified, (b) (i) if the Specified Currency is euro, the day falling two TARGET Settlement Days prior to the first day of such Reset Period, (ii) if the Specified Currency is U.S. dollars, the day falling two U.S. Government Securities Business Days prior to the first day of such Reset Period or (iii) for any other Specified Currency, the day falling two Business Days in the principal financial centre for such Specified Currency prior to the first day of such Reset Period;

“**Reset Maturity Initial Mid-Swap Rate Final Fallback**” has the meaning given in the relevant Final Terms;

“**Reset Mortgage Note**” means a Mortgage Note which bears interest at a rate of interest which is recalculated at specified intervals;

“**Reset Period**” means the First Reset Period or a Subsequent Reset Period, as the case may be;

“**Reset Period Maturity Initial Mid-Swap Rate**” has the meaning given in the relevant Final Terms;

“**Reset Rate**” means (i) if “Mid-Swap Rate” is specified in the relevant Final Terms, the relevant Mid-Swap Rate or (ii) if “CMT Rate” is specified in the Final Terms, the relevant CMT Rate;

“**Reset United States Treasury Securities**” means, on the relevant Reset Determination Date, United States Treasury Securities with an original maturity equal to the CMT Designated Maturity, a remaining term to maturity of no more than one year shorter than the CMT Designated Maturity and in a principal amount equal to an amount that is representative for a single transaction in such United States Treasury Securities in the New York City market. If two or more United States Treasury Securities have remaining terms to maturity of no more than one year shorter than the CMT Designated Maturity, the United States Treasury Security with the longer remaining term to maturity will be used and if two or more United States Treasury Securities have remaining terms to maturity equally close to the duration of the CMT Designated Maturity, the United States Treasury Security with the largest principal amount outstanding will be used;

“**Reset United States Treasury Securities Quotation**” means, in relation to a Reset Period and the Reset Determination Date in relation to such Reset Period, the rate quoted by a Reference Bank as being a yield-to-maturity based on the secondary market bid price of such Reference Bank for Reset United States Treasury Securities at approximately 4:30 p.m. (New York City time) on such Reset Determination Date;

“**Specified Currency**” has the meaning given in the relevant Final Terms;

“**Specified Denomination(s)**” has the meaning given in the relevant Final Terms;

“**Specified Office**” has the meaning given in the Agency Agreement;

“**Specified Period**” has the meaning given in the relevant Final Terms;

“**Subsequent Margin**” means the margin(s) specified as such in the relevant Final Terms;

“**Subsequent Reset Date**” means the date or dates specified in the relevant Final Terms;

“**Subsequent Reset Period**” means the period from (and including) the first Subsequent Reset Date to (but excluding) the next Subsequent Reset Date, and each successive period from (and including) a Subsequent Reset Date to (but excluding) the next succeeding Subsequent Reset Date;

“**Subsequent Reset Rate of Interest**” means, in respect of any Subsequent Reset Period and subject to Conditions 5(d) (*Fallback – Mid-Swap Rate*) and 5(e) (*Fallback – CMT Rate*) (as applicable), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Reset Rate and the relevant Subsequent Margin (with such sum converted (if necessary) from a basis equivalent to the Fixed Leg Swap Payment Frequency to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Mortgage Notes during the relevant Subsequent Reset Period (such calculation to be made by the Calculation Agent));

“**Subsequent Reset Rate Last Observable Mid-Swap Rate Final Fallback**” has the meaning given in the relevant Final Terms;

“**Subsequent Reset Rate Mid-Swap Rate Final Fallback**” has the meaning given in the relevant Final Terms;

“**Successor Rate**” has the meaning given in Condition 9(a)(7) (*Definitions*);

“**Talon**” means a talon for further Coupons;

“**T2**” means the real time gross settlement system operated by the Eurosystem, or any successor system;

“**TARGET Settlement Day**” means any day on which T2 is open for the settlement of payments in euro;

“**Tax Event**” is deemed to have occurred if, as a result of a Tax Law Change, the Issuer determines that in making any payments on the Mortgage Notes, the Issuer has paid or will or would on the next payment date be required to pay Additional Amounts and the Issuer could not avoid the foregoing by taking measures reasonably available to it;

“**Tax Law Change**” means a change in or amendment to the laws or regulations of a Relevant Jurisdiction, including any treaty to which such Relevant Jurisdiction is a party, or any change in the application of official or generally published interpretation of such laws, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions or which differs from any specific written statements made by a tax authority regarding the anticipated tax treatment of the Mortgage Notes, which change or amendment (x) (subject to (y)) becomes, or would become, effective on or after the Issue Date of the last Tranche of Mortgage Notes of the relevant Series or (y) in the case of a change or proposed change in law, if such change is enacted (or, in the case of a proposed change, is expected to be enacted), on or after the Issue Date of the last Tranche of Mortgage Notes of the relevant Series;

“**U.S. Government Securities Business Day**” means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities;

“**United States Treasury Securities**” means securities that are direct obligations of the United States Treasury, issued other than on a discount rate basis;

“**Winding-Up**” means the ordering by any competent court for the liquidation (*felszámolás*) of the Issuer in accordance with Act XLIX of 1991 on Bankruptcy and Liquidation Proceedings of Hungary; and

“**Zero Coupon Mortgage Note**” means a Note specified as such in the relevant Final Terms.

(b) **Interpretation:** In these Conditions:

- (i) if the Mortgage Notes are Zero Coupon Mortgage Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Final Terms as being attached to the Mortgage Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Final Terms as being attached to the Mortgage Notes at the time of issue, references to Talons are not applicable;

- (iv) any reference to principal shall be deemed to include the Redemption Amount any Additional Amounts in respect of principal which may be payable under Condition 12 (*Taxation*) or any undertakings given in addition thereto or in substitution therefor or any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any Additional Amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any undertakings given in addition thereto or in substitution therefor or any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being “**outstanding**” shall be construed in accordance with the Agency Agreement; and
- (vii) if an expression is stated in Condition 1(a) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is “Not Applicable”, then such expression is not applicable to the Mortgage Notes.

## 2. FORM, DENOMINATION AND TITLE

The Mortgage Notes are in bearer form and are serially numbered, in the currency (the **Specified Currency**) and in the denominations (the **Specified Denomination(s)**) specified in the applicable Final Terms. Mortgage Notes of one Specified Denomination may not be exchanged for Mortgage Notes of another Specified Denomination.

This Mortgage Note may be a Fixed Rate Mortgage Note, a Floating Rate Mortgage Note, a Zero Coupon Mortgage Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Definitive Mortgage Notes are issued with Coupons attached, unless they are Zero Coupon Mortgage Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Mortgage Notes and Coupons will pass by delivery. The Issuer, the Guarantor and the Paying Agents will (except as otherwise required by law) deem and treat the bearer of any Mortgage Note or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Mortgage Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Mortgage Notes is represented by a Global Mortgage Note held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular principal amount of such Mortgage Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Mortgage Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor and the Paying Agents as the holder of such principal amount of such Mortgage Notes for all purposes other than with respect to the payment of principal or interest on such principal amount of such Mortgage Notes, for which purpose the bearer of the relevant Global Mortgage Note shall be treated by the Issuer, the Guarantor and any Paying Agent as the holder of such principal amount of such Mortgage Notes in accordance with and subject to the terms of the relevant Global Mortgage Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

Mortgage Notes which are represented by a Global Mortgage Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part B of applicable Final Terms.

### **3. STATUS OF THE MORTGAGE NOTES and the Irrevocable payment undertaking**

#### **(a) *Status of the Mortgage Notes***

The Mortgage Notes and any relative Coupons are direct, unconditional, unsubordinated obligations of the Issuer and rank *pari passu* among themselves. The Mortgage Notes are covered in accordance with Mortgage Credit Institutions Act and rank *pari passu* with all other covered and unsubordinated present and future obligations of the Issuer under mortgage bonds (“*jelzáloglevelek*”).

#### **(b) *Status of the Irrevocable Payment Undertaking***

The obligation of the Guarantor under the Irrevocable Payment Undertaking will be a direct, unconditional and unsecured obligation of the Guarantor and will rank *pari passu* and equally in all respect (save for certain obligations required to be preferred by law) with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor from time to time.

### **4. Fixed Rate Mortgage Notes**

#### **(a) *Application***

This Condition 4 is applicable to the Mortgage Rate Notes only if the Fixed Rate Mortgage Note Provisions are specified in the relevant Final Terms as being applicable.

#### **(b) *Accrual of interest***

The Mortgage Notes bear interest from (and including) the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date. Each Mortgage Note will cease to bear interest from (and including) the due date for redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this condition (as well after as before judgment) up to (but excluding) the Relevant Date.

#### **(c) *Fixed Coupon Amount***

The amount of interest payable in respect of each Mortgage Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Mortgage Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination. Payments of interest on any Interest Payment Date will, if so specified in the relevant Final Terms, amount to the Broken Amount so specified.

#### **(d) *Calculation of interest amount***

The amount of interest payable in respect of each Mortgage Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Mortgage Note divided by the Calculation Amount. For this purpose, a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

### **5. Reset Mortgage Note Provisions**

#### **(a) *Application***

This Condition 5 is applicable to the Mortgage Notes only if the Reset Mortgage Note Provisions are specified in the relevant Final Terms as being applicable.

#### **(b) *Accrual of interest***

The Mortgage Notes bear interest:

- (i) from (and including) the Interest Commencement Date specified in the relevant Final Terms to (but excluding) the First Reset Date at the rate per annum equal to the Initial Rate of Interest;

- (ii) from (and including) the First Reset Date to (but excluding) the first Subsequent Reset Date or, if a Subsequent Reset Date is not specified in the relevant Final Terms, the Maturity Date at the rate per annum equal to the First Reset Rate of Interest; and
- (iii) for each Subsequent Reset Period thereafter (if any), at the rate per annum equal to the relevant Subsequent Reset Rate of Interest,

payable, in each case, in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments*) (as applicable). Each Mortgage Note will cease to bear interest from (and including) the due date for redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 (as well after as before judgment) up to (but excluding) the Relevant Date.

(c) ***Rate of Interest***

The Rate of Interest applicable for each Reset Period shall, subject to Condition 9(a) (*Benchmark Discontinuation*), be determined by the Calculation Agent at or as soon as practicable after each time at which the Rate of Interest is to be determined on each Reset Determination Date. The Interest Amount payable on the Mortgage Notes shall be calculated in accordance with the provisions for calculating amounts of interest in Condition 4 (*Fixed Rate Mortgage Notes*) and, for such purposes, Condition 4 (*Fixed Rate Mortgage Notes*) shall be construed accordingly.

(d) ***Fallback – Mid-Swap Rate***

Where the Reset Rate is specified as “Mid-Swap Rate” in the relevant Final Terms and if on any Reset Determination Date the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page, the Issuer shall request each of the Reference Banks to provide the Issuer with its Mid-Market Swap Rate Quotation as at approximately 11.00 a.m. in the Principal Financial Centre of the Specified Currency on the Reset Determination Date in question.

If two or more of the Reference Banks provide the Issuer with Mid-Market Swap Rate Quotations on the Reset Determination Date, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period shall be the sum of the arithmetic mean of the relevant Mid-Market Swap Rate Quotations and the First Margin or Subsequent Margin (as applicable) (with such sum converted (if necessary) to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Mortgage Notes (such calculation to be made by the Calculation Agent)).

If only one of the Reference Banks provides the Issuer with a Mid-Market Swap Rate Quotation on the Reset Determination Date, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the Reset Period shall be the sum of such Mid-Market Swap Rate Quotation and the First Margin or Subsequent Margin (as applicable) (with such sum converted (if necessary) to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Mortgage Notes (such calculation to be made by the Calculation Agent)).

If on any Reset Determination Date none of the Reference Banks provides the Issuer with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this Condition 5(d) :

- (i) in the case of the first Reset Determination Date only, the First Reset Rate of Interest shall be equal to the sum of:
  - (A) if Initial Mid-Swap Rate Final Fallback is specified in the relevant Final Terms as being applicable, (aa) the Initial Mid-Swap Rate and (bb) the First Margin (with such sum converted (if necessary) to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Mortgage Notes (such calculation to be made by the Calculation Agent));
  - (B) if Reset Maturity Initial Mid-Swap Rate Final Fallback is specified in the relevant Final Terms as being applicable, (aa) the Reset Period Maturity Initial Mid-Swap Rate and (bb) the First Margin (with such sum converted (if necessary) to a basis equivalent to

the frequency with which scheduled interest payments are payable on the relevant Mortgage Notes (such calculation to be made by the Calculation Agent)); or

- (C) if Last Observable Mid-Swap Rate Final Fallback is specified in the applicable Final Terms as being applicable, (aa) the last observable rate for swaps in the Specified Currency with a term equal to the relevant Reset Period which appears on the Relevant Screen Page and (bb) the First Margin (with such sum converted (if necessary) to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Mortgage Notes (such calculation to be made by the Calculation Agent)).
- (ii) in the case of any Reset Determination Date, other than the first Reset Determination Date, the Subsequent Reset Rate of Interest shall be equal to the sum of:
  - (A) if Subsequent Reset Rate Mid-Swap Rate Final Fallback is specified in the relevant Final Terms as being applicable, (aa) the Mid-Swap Rate determined on the last preceding Reset Determination Date and (bb) the Subsequent Margin (with such sum converted (if necessary) to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Mortgage Notes (such calculation to be made by the Calculation Agent)); or
  - (B) if Subsequent Reset Rate Last Observable Mid-Swap Rate Final Fallback is specified in the relevant Final Terms as being applicable, (aa) the last observable rate for swaps in the Specified Currency with a term equal to the relevant Reset Period which appears on the Relevant Screen Page and (bb) the Subsequent Margin (with such sum converted (if necessary) to a basis equivalent to the frequency with which scheduled interest payments are payable on the relevant Mortgage Notes (such calculation to be made by the Calculation Agent)).
- (e) ***Fallback – CMT Rate***

Where the Reset Rate is specified as “CMT Rate” in the relevant Final Terms and where no quotations with respect to the Reference Bank CMT Rate are provided, the Reference Bank CMT Rate shall be determined to be the relevant CMT Rate as at the last preceding Reset Date or, in the case of the first Reset Determination Date, the First Reset Rate of Interest shall be the Initial Rate of Interest.

(f) ***Publication***

The Calculation Agent will cause each Rate of Interest determined by it and any other amount(s) required to be determined by it, together with the relevant payment date(s), to be notified to the Issuer and the Agents as soon as possible after such determination but in any event not later than the fourth Business Day thereafter and the Issuer shall thereafter notify, as soon as possible, each competent authority and/or stock exchange by which the Mortgage Notes have then been admitted to listing and/or trading and, in accordance with Condition 17 (*Notices*), the Holders.

(g) ***Notifications, etc.***

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5 by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, the Calculation Agent, the Agents and all Holders and no liability to the Holders, Couponholders or (subject to the provisions of the Agency Agreement) the Issuer shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

**6. FLOATING RATE MORTGAGE NOTE PROVISIONS**

(a) ***Application***

This Condition 6 is applicable to the Mortgage Notes only if the Floating Rate Mortgage Note Provisions are specified in the relevant Final Terms as being applicable.

(b) ***Accrual of interest***

The Mortgage Notes bear interest from (and including) the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Redemption and Purchase*). Each Mortgage Note will cease to bear interest from (and including) the due date for redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) up to (but excluding) the Relevant Date.

(c) ***Screen Rate Determination – Other than Floating Rate Mortgage Notes which reference CMS Rate, SOFR or €STR***

If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined and the relevant Final Terms do not specify that the Reference Rate is the CMS Rate, SOFR or €STR, the Rate of Interest applicable to the Mortgage Notes for each Interest Period will be determined by the Calculation Agent, subject to Condition 9(a) (*Benchmark Discontinuation*), on the following basis:

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) if Linear Interpolation is specified as applicable in respect of an Interest Period in the relevant Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:
  - (A) one rate shall be determined as if the period of time designated in the Reference Rate were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
  - (B) the other rate shall be determined as if the period of time designated in the Reference Rate were the period of time for which rates are available next longer than the length of the relevant Interest Period,

provided, however, that if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the period of time designated in the Reference Rate, then the Issuer shall determine such rate at such time and by reference to such sources as it determines appropriate (including, where the Issuer deems appropriate, in consultation with an Independent Advisor);

- (iii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iv) if, in the case of paragraph (i) above, such rate does not appear on that page or, in the case of paragraph (iii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Issuer will:
  - (A) request each of the Reference Banks to provide to the Issuer a quotation of the Reference Rate as at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
  - (B) determine the arithmetic mean of such quotations; and
- (v) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Issuer, at approximately 11.00 a.m. (local time



in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; provided, however, that if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Mortgage Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Mortgage Notes in respect of a preceding Interest Period or, in the absence of a preceding Interest Period, the Rate of Interest applicable to the Mortgage Notes during such Interest Period shall be the Initial Rate of Interest.

(d) **Screen Rate Determination – Floating Rate Mortgage Notes which are CMS-Linked Mortgage Notes**

If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined and the relevant Final Terms specify that the Reference Rate is the CMS Rate, the Rate of Interest applicable to the Mortgage Notes for each Interest Period will be the CMS Rate plus or minus (as indicated in the relevant Final Terms) the Margin, as determined, subject to Condition 9(a) (*Benchmark Discontinuation*) by the Calculation Agent.

If the Relevant Screen Page is not available, the Issuer shall request each of the Reference Banks to provide it with its quotation for the Relevant Swap Rate (expressed as a percentage rate per annum) as at approximately (i) the Determination Time specified in the relevant Final Terms or (ii) if no Determination Time is specified in the relevant Final Terms, 11.00 a.m. (Relevant Financial Centre time) on the Interest Determination Date in question.

If two or more of the Reference Banks provide the Issuer with such quotations as aforesaid, the CMS Rate for such Interest Period shall be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

If on any Interest Determination Date at the Determination Time or 11.00 a.m. (Relevant Financial Centre time) (as applicable) one only or none of the Reference Banks provides the Issuer with such quotations as aforesaid, the CMS Rate shall be determined by the Issuer, after consultation with an Independent Adviser, on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

(e) **Screen Rate Determination - Floating Rate Mortgage Notes which reference SOFR or €STR**

(i) If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, Index Determination is specified in the relevant Final Terms as not applicable and the Reference Rate specified in the relevant Final Terms is SOFR or €STR:

(A) where the Calculation Method in respect of the relevant Series of Mortgage Notes is specified in the relevant Final Terms as being “**Compounded Daily**”, the Rate of Interest applicable to the Mortgage Notes for each Interest Period will (subject to Condition 9(a) (*Benchmark Discontinuation*) or Condition 9(b) (*Benchmark Transition Event*), as the case may be, and Condition 6(h) (*Floating Rate Mortgage Note Provisions – Maximum or Minimum Rate of Interest*) and subject as provided below) be the Compounded Daily Reference Rate plus or minus (as indicated in the relevant Final Terms) the Margin, all as determined by the Calculation Agent on the relevant Interest Determination Date and the resulting percentage will be rounded, if necessary, to the fifth decimal place, with 0.000005 being rounded upwards; and

(B) where the Calculation Method in respect of the relevant Series of Mortgage Notes is specified in the relevant Final Terms as being “**Weighted Average**”, the Rate of

Interest applicable to the Mortgage Notes for each Interest Period will (subject to Condition 9(a) (*Benchmark Discontinuation*) or Condition 9(b) (*Benchmark Transition Event*), as the case may be, and Condition 6(h) (*Floating Rate Mortgage Note Provisions – Maximum or Minimum Rate of Interest*) and subject as provided below) be the Weighted Average Reference Rate plus or minus (as indicated in the relevant Final Terms) the Margin, all as determined by the Calculation Agent on the relevant Interest Determination Date and the resulting percentage will be rounded, if necessary, to the fifth decimal place, with 0.000005 being rounded upwards.

- (ii) Where “**SOFR**” is specified as the Reference Rate in the relevant Final Terms, subject to Condition 9(b) (*Benchmark Transition Event*), if, in respect of any Local Business Day, the Calculation Agent determines that the Reference Rate does not appear on the Relevant Screen Page, such Reference Rate shall be the SOFR for the first preceding Local Business Day on which the SOFR was published on the Relevant Screen Page (“**r**” shall be interpreted accordingly).
- (iii) Where “**€STR**” is specified as the Reference Rate in the relevant Final Terms, subject to Condition 9(a) (*Benchmark Discontinuation*), if, in respect of any Local Business Day, the Calculation Agent determines that the Reference Rate does not appear on the Relevant Screen Page, such Reference Rate shall be the €STR for the first preceding Local Business Day on which the €STR was published on the Relevant Screen Page (“**r**” shall be interpreted accordingly).
- (iv) In the event that the Rate of Interest for the relevant Interest Period cannot be determined in accordance with the foregoing provisions by the Calculation Agent, subject to Condition 9(a) (*Benchmark Discontinuation*) or Condition 9(b) (*Benchmark Transition Event*), as the case may be, the Rate of Interest for such Interest Period shall be (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest (as specified in the relevant Final Terms) is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period), (ii) if there is no such preceding Interest Determination Date and the relevant Interest Period is the first Interest Period for the Mortgage Notes, the initial Rate of Interest which would have been applicable to such Series of Mortgage Notes for the first Interest Period had the Mortgage Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin and any Maximum Rate of Interest or Minimum Rate of Interest applicable to the first Interest Period) or (iii) if there is no such preceding Interest Determination Date and the relevant Interest Period is not the first Interest Period for the Mortgage Notes, the Rate of Interest which applied to the immediately preceding Interest Period.
- (v) If the relevant Series of Mortgage Notes becomes due and payable in accordance with Condition 14 (*Events of Default*), the last Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the relevant Final Terms, be deemed to be the date on which such Mortgage Notes became due and payable and the Rate of Interest on such Mortgage Notes shall, for so long as any such Mortgage Note remains outstanding, be that determined on such date.
- (vi) For the purposes of this Condition 6(e):

If “**Payment Delay**” is specified in the relevant Final Terms as being applicable, all references in these Conditions to interest on the Mortgage Notes being payable on an Interest Payment Date shall be read as reference to interest on the Mortgage Notes being payable on an Effective Interest Payment Date instead;

“**Applicable Period**” means,

- (A) where “**Lag**”, “**Lock-out**” or “**Payment Delay**” is specified as the Observation Method in the relevant Final Terms, Interest Period; and
- (B) where “**Observation Shift**” is specified as the Observation Method in the relevant Final Terms, Observation Period;

“**Calculation Method**” has the meaning given in the relevant Final Terms;

“**Compounded Daily Reference Rate**” means, with respect to an Interest Period, the rate of return of a daily compound interest investment in the Specified Currency (with the applicable Reference Rate (as indicated in the relevant Final Terms and further provided for below) as the reference rate for the calculation of interest) and will be calculated by the Calculation Agent as at the relevant Interest Determination Date as follows, and the resulting percentage will be rounded, if necessary, to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left[ \prod_{i=1}^{d_o} \left( 1 + \frac{r_{i-pLBD} \times n_i}{D} \right) - 1 \right] \times \frac{D}{d}$$

where:

“**D**” is the number specified in the relevant Final Terms;

“**d**” means, for the relevant Applicable Period, the number of calendar days in such Applicable Period;

“**d<sub>o</sub>**” means, for the relevant Applicable Period, the number of Local Business Days in such Applicable Period;

“**Effective Interest Payment Date**” means any date or dates specified as such in the relevant Final Terms;

“**€STR**” means, in respect of any Local Business Day, a reference rate equal to the daily euro short-term rate for such euro Local Business Day as provided by the European Central Bank, as administrator of such rate (or any successor administrator of such rate), on the website of the European Central Bank as at the date of the Base Prospectus at <http://www.ecb.europa.eu>, or any successor website officially designated by the European Central Bank (the “**ECB’s Website**”) in each case, on or before 9:00 a.m., (Central European Time) on the Local Business Day immediately following such Local Business Day;

“**i**” means, for the relevant Applicable Period, a series of whole numbers from one to d<sub>o</sub>, each representing the relevant Local Business Day in chronological order from, and including, the first Local Business Day in such Applicable Period;

“**Local Business Day**” or “**LBD**”, means, (i) where “**SOFR**” is specified as the Reference Rate, any day which is a U.S. Government Securities Business Day and is not a legal holiday in New York and is not a date on which banking institutions in those cities are authorised or required by law or regulation to be closed; and (ii) where “**€STR**” is specified as the Reference Rate, a TARGET Settlement Day;

“**Lock-out Period**” means the period from, and including, the day following the relevant Interest Determination Date to, but excluding, the corresponding Interest Payment Date;

“**n<sub>i</sub>**”, for any Local Business Day “**i**” in the Applicable Period, means the number of calendar days from, and including, such Local Business Day “**i**” up to but excluding the following Local Business Day;

“**New York Federal Reserve’s Website**” means the website of the Federal Reserve Bank of New York as at the date of the Base Prospectus at <http://www.newyorkfed.org>, or any successor website of the Federal Reserve Bank of New York;

“**Observation Method**” shall be as set out in the relevant Final Terms;

“**Observation Period**” means, in respect of the relevant Interest Period, the period from, and including, the date falling “**p**” Local Business Days prior to the first day of such Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) and ending on, but excluding, the date which is “**p**” Local Business Days prior to the Interest Payment Date for such Interest Period (or the date falling “**p**” Local Business Days prior to such earlier date, if any, on which the Mortgage Notes become due and payable);

“**p**” means, for any Interest Period:

- (A) where “**Lag**” is specified as the Observation Method in the relevant Final Terms, the number of Local Business Days included in the Observation Look-back Period specified in the relevant Final Terms (or, if no such number is specified five Local Business Days);
- (B) where “**Lock-out**” is specified as the Observation Method in the relevant Final Terms, zero;
- (C) where “**Observation Shift**” is specified as the Observation Method in the relevant Final Terms, the number of Local Business Days included in the Observation Look-back Period specified in the relevant Final Terms (or, if no such number is specified, five Local Business Days);

“**r**” means:

- (A) where in the relevant Final Terms “**SOFR**” is specified as the Reference Rate and either “**Lag**” or “**Observation Shift**” is specified as the Observation Method, in respect of any Local Business Day, the SOFR in respect of such Local Business Day;
- (B) where in the relevant Final Terms “**€STR**” is specified as the Reference Rate and either “**Lag**” or “**Observation Shift**” is specified as the Observation Method, in respect of any Local Business Day, the €STR in respect of such Local Business Day;
- (C) where in the relevant Final Terms “**SOFR**” is specified as the Reference Rate and “**Lock-out**” is specified as the Observation Method:
  - (i) in respect of any Local Business Day “**i**” that is a Reference Day, the SOFR in respect of the Local Business Day immediately preceding such Reference Day, and
  - (ii) in respect of any Local Business Day “**i**” that is not a Reference Day (being a Local Business Day in the Lock-out Period), the SOFR in respect of the Local Business Day immediately preceding the last Reference Day of the relevant Interest Period (such last Reference Day coinciding with the relevant Interest Determination Date);
- (D) where in the relevant Final Terms “**€STR**” is specified as the Reference Rate and “**Lock-out**” is specified as the Observation Method:
  - (i) in respect of any Local Business Day “**i**” that is a Reference Day, the €STR in respect of the Local Business Day immediately preceding such Reference Day, and
  - (ii) in respect of any Local Business Day “**i**” that is not a Reference Day (being a Local Business Day in the Lock-out Period), the €STR in respect of the Local Business Day immediately preceding the last Reference Day of the relevant Interest Period (such last Reference Day coinciding with the relevant Interest Determination Date);
- (E) where in the relevant Final Terms “**SOFR**” is specified as the Reference Rate and “**Payment Delay**” is specified as the Observation Method, in respect of any Local Business Day, the SOFR in respect of such Local Business Day, **provided however**

**that**, in the case of the last Interest Period, in respect of each Local Business Day in the period from (and including) the Rate Cut-off Date to (but excluding) the Maturity Date or the date fixed for redemption, as applicable, “**r**” shall be the SOFR in respect of the Rate Cut-off Date; and

- (F) where in the relevant Final Terms “**€STR**” is specified as the Reference Rate and “**Payment Delay**” is specified as the Observation Method, in respect of any Local Business Day, the €STR in respect of such Local Business Day, **provided however that**, in the case of the last Interest Period, in respect of each Local Business Day in the period from (and including) the Rate Cut-off Date to (but excluding) the Maturity Date or the date fixed for redemption, as applicable, “**r**” shall be the €STR in respect of the Rate Cut-off Date;

“**Rate Cut-off Date**” has the meaning given in the relevant Final Terms;

“**Reference Day**” means each Local Business Day in the relevant Interest Period, other than any Local Business Day in the Lock-out Period;

“**r<sub>i-PLBD</sub>**” means the applicable Reference Rate as set out in the definition of “**r**” above for, (i) where, in the relevant Final Terms, “**Lag**” is specified as the Observation Method, the Local Business Day (being a Local Business Day falling in the relevant Observation Period) falling “**p**” Local Business Days prior to the relevant Local Business Day “**i**” or, (ii) otherwise, the relevant Local Business Day “**i**”;

“**SOFR**” means, in respect of any Local Business Day, a reference rate equal to the daily Secured Overnight Financing Rate as provided by the Federal Reserve Bank of New York, as the administrator of such rate (or any successor administrator of such rate) on the New York Federal Reserve’s Website, in each case on or about 5.00 p.m. (New York City Time) (the “**SOFR Determination Time**”) on the Local Business Day immediately following such Local Business Day;

“**U.S. Government Securities Business Day**” means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association (or any successor thereto) recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities; and

“**Weighted Average Reference Rate**” means:

- (A) where “**Lag**” is specified as the Observation Method in the relevant Final Terms, the arithmetic mean of the Reference Rate in effect for each calendar day during the relevant Observation Period, calculated by multiplying each relevant Reference Rate by the number of calendar days such rate is in effect, determining the sum of such products and dividing such sum by the number of calendar days in the relevant Observation Period. For these purposes the Reference Rate in effect for any calendar day which is not a Local Business Day shall be deemed to be the Reference Rate in effect for the Local Business Day immediately preceding such calendar day; and
- (B) where “**Lock-out**” is specified as the Observation Method in the relevant Final Terms, the arithmetic mean of the Reference Rate in effect for each calendar day during the relevant Interest Period, calculated by multiplying each relevant Reference Rate by the number of calendar days such rate is in effect, determining the sum of such products and dividing such sum by the number of calendar days in the relevant Interest Period, **provided however that** for any calendar day of such Interest Period falling in the Lock-out Period, the relevant Reference Rate for each day during that Lock-out Period will be deemed to be the Reference Rate in effect for the Reference Day immediately preceding the first day of such Lock-out Period. For these purposes the Reference Rate in effect for any calendar day which is not a Local Business Day shall, subject to the

proviso above, be deemed to be the Reference Rate in effect for the Local Business Day immediately preceding such calendar day.

(f) **Index Determination**

If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined and Index Determination is specified in the relevant Final Terms as being applicable, the Rate of Interest applicable to the Mortgage Notes for each Interest Period will be the compounded daily reference rate for the relevant Interest Period, calculated in accordance with the following formula and rounded to the Relevant Decimal Place, all as determined and calculated by the Calculation Agent on the relevant Interest Determination Date plus or minus (as indicated in the relevant Final Terms) the Margin:

$$\left( \frac{\text{Compounded Index End}}{\text{Compounded Index Start}} - 1 \right) \times \frac{\text{Numerator}}{d}$$

where:

“**Compounded Index**” means SOFR Compounded Index;

“**Compounded Index End**” means the Compounded Index value on the day falling the Relevant Number of Index Days prior to the Interest Payment Date for such Interest Period, or such other date on which the relevant payment of interest falls due (but which, by its definition or the operation of the relevant provisions, is excluded from such Interest Period);

“**Compounded Index Start**” means the Compounded Index value on the day falling the Relevant Number of Index Days prior to the first day of the relevant Interest Period.

“**d**” is the number of calendar days from (and including) the day on which the relevant Compounded Index Start is determined to (but excluding) the day on which the relevant Compounded Index End is determined;

“**Index Days**” means U.S. Government Securities Business Days;

“**Numerator**” shall, unless otherwise specified in the relevant Final Terms, be 360;

“**Relevant Decimal Place**” shall, unless otherwise specified in the relevant Final Terms, be the seventh decimal place, rounded up or down, if necessary (with 0.00000005 being rounded upwards);

“**Relevant Number**” shall, unless otherwise specified in the relevant Final Terms, be two; and

“**SOFR Compounded Index**” means the compounded daily SOFR rate, as published at 15:00 (New York time) by the Federal Reserve Bank of New York (or a successor administrator of SOFR) on the website of the Federal Reserve Bank of New York, or any successor source.

Provided that a Benchmark Transition Event and its related Benchmark Replacement Date has not occurred in respect of SOFR, if, with respect to any Interest Period, the relevant Compounded Index Start and/or Compounded Index End is not published by the administrator, the Calculation Agent shall calculate the Rate of Interest for that Interest Period in accordance with Condition 6(e) (*Floating Rate Mortgage Note Provisions – Screen Rate Determination - Floating Rate Mortgage Notes which reference SOFR or €STR*) as if Index Determination was not specified in the relevant Final Terms as being applicable. For these purposes, (i) the Reference Rate shall be deemed to be SOFR, (ii) the Calculation Method shall be deemed to be Compounded Daily, (iii) the Observation Method shall be deemed to be Observation Shift, (iv) the Observation Look-back Period shall be deemed to be the Relevant Number, and (v) D shall be deemed to be the Numerator. If a Benchmark Transition Event and its related Benchmark Replacement Date have occurred in respect of SOFR, the provision of Condition 9(b) (*Benchmark Transition Event*) shall apply *mutatis mutandis* in respect of this Condition 6(f), as applicable.

(g) **ISDA Determination**

If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Mortgage Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “ISDA Rate” in relation to any Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option is as specified in the relevant Final Terms;
- (ii) the Designated Maturity is a period specified in the relevant Final Terms;
- (iii) the relevant Reset Date is as specified in the relevant Final Terms; and
- (iv) if Linear Interpolation is specified as applicable in respect of an Interest Period in the relevant Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:
  - (A) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
  - (B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period,

provided, however, that if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Issuer shall determine such rate at such time and by reference to such sources as it determines appropriate.

The expressions “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**” and “**Reset Date**” in this Condition 6(g) have the respective meanings given to them in the ISDA Definitions.

(h) ***Maximum or Minimum Rate of Interest***

If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified. Unless otherwise specified in the relevant Final Terms, the Minimum Rate of Interest shall be zero.

(i) ***Calculation of Interest Amount***

The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose, a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(j) ***Publication***

The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it, together with any relevant payment date(s), to be notified to the Issuer and the Agents and the Issuer shall notify each competent authority and/or stock exchange on which the Mortgage Notes are for the time being admitted to listing and/or trading as soon as possible after such determination but (in the case of each

Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also be given to the Noteholders by the Issuer in accordance with Condition 17 (*Notices*) as soon as possible after the determination or calculation thereof. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. Any such recalculation will promptly be notified to each competent authority and/or stock exchange on which the Mortgage Notes are for the time being admitted to listing and/or trading and to the Noteholders in accordance with Condition 17 (*Notices*). If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

(k) ***Notifications, etc.***

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6 by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, the Calculation Agent, the Agents and all Holders and no liability to the Holders, Couponholders or (subject to the provisions of the Agency Agreement) the Issuer shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

**7. ZERO COUPON MORTGAGE NOTE PROVISIONS**

(a) ***Application***

This Condition 7 is applicable to the Mortgage Notes only if the Zero Coupon Mortgage Note Provisions are specified in the relevant Final Terms as being applicable.

(b) ***Late payment on Zero Coupon Mortgage Notes***

If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date of the first Tranche of the relevant Series of Mortgage Notes to (but excluding) whichever is the earlier of (A) the day on which all sums due in respect of such Mortgage Note up to that day are received by or on behalf of the relevant Noteholder and (B) the day which is seven days after the Principal Paying Agent (acting on the instructions of the Issuer) has notified the Noteholders that it has received all sums due in respect of the Mortgage Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

**8. FIXED/FLOATING RATE MORTGAGE NOTE PROVISIONS**

(a) ***Application***

This Condition 8 is applicable to the Mortgage Notes only if the Fixed Rate Mortgage Note Provisions and the Floating Rate Mortgage Note Provisions are specified in the relevant Final Terms as being applicable.

(b) ***Fixed/Floating Rate***

The Issuer may issue Mortgage Notes (i) that the Issuer may elect to convert on the date set out in the relevant Final Terms from a Fixed Rate Note to a Floating Rate Note, or from a Floating Rate Note to a Fixed Rate Note or (ii) that will automatically change from a Fixed Rate Note to a Floating Rate Note, or from a Floating Rate Note to a Fixed Rate Note on the date set out in the relevant Final Terms, in either case, as set out in the relevant Final Terms.



## 9. BENCHMARK DISCONTINUATION AND BENCHMARK TRANSITION EVENT

### (a) *Benchmark Discontinuation*

This Condition 9(a) applies to Floating Rate Mortgage Notes and to Reset Mortgage Notes which do not reference SOFR.

#### (1) *Independent Adviser*

Notwithstanding the fallback provisions provided for in Condition 5(d) (*Fallback – Mid-Swap Rate*), Condition 5(e) (*Fallback – CMT Rate*), Condition 6(c) (*Screen Rate Determination – Other than Floating Rate Mortgage Notes which reference CMS Rate, SOFR or €STR*) or Condition 6(d) (*Screen Rate Determination – Floating Rate Mortgage Notes which are CMS-Linked Mortgage Notes*), if a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 9(a)(2) (*Successor Rate or Alternative Rate*)) and, in either case, an Adjustment Spread if any (in accordance with Condition 9(a)(3) (*Adjustment Spread*)) and any Benchmark Amendments (in accordance with Condition 9(a)(4) (*Benchmark Amendments*)).

An Independent Adviser appointed pursuant to this Condition 9(a) shall act in good faith and in a commercially reasonable manner. In the absence of fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Agents, the Noteholders or the Couponholders for any determination made by it pursuant to this Condition 9(a).

If the Issuer is unable to appoint an Independent Adviser prior to the IA Determination Cut-Off Date, the Issuer (acting in good faith and in a commercially reasonable manner) may still determine: (x) a Successor Rate or, failing which, an Alternative Rate; and (y) in either case, an Adjustment Spread if any in accordance with this Condition 9(a).

If the Independent Adviser appointed by the Issuer or the Issuer (as applicable) fails to determine a Successor Rate or, failing which, an Alternative Rate and, in either case, an Adjustment Spread in accordance with this Condition 9(a) prior to the relevant Interest Determination Date or the Reset Determination Date (as applicable), the Rate of Interest applicable to the next succeeding Interest Period or (in the case of Mortgage Notes for which the Reset Mortgage Note Provisions are applicable) Reset Period shall be equal to the Rate of Interest last determined in relation to the Mortgage Notes in respect of the immediately preceding Interest Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the Initial Rate of Interest. Where a different Margin, Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin, Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period shall be substituted in place of the Margin, Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period. For the avoidance of doubt, this subparagraph shall apply to the relevant next succeeding Interest Period or (in the case of Mortgage Notes for which the Reset Mortgage Note Provisions are applicable) Reset Period only and any subsequent Interest Periods or Reset Periods (as applicable) are subject to the subsequent operation of, and to adjustment as provided in, this Condition 9(a).

#### (2) *Successor Rate or Alternative Rate*

If in accordance with this Condition 9(a) it is determined that:

- (i) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Mortgage Notes (subject to the operation of this Condition 9(a)); or

- (ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Mortgage Notes (subject to the operation of this Condition 9(a)).

(3) ***Adjustment Spread***

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be), including for each subsequent determination of a relevant Rate of Interest (or any component part(s) thereof) by reference to such Successor Rate or Alternative Rate (as applicable) subject to the subsequent operation of this Condition 9(a).

If the Independent Adviser or the Issuer (as applicable) is unable to determine the Adjustment Spread (or the formula or methodology for determining such Adjustment Spread), then the fallback provisions described in the final sub-paragraph of Condition 9(a)(1) (*Independent Adviser*) shall apply. For the avoidance of doubt, this sub-paragraph shall apply to the relevant next succeeding Interest Period, and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, the first sub-paragraph of Condition 9(a)(1) (*Independent Adviser*).

(4) ***Benchmark Amendments***

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 9(a) and the Independent Adviser determines (i) that amendments to these Conditions and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the “**Benchmark Amendments**”) and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 9(a)(5) (*Notices, etc.*), without any requirement for the consent or approval of Noteholders, vary these Conditions and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Principal Paying Agent of a certificate signed by two Directors of the Issuer pursuant to Condition 9(a)(5) (*Notices, etc.*), the Principal Paying Agent and any other agents party to the Agency Agreement shall (at the expense and direction of the Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to concur with the Issuer and use reasonable endeavours to effect any Benchmark Amendments and the Principal Paying Agent shall not be liable to any party for any consequences thereof, provided that the Principal Paying Agent shall not be obliged so to concur or use such endeavours if in the opinion of the Principal Paying Agent doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or the protective provisions afforded to it in these Conditions and/or any documents to which it is a party in any way. For the avoidance of doubt, no Noteholder consent shall be required in connection with effecting any Benchmark Amendments or such other changes, including for the execution of any documents, amendments or other steps by the Issuer or the Principal Paying Agent (if required or deemed useful by the Issuer or the Principal Paying Agent).

In connection with any such variation in accordance with this Condition 9(a)(4), the Issuer shall comply with the rules of any stock exchange on which the Mortgage Notes are for the time being listed or admitted to trading.

Notwithstanding anything included in the ISDA Definitions, the Base Prospectus, Final Terms, and/or any other transaction document (the “**Transaction Documents**”) for any series of the Mortgage Notes to the contrary, the Issuer agrees that the Principal Paying Agent or Citibank,

N.A., London Branch (in its capacity as Calculation Agent, if so appointed) will have no obligation to exercise any discretion (including, but not limited to, determinations of alternative or substitute benchmarks, successor reference rates, screen pages, interest adjustment factors, fractions or spreads, market disruptions, benchmark amendment conforming changes, selection and polling of reference banks), and to the extent the Transaction Documents for any series of Mortgage Notes requires the Calculation Agent to exercise any such discretions and/or make such determinations, such references shall be construed as the Issuer or its financial adviser or alternate agent appointed by the Issuer exercising such discretions and/or determinations and/or actions and not the Calculation Agent.

(5) ***Notices, etc.***

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 9(a) will be notified promptly by the Issuer to the Calculation Agent, the Agents and, in accordance with Condition 17 (*Notices*), the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Principal Paying Agent of the same, the Issuer shall deliver to the Principal Paying Agent (to make available at its registered office to the Holders) a certificate signed by two Directors of the Issuer:

- (i) confirming (A) that a Benchmark Event has occurred, (B) the Successor Rate or, as the case may be, the Alternative Rate, (C) the applicable Adjustment Spread and/or (D) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 9(a); and
- (ii) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

Each of the Calculation Agent and the Agents shall be entitled to rely on such certificate (without enquiry or liability to any person) as sufficient evidence thereof. For the avoidance of doubt, the Principal Paying Agent shall not be liable to the Holders or any other such person for so acting or relying on such certificate, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments specified in such certificate will (in the absence of manifest error in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) and without prejudice to the Calculation Agent's and the Agents' respective abilities to rely on such certificate as aforesaid) be binding on the Issuer, the Calculation Agent, the Agents and the Noteholders.

(6) ***Survival of Original Reference Rate***

Without prejudice to the obligations of the Issuer under Condition 9(a)(1) (*Independent Adviser*), Condition 9(a)(2) (*Successor Rate or Alternative Rate*), Condition 9(a)(3) (*Adjustment Spread*) and Condition 9(a)(4) (*Benchmark Amendments*), the Original Reference Rate and the fallback provisions provided for in Condition 5(d) (*Fallback – Mid-Swap Rate*), Condition 5(e) (*Fallback – CMT Rate*), Condition 6(c) (*Screen Rate Determination – Other than Floating Rate Mortgage Notes which reference CMS Rate, SOFR or ESTR*) or Condition 6(d) (*Screen Rate Determination – Floating Rate Mortgage Notes which are CMS-Linked Mortgage Notes*), as the case may be, will continue to apply unless and until a Benchmark Event has occurred and the Principal Paying Agent has been notified of the Successor Rate or the Alternative Rate (as the case may be) and any Adjustment Spread and Benchmark Amendments, in accordance with Condition 9(a)(5) (*Notices, etc.*).

(7) ***Definitions***

As used in this Condition 9(a):

“**Adjustment Spread**” means either (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, in each case, to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate)
- (ii) the Independent Adviser or, if the Issuer is unable to appoint an Independent Adviser, the Issuer determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions which reference the Original Reference Rate to produce an industry-accepted replacement rate for the Original Reference Rate; or (if the Independent Adviser determines that no such spread is customarily applied)
- (iii) the Independent Adviser or, if the Issuer is unable to appoint an Independent Adviser, the Issuer determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be) or (if the Independent Adviser or, where applicable, the Issuer determines that no such industry standard is recognised or acknowledged, to be appropriate)
- (iv) the Independent Adviser or, if the Issuer is unable to appoint an Independent Adviser, the Issuer determines, having regard to the objective, so far as is reasonably practicable in the circumstances, has the effect of reducing or eliminating any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be);

“**Alternative Rate**” means an alternative benchmark or screen rate which the Independent Adviser or, if the Issuer is unable to appoint an Independent Adviser, the Issuer determines in accordance with Condition 9(a)(2) (*Successor Rate or Alternative Rate*) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Mortgage Notes and of a duration corresponding to the relevant Interest Period or Reset Period (as applicable);

“**Benchmark Amendments**” has the meaning given to it in Condition 9(a)(4) (*Benchmark Amendments*);

“**Benchmark Event**” means:

- (i) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist; or
- (ii) the making of a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (iii) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or

- (iv) the making of a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Mortgage Notes; or
- (v) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of an underlying market; or
- (vi) it has become unlawful for any Agent, the Calculation Agent or the Issuer to calculate any payments due to be made to any Noteholder using the Original Reference Rate,

provided that the Benchmark Event shall be deemed to occur (a) in the case of sub-paragraphs (ii) and (iii) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (b) in the case of sub-paragraph (iv) above, on the date of prohibition of use of the Original Reference Rate and (c) in the case of sub-paragraph (v) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the making of the relevant public statement.

The occurrence of a Benchmark Event shall be determined by the Issuer and promptly notified to the Principal Paying Agent, the Calculation Agent and the Paying Agents;

“**Independent Adviser**” means an independent financial institution of international repute or an independent financial adviser with appropriate experience in the international debt capital markets appointed by the Issuer at its own expense under Condition 9(a)(1) (*Independent Adviser*);

“**Original Reference Rate**” means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Mortgage Notes or, if applicable, any other successor or alternative rate (or any component part thereof) determined and applicable to the Mortgage Notes pursuant to the earlier operation of this Condition 9(a) (*Benchmark Discontinuation*);

“**Relevant Nominating Body**” means, in respect of a benchmark or screen rate (as applicable):

- (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (aa) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (bb) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (cc) a group of the aforementioned central banks or other supervisory authorities or (dd) the Financial Stability Board or any part thereof; and

“**Successor Rate**” means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

(b) ***Benchmark Transition Event***

Where the relevant Reference Rate or Mid-Swap Floating Leg Benchmark Rate, as the case may be, applicable to the Mortgage Notes is SOFR, in addition and notwithstanding the provisions above in Condition 5 (*Reset Mortgage Note Provisions*) or Condition 6 (*Floating Rate Mortgage Note Provisions*), as applicable, this Condition 9(b) shall apply.

- (i) **Benchmark Replacement:** If the Issuer or its designee determines on or prior to the relevant Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark, the Benchmark Replacement

will replace the then-current Benchmark for all purposes relating to the Mortgage Notes in respect of all determinations on such date and for all determinations on all subsequent dates.

- (ii) **Benchmark Replacement Conforming Changes:** In connection with the implementation of a Benchmark Replacement, the Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time.
- (iii) **Decisions and Determinations:** Any determination, decision or election that may be made by the Issuer or its designee pursuant to this Condition 9(b), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error, will be made in the sole discretion of the Issuer or its designee, as applicable, and, notwithstanding anything to the contrary in the documentation relating to the Mortgage Notes, shall become effective without consent from the Holders or any other party. Neither the Principal Paying Agent nor the Calculation Agent will have any liability for any determination made by or on behalf of Issuer or its designee in connection with a Benchmark Transition Event or a Benchmark Replacement.

In no event shall the Principal Paying Agent or Calculation Agent be responsible for determining if a Benchmark Transition Event has occurred or any substitute for SOFR, or for making any adjustments to any alternative benchmark or spread thereon, the business day convention, interest determination dates or any other relevant methodology for calculating any such substitute or successor benchmark. In connection with the foregoing, the Principal Paying Agent and the Calculation Agent will be entitled to conclusively rely on any determinations made by Issuer or its designee and will have no liability for such actions taken at the direction of the Issuer or its designee.

In the event that the Rate of Interest for the relevant Interest Period or Reset Period, as applicable, cannot be determined in accordance with the foregoing provisions by the Issuer or its designee, the Rate of Interest for such Interest Period or Reset Period, as applicable, shall be (i) that determined as at the immediately preceding Interest Determination Date or Reset Determination Date, as applicable, (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest (as specified in the relevant Final Terms) is to be applied to the relevant Interest Period from that which applied to the immediately preceding Interest Period or Reset Period, as applicable, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin relating to that immediately preceding Interest Period or Reset Period, as applicable), or (ii) if there is no such preceding Interest Determination Date and the relevant Interest Period is the first Interest Period for the Mortgage Notes, the initial Rate of Interest which would have been applicable to such Series of Mortgage Notes for the first Interest Period had the Mortgage Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin and any Maximum Rate of Interest or Minimum Rate of Interest applicable to the first Interest Period), or (iii) if there is no such preceding Interest Determination Date and the relevant Interest Period is not the first Interest Period for the Mortgage Notes, the Rate of Interest which applied to the immediately preceding Interest Period, or (iv) if there is no such preceding Reset Determination Date, the Initial Rate of Interest.

For the purposes of this Condition 9(b):

“**Benchmark**” means, initially, SOFR; **provided that** if the Issuer or its designee determines on or prior to the Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to SOFR or the then-current Benchmark, then “**Benchmark**” means the applicable Benchmark Replacement;

“**Benchmark Replacement**” means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

- (A) the sum of: (a) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark and (b) the Benchmark Replacement Adjustment;
- (B) the sum of: (a) the ISDA Fallback Rate and (b) the Benchmark Replacement Adjustment; or
- (C) the sum of: (a) the alternate rate of interest that has been selected by the Issuer or its designee as the replacement for the then-current Benchmark giving due consideration to any industry-accepted rate of interest as a replacement for the then-current Benchmark for U.S. Dollar-denominated floating rate Mortgage Notes at such time and (b) the Benchmark Replacement Adjustment;

“**Benchmark Replacement Adjustment**” means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

- (A) the spread adjustment, or method for calculating or determining such spread adjustment (which may be a positive or negative value or zero), that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;
- (B) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or
- (C) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer or its designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. Dollar-denominated floating rate Mortgage Notes at such time;

“**Benchmark Replacement Conforming Changes**” means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) that the Issuer or its designee decide may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer or its designee decide that adoption of any portion of such market practice is not administratively feasible or if the Issuer or its designee determine that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer or its designee determine is reasonably necessary);

“**Benchmark Replacement Date**” means the earliest to occur of the following events with respect to the then-current Benchmark (including the daily published component used in the calculation thereof):

- (A) in the case of sub-paragraph (A) or (B) of the definition of “**Benchmark Transition Event**,” the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or
- (B) in the case of sub-paragraph (C) of the definition of “**Benchmark Transition Event**,” the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event that gives rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

“**Benchmark Transition Event**” means the occurrence of one or more of the following events with respect to the then-current Benchmark (including the daily published component used in the calculation thereof):

- (A) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, **provided that**, at

the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component);

- (B) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark (or such component), which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, **provided that**, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or
- (C) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

“**designee**” means a designee as selected and separately appointed by the Issuer as designee for the Mortgage Notes in writing;

“**ISDA Fallback Adjustment**” means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the 2006 ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

“**ISDA Fallback Rate**” means the rate that would apply for derivatives transactions referencing the 2006 ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

“**Reference Time**” with respect to any determination of the Benchmark means (1) if the Benchmark is SOFR, the SOFR Determination Time, and (2) if the Benchmark is not SOFR, the time determined by the Issuer or its designee after giving effect to the Benchmark Replacement Conforming Changes;

“**Relevant Governmental Body**” means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

“**Unadjusted Benchmark Replacement**” means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

## 10. PAYMENTS

### (a) *Principal*

Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Mortgage Notes at the Specified Office of any Agent outside the United States by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.

### (b) *Interest*

Payments of interest shall, subject to Condition 10(h) (*Payments other than in respect of matured Coupons*), be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Agent outside the United States in the manner described in Condition 10(a) (*Principal*).

### (c) *Payments in New York City*

Payments of principal or interest may be made at the Specified Office of an Agent in New York City if: (i) the Issuer has appointed Agents outside the United States with the reasonable expectation that such Agents will be able to make payment of the full amount of the interest on the Mortgage Notes in the



currency in which the payment is due when due; (ii) payment of the full amount of such interest at the offices of all such Agents is illegal or effectively precluded by exchange controls or other similar restrictions; and (iii) payment is permitted by applicable United States law.

(d) ***Payments subject to fiscal laws***

Save as provided in Condition 12 (*Taxation*), payments in respect of the Mortgage Notes will be subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws and regulations to which the Issuer or its Agents are or agree to be subject and the Issuer or any of its Agents will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements, and no commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) ***Deductions for unmatured Coupons***

If the relevant Final Terms specify that the Fixed Rate Mortgage Note Provisions are applicable and a Mortgage Note is presented for payment without all unmatured Coupons relating thereto:

- (A) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; provided, however, that if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment; or
- (B) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
  - (1) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the “**Relevant Coupons**”) being equal to the amount of principal due for payment; provided, however, that where this Condition 10(e)(B)(1) would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
  - (2) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; provided, however, that, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in Condition 10(a) (*Principal*) against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons.

(f) ***Unmatured Coupons void***

If the relevant Final Terms specify that the Reset Mortgage Note Provisions are applicable or that the Floating Rate Mortgage Note Provisions are applicable, on the due date for redemption of any Mortgage Note or early redemption in whole of such Mortgage Note pursuant to Conditions 11(c) (*Redemption at the option of the Issuer (Issuer Call)*), 11(b) (*Redemption for Tax Event*) or 11(d) (*Redemption at the option of the Noteholders (Investor Put)*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(g) ***Payments on business days***

If the due date for payment of any amount in respect of any Mortgage Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of

the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(h) ***Payments other than in respect of matured Coupons***

Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Mortgage Notes at the Specified Office of any Agent outside the United States (or in New York City if permitted by Condition 10(c) (*Payments in New York City*)).

(i) ***Partial payments***

If an Agent makes a partial payment in respect of any Mortgage Note or Coupon presented to it for payment, such Agent will endorse thereon a statement indicating the amount and date of such payment.

(j) ***Exchange of Talons***

On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Mortgage Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 13 (*Prescription*)). Upon the due date for redemption of any Mortgage Note, any unexchanged Talon relating to such Mortgage Note shall become void and no Coupon will be delivered in respect of such Talon.

**11. REDEMPTION AND PURCHASE**

(a) ***Redemption at maturity***

Unless previously redeemed or purchased and cancelled as specified below, each Mortgage Note will be redeemed by the Issuer at its Final Redemption Amount (as defined above) specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

(b) ***Redemption for Tax Event***

Subject to Condition 11(e), the Mortgage Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Mortgage Note is not a Floating Rate Mortgage Note) or on any Interest Payment Date (if this Mortgage Note is a Floating Rate Mortgage Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Agent and, in accordance with Condition 17, the Noteholders (which notice shall be irrevocable), if a Tax Event has occurred, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Mortgage Notes then due.

Upon the expiry of any such notice as is referred to in this Condition 11(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 11(b).

Mortgage Notes redeemed pursuant to this Condition 11(b) will be redeemed at their Early Redemption Amount referred to in Condition 11(e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) ***Redemption at the option of the Issuer (Issuer Call)***

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in applicable Final Terms to the Noteholders in accordance with Condition 17 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Mortgage Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a principal amount not less

than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

In the case of a partial redemption of Mortgage Notes, the Mortgage Notes to be redeemed (**Redeemed Mortgage Notes**) will be selected individually by lot, in the case of Redeemed Mortgage Notes represented by definitive Mortgage Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion) in the case of Redeemed Mortgage Notes represented by a Global Mortgage Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Mortgage Notes represented by definitive Mortgage Notes, a list of the serial numbers of such Redeemed Mortgage Notes will be published in accordance with Condition 17 (*Notices*) not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Mortgage Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 11(c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 17 (*Notices*) at least five days prior to the Selection Date.

(d) ***Redemption at the option of the Noteholders (Investor Put)***

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Mortgage Note giving to the Issuer in accordance with Condition 17 (*Notices*) not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem such Mortgage Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Mortgage Note the holder of this Mortgage Note must, if this Mortgage Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver to the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by this Mortgage Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Mortgage Note is represented by a Global Mortgage Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Mortgage Note the holder of this Mortgage Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his/her instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Mortgage Note is represented by a Global Mortgage Note, at the same time present or procure the presentation of the relevant Global Mortgage Note to the Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Mortgage Note pursuant to this Condition 11(d) shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 11(d) and instead to declare such Mortgage Note forthwith due and payable pursuant to Condition 14.

(e) ***Early Redemption Amounts***

For the purpose of Condition 11(b) above:

- (i) each Mortgage Note (other than a Zero Coupon) will be redeemed at its Early Redemption Amount; and
- (ii) each Zero Coupon Mortgage Note will be redeemed at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = RP \times (1 + AY)^y$$

where:

**RP** means the Reference Price;

**AY** means the Accrual Yield expressed as a decimal; and

**y** is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Mortgage Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Mortgage Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Mortgage Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Mortgage Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Mortgage Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Mortgage Note becomes due and repayable and the denominator will be 365).

(f) ***Purchases***

The Issuer or the Guarantor may at any time purchase Mortgage Notes (provided that, in the case of definitive Mortgage Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise.

(g) ***Cancellation***

All Mortgage Notes which are redeemed or purchased by the Issuer will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Mortgage Notes so cancelled (together with all unmatured Coupons and Talons cancelled therewith) cannot be reissued or resold.

(h) ***Late payment on Zero Coupon Mortgage Notes***

If the amount payable in respect of any Zero Coupon Mortgage Note upon redemption of such Zero Coupon Mortgage Note pursuant to Conditions 11(a), 11(b), 11(c) or 11(d) above or upon its becoming due and repayable as provided in Condition 7(b) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Mortgage Note shall be the amount calculated as provided in Condition 11(e)(ii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Mortgage Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Mortgage Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Mortgage Notes has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 17 (*Notices*),

and the Accrual Yield were increased by the default interest specified under Section 6:48(1) of the Civil Code.

## 12. TAXATION

### (a) *Gross-up*

All payments of principal, interest and any other amounts in respect of the Mortgage Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer (or the Guarantor, as the case may be) shall pay such additional amounts (“**Additional Amounts**”) as will result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable with respect to any Mortgage Note or Coupon:

- (i) held by or on behalf of a Holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Mortgage Note or Coupon by reason of his having some connection with the Relevant Jurisdiction other than a mere holding of such Mortgage Note or Coupon; or
- (ii) in respect of which the Note or Certificate is presented for payment more than 30 days after the Relevant Date except to the extent that the Holder thereof would have been entitled to such Additional Amounts on presenting the same for payment on the last day of such period of 30 days.

References in these Conditions to interest shall be deemed to include any Additional Amounts which may become payable pursuant to the foregoing provisions or any undertakings given in addition thereto or in substitution therefor.

### (b) *FATCA*

Notwithstanding any other provisions of these Conditions or the Agency Agreement, any amounts to be paid on the Mortgage Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), or otherwise imposed pursuant to Sections 1471 to 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a “**FATCA Withholding**”). Neither the Issuer nor any other person will be required to pay any Additional Amounts in respect of FATCA Withholding.

## 13. PRESCRIPTION

Claims against the Issuer or, as the case may be, the Guarantor for payment under the Mortgage Notes may not be prescribed unless otherwise permitted by Hungarian law.

## 14. EVENTS OF DEFAULT

If any one or more of the following events (each an **Event of Default**) shall occur and be continuing with respect to any Mortgage Note (any reference to **Mortgage Note** and **Mortgage Notes** shall be construed accordingly):

- (a) the Issuer, or in the case of payments in respect of which a payment notice has been submitted in accordance with the Irrevocable Payment Undertaking, the Guarantor fails to make payment in the Specified Currency of any principal or interest due in respect of the Mortgage Notes and such failure to pay continues for a period of seven days (in the case of principal) and 14 days (in the case of interest) from the due date for payment/15 days; or

- (b) the Issuer defaults in the performance or observance of or compliance with any other material obligation on its part under the Mortgage Notes and such default continues for a period of 30 days after written notice of such default shall have been received by the Issuer from a Holder; or
- (c) the Guarantor defaults in the performance or observance of or compliance with any other material obligation on its part under the Irrevocable Payment Undertaking and such default continues for a period of 30 days after written notice of such default shall have been received by the Guarantor from a Holder; or
- (d) the Irrevocable Payment Undertaking ceases to be, or is claimed by the Issuer or the Guarantor not to be, in full force and effect in respect of any Mortgage Note save in circumstances where:
  - (i) any claim that the Guarantor may have as against the Issuer relating to any sums due and payable by the Guarantor pursuant to the terms of the Irrevocable Payment Undertaking becomes unenforceable against the Issuer as a result of the conduct of the Holders; or
  - (ii) the Issuer is substituted by any entity as principal debtor under the Mortgage Notes (*tartozásátvállalás*) with the approval of the Holders granted pursuant to these Conditions and the Agency Agreement; or
- (e) any order is made by a competent court in respect of the commencement of bankruptcy or insolvency proceedings against the Issuer or the Guarantor, which in each case is not discharged or stayed within 90 days, or the Issuer or the Guarantor makes a general arrangement for the benefit of some or all of its creditors; or
- (f) any order is made or an effective resolution is passed for the winding-up of the Issuer or the Guarantor and any resulting winding-up process remains undismissed for 90 days (save for the purposes of reorganisation, reconstruction, amalgamation, merger, consolidation or similar),

then any Holder may, by written notice to the Issuer or the Guarantor at the specified office of the Agent, effective upon the date of receipt thereof by the Agent, declare any Mortgage Note held by the Holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 11(e)), together with the accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind, except as provided in the Irrevocable Payment Undertaking. Pursuant to the relevant provisions of the Mortgage Credit Institutions Act, in the event of the transformation, restructuring or liquidation of the Issuer, the Issuer may transfer its obligations arising from the Mortgage Notes, together with the relevant asset cover, to another mortgage loan credit institution. This transfer is subject to the prior approval of the National Bank of Hungary and the agreement of the transferee mortgage loan credit institution but is not subject to the consent of the Holders. As part of the transfer, the Mortgage Notes will be cancelled and the transferee mortgage loan credit institution will issue mortgage notes (the **New Mortgage Notes**) to the Holders of the Mortgage Notes so cancelled on the same terms and conditions as those of the Mortgage Notes so cancelled. In the case of such transfer by the Issuer, a Holder will not be able to declare a Mortgage Note held by it to be due and payable pursuant to this Condition 14, although this will not prejudice any rights a Holder may have under the New Mortgage Notes.

In the event of such transformation, restructuring or liquidation of the Issuer pursuant to the Mortgage Credit Institutions Act, the Issuer will immediately seek the approval of the National Bank of Hungary for the transfer of its obligations arising from the Mortgage Notes, together with the relevant asset cover, to another mortgage loan credit institution and the Issuer shall use its best endeavours to effect such transfer at the earliest opportunity.

## 15. REPLACEMENT OF MORTGAGE NOTES, COUPONS AND TALONS

Should any Mortgage Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer

may reasonably require. Mutilated or defaced Mortgage Notes, Coupons or Talons must be surrendered before replacements will be issued.

## 16. PAYING AGENTS

The names of the initial Paying Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Issuer is entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (a) there will be at all times an agent;
- (b) if Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent;
- (c) so long as the Mortgage Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent, which may be the Agent, with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and
- (d) the Issuer undertakes that it will ensure that it maintains a Paying Agent, which may be the Agent, in a Member State of the European Union.

In addition, the Issuer shall forthwith appoint a Paying Agent with a specified office in New York City in the circumstances described in Condition 10(c). Notice of any such termination or appointment and of any change in the specified offices of the Agent will be given to the Noteholders in accordance with Condition 17 (*Notices*).

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligation to, or relationship of agency or trust with, any Noteholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

## 17. NOTICES

All notices regarding the Mortgage Notes will be deemed to be validly given if published in a daily newspaper of general circulation in Luxembourg. It is expected that such publication will be made in the *Luxemburger Wort* in Luxembourg. So long as the Mortgage Notes are admitted to trading on and listed on the Official List of the Luxembourg Stock Exchange, a daily newspaper of general circulation in Luxembourg and/or the Luxembourg Stock Exchange's website, [www.luxse.com](http://www.luxse.com). It is expected that any such publication in a newspaper will be made in the *Luxemburger Wort* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant regulatory authority on which the Mortgage Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

Until such time as any definitive Mortgage Notes are issued, there may, so long as any Global Mortgage Notes representing the Mortgage Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Mortgage Notes and, in addition, for so long as any Mortgage Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of

the Mortgage Notes on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Mortgage Note in definitive form) with the relative Mortgage Note or Mortgage Notes, with the Agent. While any of the Mortgage Notes are represented by a Global Mortgage Note, such notice may be given by any holder of a Mortgage Note to the Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

## **18. FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further mortgage bonds having terms and conditions the same as the Mortgage Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Mortgage Notes.

## **19. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### **(a) *Governing law***

The Mortgage Notes and any non-contractual obligations arising therefrom or in connection therewith are governed by, and shall be construed in accordance with, Hungarian law.

As the Mortgage Notes are issued and created outside Hungary in an OECD country, the law of the place of the creation of the Mortgage Notes shall be applicable to the creation in line with the Mortgage Credit Institutions Act.

### **(b) *Submission to jurisdiction***

The ordinary courts of Hungary are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Mortgage Notes, the issue thereof or any document created in connection with such issue (including a dispute relating to any non-contractual obligations arising out of or in connection with the Mortgage Notes) (“**Proceedings**”). Each of the Issuer and the Guarantor irrevocably submits to the jurisdiction of the courts of Hungary in respect of any such Proceedings. Nothing in this Condition 19 (*Governing Law and Submission to Jurisdiction*) shall prevent the Noteholders from bringing proceedings in any competent jurisdiction nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) to the extent permitted by applicable law.

## **20. MEETINGS OF NOTEHOLDERS MODIFICATION, WAIVER AND SUBSTITUTION**

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter, including the sanctioning by Extraordinary Resolution of a modification of the Mortgage Notes, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer or the Guarantor and shall be convened by the Issuer if required in writing by Noteholders holding not less than 10 per cent. in principal amount of the Mortgage Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in principal amount of the Mortgage Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the principal amount of the Mortgage Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Mortgage Notes or the Coupons (including modifying the date of maturity of the Mortgage Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Mortgage Notes or altering the currency of payment of the Mortgage Notes or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in principal amount of the Mortgage Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in principal amount of the Mortgage Notes for



the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

The Agent, the Issuer and the Guarantor may agree, without the consent of the Noteholders or Couponholders, to:

- (a) any modification (except as mentioned above) of the Mortgage Notes, the Coupons or the Agency Agreement which, in the sole opinion of the Issuer and the Guarantor, is not prejudicial to the interests of the Noteholders; or
- (b) any modification of the Mortgage Notes, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 17 (*Notices*) as soon as practicable thereafter.

## DESCRIPTION OF THE ISSUER'S BUSINESS

### Introduction

The Issuer is a specialised credit institution, it is the mortgage lending vehicle of OTP Group in Hungary. The operation of the Issuer is regulated by the Mortgage Credit Institutions Act. As a specialised credit institution, the business activity of the Issuer is limited to providing housing and general purpose mortgage loans to the retail segment, refinancing the mortgage loan portfolio of commercial banks, and determining the market and collateral value of real estate. The Issuer is market leader in terms of its mortgage bond portfolio based on the 3Q 2023 Covered Bond Transparency Report prepared by the Issuer for the MNB. The product range of the Issuer features housing loans and construction loans as well as loans for property refurbishing purposes, including market and state-subsidised versions. During the first nine months of 2023, close to 30 per cent. of retail mortgage loans disbursed in Hungary were granted by the Issuer.

Loans offered by the Issuer are disbursed in close cooperation with OTP Bank. The two institutions split the tasks related to mortgage lending activities based on their agreement. The mortgage, as well as the prohibition of alienation and encumbrance, are registered in the land register in favour of the Issuer for the properties pledged as collateral for the loans. Mortgage bank refinancing is done through the sale and purchase of independent liens. A commercial bank sells independent liens related to the mortgage loan it provides, which can be traded separately, to the Issuer and undertakes a repurchase obligation as repayment. The mortgage loans remain on the balance sheet of the commercial bank, its credit risk is borne by the commercial bank, and the tasks related to the customer are performed by the commercial bank, but the Issuer has the unconditional right to request registration of the liens in the land register under its name. In the event of default by the commercial bank, the Issuer becomes the holder of the independent lien and the claim secured by the lien.

The Issuer funds its operation by the issuance of securities (which could be Green Mortgage Notes issued in accordance with its Green Strategy and its Green Mortgage Bond Framework) and loans taken out on the interbank market.

### History

The Guarantor founded OTP Mortgage Bank Ltd. with the intention of enabling the OTP Group to become effectively involved in mortgage lending in Hungary and to become an active player in the related mortgage bond market, with one of its main goals being to widen the product range offering of the banking group, thus ensuring a higher level of service for its customers. The Issuer received its foundation licence on 21 September 2001, and its operating licence on 10 January 2002. The main activity of the Issuer is the financing of the development and purchase of residential real estate, as well as the disbursement of general purpose mortgage loans.

Starting in 2002, the mortgage lending market in Hungary developed dynamically and, in parallel, the Issuer's lending volume also increased to a large extent. As a result, OTP Bank increased the Issuer's subscribed capital in several steps, thereby promoting its safe operation and creating a possibility for continuous growth. Parallel to the rapid increase in the stock of mortgage loans, the volume of mortgage bonds issued by the Issuer also increased rapidly.

In 2014, several pieces of new legislation, significant from the point of view of lending, were adopted, which affected the Issuer's operations. In 2015, foreign currency-based residential mortgage loans were converted to HUF. The order of forint conversion greatly transformed the composition of the loan portfolio. Legislation defining fair banking operations had a significant impact on interest rates and the conditions for disbursing new loans.

The decree of the MNB on the regulation of the forint maturity mismatch of credit institutions, published in June 2015 introduced the institution of the mortgage funding adequacy ratio ("MFAR") in order to reduce the maturity mismatch between the forint assets and liabilities of the banking system and thereby stimulate housing lending. The decree entered into force on 1 April 2017. The introduction of the ratio makes it mandatory for all market participants to finance a part of their HUF-denominated residential mortgage loan portfolio via mortgage bonds, either directly (through the issuance of mortgage bonds) or indirectly (by taking out a refinancing loan from a mortgage bank). The introduction of the decree revitalised the domestic refinancing market and also created an

opportunity for OTP Group to enter the refinancing market. The Issuer began its refinancing activities in March 2017, through the sale and purchase of independent liens.

In 2017, the MNB created the Qualified Consumer-Friendly Home Loan qualification in order to strengthen competition in the banking system and increase the transparency and comparability of loan products. HUF-based home loan products that meet the conditions set by the MNB can be awarded the qualification. The Issuer started offering the qualified products in August 2017.

The Issuer set up its Green Strategy and, separately its Green Mortgage Bond Framework in the second quarter of 2021, with the primary goal supporting sustainable development. It identified four areas through which it can contribute to this goal: green lending, green mortgage bond issuance, green operations, and social responsibility in the matter of sustainability. Through its lending and issuing activities, it supports the continuous improvement of the energy efficiency of the Hungarian real estate stock and strives to dynamically increase the proportion of green loans in its loan portfolio. Sustainability is also given special attention when making decisions related to internal operations, and accordingly, the Issuer aims to minimise the burden on the environment during its operations and investments, for example through proper waste management. In addition, the Issuer is an active supporter of numerous international and domestic sustainability initiatives. The Issuer has also obtained an independent second-party opinion from Deloitte Könyvvizsgáló Kft. to confirm the validity of its Green Mortgage Bond Framework.

Loans offered by the Issuer are disbursed in close cooperation with OTP Bank. Based on the agreement between the two banks, approved by the MNB, OTP Bank performs the tasks related to loan administration. OTP Bank has a branch network, organisational and information technology infrastructure, as well as relevant business experience suitable for serving a wide range of customers. In addition to the area of loan origination and related customer service, the close cooperation also extends to other areas of the Issuer's activities, such as accounting, finance and risk management, as well as IT, in order to take advantage of synergies within the OTP Group.

In addition to refinancing mortgage loans, the Issuer also determines the market and collateral value of real estate as a separate activity.

The corporate name of the Issuer is OTP Jelzálogbank Zrt. The Issuer's corporate name in English is "OTP Mortgage Bank Ltd". The Issuer has its registered seat at 135-139 Váci road, Building D., 1138 Budapest, Hungary, its telephone number is: +36 1 354 7400. It was founded on 21 September 2001 for an indefinite period of time and was registered with the Metropolitan Court of Budapest on 9 October 2001 as a company limited by shares (in Hungarian: *részvénytársaság*) under the registration number of Cg 01-10-044659. The Issuer's Legal Entity Identifier (LEI) is 529900925TK5QIGTBH86. The Issuer operates under Hungarian law, in particular under the Mortgage Credit Institutions Act.

### **Shareholder Structure**

As at 30 September 2023, the Issuer's registered capital was HUF 82,000,000,000, divided into 820,000 dematerialised ordinary shares with a nominal value of HUF 100,000 each. The ordinary shares of the Issuer all have the same nominal value and bestow the same rights in respect of the Issuer. The sole shareholder of the Issuer is the Guarantor.

### **Business Overview of the Issuer**

#### **Strategy**

The strategic goals of the Issuer's management are the preservation of its leading role in the mortgage lending market, the provision of high-quality service to its customers, the achievement of the largest possible home loan volume in full compliance with the prudential regulations applicable to the Issuer's operation and the permanent assurance of the issuer's liquidity, as well as its profitable operations. As table below shows, the Issuer has been able to continually increase its market share in the past five years.

	2018	2019	2020	2021	2022	3Q 2023
Mortgage loan volumes (HUF bn)	1,233.9	1,316.7	1,444.6	1,631.1	1,734.9	1,755.5
Market share (%)	28.3%	29.1%	29.8%	30.1%	30.5%	30.7%

Source: MNB and the Issuer's own data

Credit institutions may play a key role in the transition to a low-carbon, climate-resilient economy. As the leader in the Hungarian mortgage credit market, the Issuer recognised the threats posed by climate change and the overloading of the natural environment to the planet's ecosystem, as well as the health and well-being of society. It has also recognised the potential in being among the first to bring about change and contribute actively to the energy renewal of the Hungarian residential property stock.

The Issuer is committed to contributing to the achievement of environmental and climate goals with the tools at its disposal. To that end, the Issuer has crafted its Green Strategy, which contains all principles and goals that enable the Issuer to contribute to protecting the environment actively and efficiently. It is the Issuer's intention to support, within the limits of its own capabilities, the international and domestic efforts aimed at sustainable development. The Green Strategy of the Issuer was approved by the Issuer's Board of Directors on 6 July 2021.

The Green Strategy of the Issuer is aligned with the corresponding initiatives of OTP Group, the cornerstones of which were set out in OTP Bank's Environmental Policy. It is the task of OTP Bank's Green Programme Directorate to contribute to implementing OTP Group's environmental, social and governance vision, and supporting all members of the OTP Group in taking maximum advantage of the opportunities in green financing. OTP Group's commitment to sustainable development is reflected in all markets served by the Banking Group, for example, through the introduction of green products and its corporate social responsibility for sustainability. It is owing to these efforts that the OTP Group was the first company to receive the MNB's Green Finances Award in 2019.

## Ratings

The credit ratings of the Issuer as at the date of this Base Prospectus are shown in the table below. The ratings were assigned at the request of the Issuer.

Rating agency	Rating class	Rating	
		Long term	Short term
Moody's	Issuer rating	Baa3	
	Counterparty Risk Rating (Local and Foreign Currency)	Baa1	Prime-2
Moody's Investors Service España, S.A.	Mortgage bonds (not all series are rated)	A1	
S&P Global	Foreign and Local Currency Counterparty Credit Rating	BBB-	A-3
	Foreign and Local Currency Resolution Counterparty Rating	BBB-	A-3

Source: Moody's, S&P Global

Moody's Investors Service España, S.A. (together with Moody's Investors Service Cyprus Ltd, referred as "Moody's") A1 rating indicates an upper-medium risk category, which signals a low credit risk. The ratings of Baa1 and Baa2 indicate a medium risk category, in which speculative characteristics may appear with a moderate credit risk. The Prime-2 rating indicates the rated entity's strong ability to meet its short-term obligations. All ratings are investment grade.

S&P Global's BBB- rating indicates the rated entity's ability to meet its obligations, which may weaken in an unfavourable economic environment or changing circumstances. According to the A-3 rating, the rated entity's ability to meet its short-term financial obligations is satisfactory. All ratings are investment grade.

A detailed description of the ratings can be found on the official websites of Moody's and S&P Global.

### **Cooperation between the Issuer and OTP Bank in mortgage loan origination**

The cooperation between the Issuer and the Guarantor is based on an agency agreement where customer relationship management is performed by the Guarantor through the Guarantor's branch network.

Customer identification is conducted and loan application is processed by the Issuer. Prospective customers' credit ratings (i.e. the assessment of their willingness and ability to repay the respective loan) are completed by a branch of the Guarantor prior to granting each loan in accordance with the rules applicable to the Issuer. The assessment of the value and marketability of the real estate property offered as security for the purpose of determining the loan-to-value ratio (the "LTV") of such property is performed by the Property Valuation Department of the Issuer, pursuant to its internal rules and procedures. The Issuer relies on the existing database, know-how, human resources and expertise to also offer real estate appraisal and lending value assessment services to other credit institutions in the market. Therefore, property appraisal, which was previously performed only in connection with the Issuer's own mortgage lending business, has become part of the Issuer's regular market activities and is also expected to generate profit as an independent service.

Following the establishment of the lending value of the relevant property by the Issuer, it is for the Guarantor to decide in the name and on behalf of the Issuer whether to grant the respective loans. The provision of each loan is conditional on the due registration of the respective mortgage and prohibition on transfer of title in, or the creation of any encumbrance over, the relevant real estate property in the land register in favour of the Issuer.

After such registration, the respective mortgage loan assets are assessed and, if the relevant criteria are satisfied, included in the ordinary coverage for mortgage bonds by the Issuer's cover pool monitor, KPMG Hungária Kft. (the "**Cover Pool Monitor**") (For more information on the coverage system of mortgage bonds see "*Detailed Rules of the Coverage System Relating to the Mortgage Notes*" below.)

During the term of the loans, the Guarantor, as agent, is responsible for dealing with the relevant customers, managing their loan accounts, and providing information on such customers. In consideration for the services used, the Issuer pays regular fees and commissions to the Guarantor.

Mortgage loans granted by the Issuer are funded mainly through the regular issuance of mortgage bonds. To avoid liquidity problems, the Guarantor provides alternative funding facilities to the Issuer, on a continuous basis. As the parent of the Issuer, the Guarantor is solely liable for ensuring that the Issuer meets its minimum capital adequacy requirements.

### *Irrevocable Payment Undertaking*

The Irrevocable Payment Undertaking is a liability-side, first demand suretyship (in Hungarian "*készfizető kezeség*") in respect of all outstanding and future Unsubordinated Debt Instruments (as defined therein) issued by the Issuer, including the Mortgage Notes issued under the Programme. Pursuant to the Irrevocable Payment Undertaking, the Guarantor has unconditionally and irrevocably undertaken to pay on demand any amounts due to, inter alios, holders of Mortgage Notes issued by the Issuer under the Programme. The Irrevocable Payment Undertaking is included in "*Form of Irrevocable Payment Undertaking*" below. Obligations under the Irrevocable Payment Undertaking constitute senior and unconditional payment obligations of the Guarantor in its capacity as guarantor. In consideration for the issuance and maintenance of the Irrevocable Payment Undertaking, the Issuer pays a "payment undertaking" fee to OTP Bank. The beneficiaries of the Irrevocable Payment Undertaking can enforce their claims against the Guarantor in accordance with the provisions of the Irrevocable Payment Undertaking included in "*Form of Irrevocable Payment Undertaking*" below, except that they shall send the payment notice to the Capital Markets Origination and Global Securities Services Department of the Guarantor (in Hungarian: *Tőkepiaci Kibocsátási és Csoportszintű Letétkezelési Főosztály*) (being the successor department of the Loan Execution and Special Transactions Department of OTP Bank Plc. originally indicated in paragraph 2 of the Irrevocable Payment Undertaking).

### Evolution and maturity structure of the Issuer's debt

The Issuer finances its operations via three means: equity, interbank loans and issuing mortgage bonds. Since 2016, the volume of mortgage bonds has increased primarily in order to comply with the MFAR requirement introduced by the MNB in 2017. Since 2020 the MNB has introduced various programmes that affected the Issuer's funding structure: the central bank's collateralised loan programme in 2020 has provided banks with low fixed interest rate funding while through its Green Home Programme the MNB provides 0 per cent. interest funding for all residential mortgage loans disbursed through the programme. As a result, between 2019 and 3Q 2023, the funding structure of the Issuer has developed as shown in the table below.

The following table sets out the evolution of the outstanding principal volume of the Issuer's interbank loans and mortgage bonds (in HUF billion), between 31 December 2019 and 30 September 2023:

HUF bn	31 December 2019	31 December 2020	31 December 2021	31 December 2022	30 September 2023
Interbank loans	676.6	692.4	1,017.0	1,077.5	1,091.7
Mortgage bonds	558.1	798.2	771.1	971.1	971.1

Source: the Issuer's own data

As of 31 December 2022, the Issuer had nine mortgage bond series in circulation, with a total volume of HUF 971.1 billion.

Series	Currency	Face amount	First issue date	Maturity date	Interest
OJB2023/I	HUF	45,000,000,000	05/04/2018	24/11/2023	fixed
OJB2024/A	HUF	70,000,000,000	17/09/2018	20/05/2024	floating
OJB2024/C	HUF	100,000,000,000	24/02/2020	24/10/2024	floating
OJB2024/II	HUF	101,000,000,000	10/10/2018	24/10/2024	fixed
OJB2025/I	HUF	150,000,000,000	31/07/2009	31/07/2025	fixed
OJB2025/II	HUF	90,000,000,000	03/02/2020	26/11/2025	fixed
OJB2027/I	HUF	120,100,000,000	23/07/2020	27/10/2027	fixed
OJB2029/A	HUF	200,000,000,000	25/07/2022	24/05/2029	floating
OJB2031/I*	HUF	95,020,000,000	18/08/2021	22/10/2031	fixed

\* green bond series

Source: The Issuer's own data

As of 30 September 2023, the Issuer had ten mortgage bond series in circulation, with a total volume of HUF 971.1 billion.

Series	Currency	Face amount	First issue date	Maturity date	Interest
OJB2023/I	HUF	45,000,000,000	05/04/2018	24/11/2023	fixed
OJB2024/A	HUF	70,000,000,000	17/09/2018	20/05/2024	floating
OJB2024/C	HUF	100,000,000,000	24/02/2020	24/10/2024	floating
OJB2024/II	HUF	101,000,000,000	10/10/2018	24/10/2024	fixed

OJB2025/I	HUF	150,000,000,000	31/07/2009	31/07/2025	fixed
OJB2025/II	HUF	90,000,000,000	03/02/2020	26/11/2025	fixed
OJB2027/I	HUF	120,100,000,000	23/07/2020	27/10/2027	fixed
OJB2029/A	HUF	175,000,000,000	25/07/2022	24/05/2029	floating
OJB2031/I*	HUF	95,020,000,000	18/08/2021	22/10/2031	fixed
OJB2032/A*	HUF	25,000,000,000	20/09/2023	24/11/2032	floating

\* green bond series

Source: The Issuer's own data

The following table sets out the maturity profile of the Issuer's consolidated wholesale debt (principal amount), in HUF billion, as at 31 December 2022:

Debt instrument	2023	2024	2025	2026	2027	2028-2033	2034-2047
Interbank loans	71.0	50.0	118.2	161.1	100.0	415.0	55.0
Green Home Programme funding*	0.0	0.0	0.0	0.0	0.0	3.5	103.6
Mortgage bonds	45.0	271.0	240.0	0.0	120.1	295.0	0.0

Source: the Issuer's own data

\* non-bullet, 0 per cent. interest funding from MNB as part of its Green Home Programme

As at 31 December 2022, the maturity structure of the Issuer's wholesale debt was in line with its asset side.

The following table sets out the maturity profile of the Issuer's consolidated wholesale debt (principal amount), in HUF billion, as at 30 September 2023:

Debt instrument	2023	2024	2025	2026	2027	2028-2033	2034-2047
Interbank loans	3.2	50.0	118.2	161.1	100.0	465.0	55.0
Green Home Programme funding*	0.0	0.0	0.0	0.0	0.0	4.0	135.2
Mortgage bonds	45.0	271.0	240.0	0.0	120.1	295.0	0.0

Source: the Issuer's own data

\* non-bullet, 0 per cent. interest funding from MNB as part of its Green Home Programme

As at 30 September 2023, the maturity structure of the Issuer's wholesale debt is in line with its asset side.

## Distribution channels

The Issuer offers its services through different distribution channels. In addition to utilising OTP Bank's branch network that, as at 30 September 2023, included 350 branches in Hungary, the Issuer also originates its business through external partners and its subsidiary, OTP Financial Point Ltd.

The following table sets out the distribution of The Issuer's new loan origination in 2022 by its employed channels:

Distribution channel	Share of new loan originating
OTP Bank branch network	13.53%
OTP Bank mobile bankers	30.44%
OTP Financial Point	19.25%
Other partners	36.77%

The following table sets out the distribution of The Issuer's new loan origination during the first nine months of 2023 by its employed channels:

Distribution channel	Share of new loan originating
OTP Bank branch network	14.23%
OTP Bank mobile bankers	31.68%
OTP Bank video bankers	0.31%
OTP Financial Point	16.74%
Other partners	37.04%

## Recent developments

### *Impact of COVID-19*

The Issuer is continuously assessing the impact of COVID-19 on the social and economic environment and the consequences of those on its lending activity and loan portfolio performance. Based on the current knowledge of the Issuer's management it is difficult to estimate the medium- and long-term financial impact of the virus.

In response to COVID-19, Hungary adopted certain extraordinary measures to alleviate the financial and economic impact of the crisis, as follows. Possible implications of the COVID-19 pandemic, if any, will depend upon future developments.

For the risks associated with the impact of and further information on COVID-19 please also see the Risk Factors headed "*Risk Factors – Factors that may affect the issuer's and the guarantor's ability to fulfil their obligations under the Mortgage Notes issued under the programme and under the irrevocable payment undertaking*"; "*Risk Factors – Factors that may affect the issuer's and the guarantor's ability to fulfil their obligations under the Mortgage Notes issued under the programme and under the irrevocable payment undertaking – The provisions made by the OTP Group may not be adequate to cover actual losses sustained*"; "*Factors that may affect the issuer's and the guarantor's ability to fulfil their obligations under the Mortgage Notes issued under the programme and under the irrevocable payment undertaking – The OTP Group is dependent on customer deposits for liquidity*"; "*The OTP Group is exposed to risks associated with movements in interest rates*"; "*Risk Factors – Factors that may affect the issuer's and the guarantor's ability to fulfil their obligations under the Mortgage Notes issued under the programme and under the irrevocable payment undertaking – The OTP Group faces risks associated with the implementation of its business strategy*"; and "*Risk Factors – Risks Related to the Legal and*



*Regulatory Environment – The OTP Group is subject to changes to government policy and regulation” above, as well as the “Business Environment” section.*

#### ***Moratorium on consumer loan payments***

In order to mitigate the economic effects of the COVID-19 pandemic, the Government decided to suspend the repayment of consumer loans taken out before 18 March 2020, including, among others, housing and general purpose mortgage loans. The payment moratorium was extended several times and its terms were also changed. The loan repayment moratorium ended on 31 December 2022. However, the effect of the moratorium on the quality of the portfolio concerned only showed during 2023.

#### ***Dividends in respect of the 2019, 2020, 2021 and 2022 financial years***

Following the successful performance of the Issuer in 2019, the Board of Directors initially planned for the Issuer to pay dividends to its shareholders with respect to the 2019 financial year. However, following an executive circular sent by the MNB, proposing measures to mitigate the negative effects on the financial intermediary system caused by COVID-19, the Board of Directors proposed to the Shareholder that no dividend shall be paid in respect of the 2019 financial year.

In its circular of 8 January 2021, the MNB instructed Hungarian credit institutions to refrain from paying dividends or making irrevocable commitments to pay dividends until 30 September 2021 in respect of the financial years ended 31 December 2019 and 2020 or at the expense of earnings made in earlier years, and also to refrain from share buybacks crediting investors until 30 September 2021 (share buybacks under a remuneration policy are not part of such limitation).

The Issuer decided in 2022 to pay dividends in the amount of HUF 18 billion from the net profit of 2021. The Issuer did not pay dividends during 2023.

#### ***Environmental, Social and Governance (ESG)***

Corporate responsibility has been an important factor for OTP Group for almost 15 years but starting from 2020 its sustainability efforts increased significantly. In the first half of 2021, the mapping of ESG business opportunities and the formulation of OTP Group’s ESG-related strategic ambitions began and its ESG strategy has been formulated - OTP Group’s mission in the ESG space is to be the regional leader in financing a fair and gradual transition to a low-carbon economy and building a sustainable future through our responsible solutions. As one of the leading banks in the CEE region, OTP Group is mainstreaming ESG in a challenging environment by managing the varying maturity of local markets, raising the relatively low ESG awareness of its customers, responding to rapidly changing regulatory changes that are not necessarily harmonised across OTP Group’s countries, and managing the different expectations of its investors.

In 2021, a dedicated organisational framework has been set up to ensure representation of ESG management responsibility in breadth and depth, the ESG Committee is responsible for formulating and executing on the ESG Strategy, directly reporting to the management body. The OTP Group’s management has also set key performance indicators to measure strategic goals. ESG compliance and other sustainability efforts set by the ESG strategy are constantly on the agenda, extensive efforts have been made for its implementation which is currently on schedule. OTP Group provides transparency on its results via the publication of its sustainability report.

In 2022, OTP Group broadened and deepened ESG activities in both business development and risk management. OTP Group’s financing activities are driven by the goal of sustainability, which also weigh up the risks and opportunities of this approach and the Issuer is constantly developing tools and processes that bring it closer to its ESG goals.

A notable milestone in 2022 is the completion of the Green Loan Framework, which has been approved by the MNB as first of its kind in Hungary and is the first milestone tool which enables OTP Group to fulfil its role of financing the green transition.

OTP Group’s green loan portfolio has been steadily growing: the on-balance sheet green exposure of the Issuer was close to HUF 220 billion in 2022, with a goal to reach OTP Group’s HUF 1,500 billion target by 2025.

A Sustainable Finance Framework of the OTP Group was also adopted and introduced to the market in 2022 with the aim to align the broader OTP Group corporate responsibility strategy with its funding needs. In July 2022, the Guarantor issued its first series of green bonds, which was the first Hungarian green bond issued in the international debt markets. The subsidiaries of OTP Group have also prepared their local green strategies and set green loan targets. The growth of the green loan portfolio has begun at the subsidiary banks as well, significantly contributing to the successful green bond issuance of the Issuer.

OTP Group has also amended its Risk Appetite Statement by introducing the ESG Operational Risk Tolerance as an operative limit and the continuous improvement of tools and processes through which operational and market risk aspects of ESG are managed. The growing importance of ESG within risk management is illustrated by the fact that a dedicated ESG Risk Programme has been defined as one of the focus areas of OTP Group Risk Strategy for 2023 to 2025.

In addition to the business and risk aspects, OTP Group has paid particular attention to transparency and has launched a dedicated ESG sub-page on its website, listing all its ESG related public policies and disclosures.

As part of OTP Group's ESG efforts, the Issuer has set up its Green Strategy, which contains all principles and goals that enable the Issuer to contribute to protecting the environment actively and efficiently. It is the Issuer's intention to support, within the limits of its own capabilities, the international and domestic efforts aimed at sustainable development. The Green Strategy of the Issuer was approved by the Issuer's Board of Directors on 6 July 2021. The Issuer issued two tranches of a green mortgage bond series in August and October 2021. As at 31 December 2022, the Issuer's outstanding green mortgage bond liabilities were HUF 95.02 billion.

#### ***Temporary cap on floating interest rates applicable to consumer mortgage loans***

On 24 December 2021, the Hungarian Government introduced a temporary cap on floating interest rates applicable to consumer mortgage loans - between 1 January 2022 and 30 June 2022, floating interest rates applicable to consumer mortgage loans cannot be set higher than the actual floating interest rate which was applicable in the context of the respective mortgage loan on 27 October 2021. In addition, lenders are not entitled to increase principal and interest amounts payable under consumer mortgage loans with any interest amounts which become due and are not paid during the above temporary period.

According to Decree 49/2022 (II. 18.) issued by the Hungarian Government on 18 February 2022: between 1 January 2022 and 30 June 2022 in the case of financial lease contracts on housing purpose with a reference interest rate, the reference interest rate shall be set so, that it cannot be higher than the reference interest rate specified in the contract on 27 October 2021. The modification loss related to the interest rate cap for variable rate mortgage loans announced on 22 December 2021 was recognised in the Issuer's 2021 financial accounts. The extension of the interest rate cap to housing purposes financial leasing contracts did not have a significant negative effect.

On 16 June 2022, the Prime Minister of Hungary announced that the Hungarian Government will maintain the temporary cap on floating interest rates applicable to consumer mortgage loans (on financial lease contracts on housing purpose also) until 31 December 2022. This amendment was introduced by Government Decree No. 215/2022 on 17 June 2022, and entered into force on 18 June 2022.

On 14 October 2022, the Hungarian Government decided to maintain the temporary cap on floating interest rates applicable to consumer mortgage loans (as well as on financial lease contracts for housing purposes) until 30 June 2023. This amendment was introduced by Government Decree No. 390/2022 on 14 October 2022 and entered into force on 15 October 2022. From 1 November 2022, the application of this temporary cap was also extended to non-state subsidised mortgage loan contracts with an interest rate fixed for up to five years.

According to Decree 415/2022 (X. 26.) issued by the Hungarian Government on 26 October 2022, the temporary cap on floating interest rates was extended to HUF denominated, non-state subsidised credit, loan- and financial lease agreements of micro- and small enterprises ("MSEs"). Following 15 November 2022, interest rates were frozen retroactively at their level on 28 June 2022. The cap was effective until 30 June 2023, similar to the existing cap on consumer mortgage rates. This Decree entered into force on 27 October 2022.

On 11 May 2023, the Hungarian Government announced that the temporary cap on floating interest rates applicable to consumer mortgage loans (as well as on financial lease contracts for housing purposes) is maintained

until 31 December 2023. This amendment was introduced by Government Decree No. 175/2023 on 12 May 2023 and entered into force on 13 May 2023.

On 30 November 2023, the Hungarian Government issued Government Decree No. 522/2023, according to which the temporary cap on floating interest rates applicable to consumer mortgage loans (as well as on financial lease contracts for housing purposes) is maintained until 30 June 2024.

#### ***Termination of the state of emergency related to the COVID-19 pandemic and the proclamation of the new state of emergency related to the Ukrainian-Russian war***

On 24 May 2022 the Hungarian Government terminated the state of emergency related to the COVID-19 pandemic, effective as 1 June 2022.

On the same day, the Hungarian Parliament amended the 51st Article of the Fundamental Law of Hungary about the state of emergency. The amendment now allows a state of emergency to be proclaimed not only in the event of a natural or an industrial disaster, but also in the event of an armed conflict, a state of war or a humanitarian disaster in a country neighbouring Hungary. In view of this amendment and the Ukrainian-Russian war, the Government has declared a state of emergency, effective as of 25 May 2022.

During the state of emergency, the Hungarian Government governs Hungary by decrees which as a general rule remain in effect for 15 days. After that period, each decree may be extended by the Parliament on an individual basis. These decrees of the government will expire at the latest upon the termination of the state of emergency. However, without prejudice to the above, even in the state of emergency the constitutional check over the Hungarian Government must be maintained by the Parliament and the Constitutional Court. The activity of the Constitutional Court cannot be suspended even in the state of emergency and it must constantly monitor the constitutionality of the Hungarian Government's actions. Also, the Parliament is entitled to challenge the maintenance of the state of emergency. If the Hungarian Government proposes that the maintenance of the state of emergency is no longer necessary it can decide for its termination.

On 8 June 2022, the Hungarian Parliament adopted Act VI of 2022 on resolving the consequences of the armed conflict and the humanitarian catastrophe in a neighbouring country of Hungary ("**Emergency Decree**"). According to the Emergency Decree – and to the 424/2022 (X.28.) and 479/2022 (XI.28.) Government decrees on the extension of the state of emergency –, all Hungarian Government decrees promulgated since the declaration of the state of emergency on 25 May 2022 were originally due to remain in force until 29 May 2023.

On 11 May 2023, the Hungarian Parliament adopted Act XI of 2023 on resolving the consequences of the armed conflict and the humanitarian catastrophe in a neighbouring country of Hungary, according to which all Hungarian Government decrees promulgated since the declaration of the state of emergency on 25 May 2022 will remain in force until 25 November 2023 instead of 29 May 2023 (as originally planned).

On 6 November 2023, the Hungarian Parliament adopted Act LXXII of 2023 on resolving the consequences of the armed conflict and the humanitarian catastrophe in a neighbouring country of Hungary according to which all Hungarian Government decrees promulgated since the declaration of the state of emergency on 25 May 2022 will remain in force until 23 May 2024 instead of 25 November 2023 (as previously planned).

#### ***Windfall tax on extra profits in the banking sector***

On 24 May 2022, the Hungarian Government announced a special tax on extraordinary profits in the banking and other sectors (the "**Windfall Tax**"). The Windfall Tax will be levied with respect to financial years 2022 and 2023 on a temporary basis and is expected to result in additional annual taxes on the Hungarian banking sector of around HUF 250 billion in total.

On 4 June 2022, the Government Decree No. 197/2022 on extra profit taxes (the "**Windfall Tax Decree**") was published. According to the Windfall Tax Decree, the base of the Windfall Tax for the banking sector is to be determined on the basis of the net sales revenue as reflected in the annual report of the relevant financial institution for the year preceding the relevant tax year. The rate of the Windfall Tax is 10 per cent. in 2022 and 8 per cent. in 2023. The Windfall Tax must be assessed and declared by 10 October 2022, and 50 per cent. of the 2022 tax liability is also due by that date. According to the Issuer's interpretation, the relevant taxpayers for these purposes

are financial institutions domiciled in Hungary, and Hungarian branches of financial institutions domiciled in other EEA countries.

In line with the above, the Hungarian group members of the OTP Group paid HUF 74.7 billion in 2022 after corporate tax, which was recorded in 2Q 2022 in a lump sum and was presented in the adjusted income statement under adjustment items. The total amount of Windfall Tax payable in 2023 is calculated to be HUF 41.2 billion. The amount payable by the Issuer was HUF 4.8 billion in 2022 and is calculated to be HUF 1 billion in 2023.

In addition to the above, the Windfall Tax Decree also introduced new rules for the payment of the Payment Transaction Duty. HUF 50 billion is expected to be collected from the Hungarian financial sector by the extension of the scope of the Payment Transaction Duty to include securities transactions.

According to the Windfall Tax Decree, banks and investment firms must pay a Payment Transaction Duty after the purchase, for the benefit of a customer or on an own account basis, of a financial instrument with an ISIN code issued by KELER Zrt., the Hungarian central securities depository company. The rate of the Payment Transaction Duty for these purposes is 0.3 per cent. of the base amount (i.e. the purchase price of the financial instrument credited to the securities account), but not more than HUF 10,000 per purchase. In the case of purchase in a foreign currency, the exchange rate must be converted into HUF at the exchange rate published by the MNB on the settlement date. In addition, the Windfall Tax Decree further extends the scope of the Payment Transaction Duty by making it applicable to payment services providers, credit and money lending, currency exchange and currency exchange intermediation services in Hungary as cross-border services.

The Windfall Tax Decree was amended by the Hungarian Government on 24 April 2023. For the first half of 2023 the tax burden was 50 per cent. of HUF 69 billion flagged for full year 2023 by the Guarantor in its 2023 Management Guidance. The amended legislation changed the calculation of the tax base, as well as the tax rate for 2H 2023. Accordingly, for that period the tax base (taking into account various factors that can impact it) will be 50 per cent. of the profit before tax, while the tax rate will be 13 per cent. for the part of the tax base not exceeding HUF 10 billion, and 30 per cent. above this threshold. As a result, the annual Windfall Tax burden of the Guarantor for 2023 will be reduced compared the originally flagged HUF 69 billion (pre-tax) to an expected sum HUF 41.2 billion. The amount expected to be paid by OTP Mortgage Bank in 2023 is HUF 1 billion.

The Windfall Tax Decree was further amended by the Government Decree No. 206/2023 (V.31.) announced on 31 May 2023. The amended legislation extended the obligation to pay special tax on extraordinary profits for the year 2024. The basis of the tax is the earnings before tax in 2022 corrected with several items. The rate of the Windfall Tax is 13 per cent. for the part of the tax base not exceeding HUF 20 billion, and 30 per cent. above this threshold. According to the amended Windfall Tax Decree, if the amount of the Hungarian government bonds owned by the credit institution increases, the credit institution may reduce its obligation to pay the Windfall Tax. The amount of the reduction is maximum 10 per cent. of the increase in the amount of Hungarian government bonds owned by the credit institution, and the reduction cannot be more than 50 per cent. of the Windfall Tax liability calculated without the reduction.

#### ***New policies regarding government securities***

The Hungarian Government promulgated three different decrees in order to increase purchases of government securities.

According to Government Decree No. 205/2023. (V. 31), the Hungarian Government introduced a 13 per cent. social contribution tax in addition to 15 per cent. interest tax. The new tax must be paid for the interest generated after 1 July 2023 and also the exchange rate gain of newly purchased securities. The social contribution tax applies to bank deposits, other public investment certificates and bonds, but not to real estate fund investment certificates and government securities.

Pursuant to Government Decree No. 208/2023. (V. 31.), the Hungarian Government imposed a new allocation setting the weight of Hungarian government securities in the portfolios of bond funds, equity funds and mixed funds to at least 60 per cent. However, according to the new rules, from 1 August 2023, a maximum of 5 per cent. of the assets of these securities funds can be invested in debt securities other than HUF denominated government securities.

According to Government decree No. 209/2023. (V. 31.), between 1 October 2023 and 31 December 2023, all credit institutions must send a warning notice to their own customers showing how much their customers would have gained if they had put their money in Hungarian government securities as opposed to bank deposits. In the warning notice, the credit institution calculates and presents in a clear tabular form how much return could have been achieved in the specified reference period (between 1 October 2022 and 1 October 2023) for HUF 100,000, HUF 500,000 or HUF 1,000,000.

***Governmental, legal and arbitration proceedings***

Neither the Issuer nor the Guarantor or any other member of the OTP Group is or has been involved in any governmental, legal or arbitration proceedings relating to claims or amounts that are material in the context of the issue of the Mortgage Notes (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) in the 12 months preceding the date of this document. The Issuer or any other member of the OTP Group may be a party to governmental, legal or arbitration proceedings in the future. There can be no assurance that the Issuer or any other member of the OTP Group will not be subject to fines, damages or other penalties which could have a material adverse effect on the OTP Group's business and financial position.

***Framework agreements with development banks***

From time to time the Issuer enters into framework agreements with multilateral development banks (each a "**Development Bank**") pursuant to which each Development Bank may acquire Mortgage Notes in any offering of Mortgage Notes from time to time in an amount that may be material in respect of the relevant Series of Mortgage Notes. Subject to the relevant Development Bank acquiring Mortgage Notes in any such offering, in the past the Issuer has undertaken to comply with certain environmental and/or social compliance and/or corporate governance policies and requirements of such Development Bank.

## FINANCIAL PERFORMANCE OF THE ISSUER

The Issuer's Consolidated Statement of Financial Position as at 30 September 2023, 30 September 2022, 31 December 2022 and 31 December 2021, respectively:

BALANCE SHEET (in HUF million)	30 September 2023	30 September 2022	31 December 2022	31 December 2021
Cash, amounts due from banks and balances with the National Banks	17,731	1,982	16,778	15,647
Placements with other banks	201,768	161,335	217,553	151,975
Financial assets at fair value through other comprehensive income	14,523	12,939	13,544	16,037
Securities at amortised cost	304,621	265,553	296,619	175,125
Investments in subsidiaries	43	-	-	-
Loans at amortised cost	1,184,718	1,174,165	1,164,795	1,134,767
Loans mandatorily at fair value through profit or loss	453,546	439,880	454,164	405,810
Property and equipment	50	48	54	52
Intangible assets	262	211	228	191
Right-of-use assets	231	259	281	338
Derivative financial assets designated as hedge accounting relationships	7,313	11,847	11,786	5,397
Deferred tax assets	320	482	441	216
Current income tax assets	743	1,130	1,054	5
Other assets	4,249	4,548	4,131	5,022
<b>TOTAL ASSETS</b>	<b>2,190,118</b>	<b>2,074,379</b>	<b>2,181,428</b>	<b>1,910,582</b>
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	1,053,087	979,142	1,059,717	1,022,772
Repo liabilities	30,016	-	13,947	-
Liabilities from issued securities	975,458	973,297	971,466	772,011
Derivative financial liabilities designated as hedge accounting relationships	1,933	3,773	3,889	1,804
Leasing liabilities	238	296	296	363
Current income tax liabilities	1	8	7	480
Provisions	602	2 288	1,448	869
Other liabilities	8,122	11,382	5,985	8,543
<b>TOTAL LIABILITIES</b>	<b>2,069,457</b>	<b>1,970,186</b>	<b>2,056,755</b>	<b>1,806,842</b>
Share capital	82,000	57,000	82,000	37,000
Retained earnings and reserves	38,661	47,193	42,673	66,740
<b>Total equity attributable to the parent</b>	<b>120,661</b>	<b>104,193</b>	<b>124,673</b>	<b>103,740</b>

	30 September 2023	30 September 2022	31 December 2022	31 December 2021
<b>BALANCE SHEET (in HUF million)</b>				
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>120,661</b>	<b>104,193</b>	<b>124,673</b>	<b>103,740</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2,190,118</b>	<b>2,074,379</b>	<b>2,181,428</b>	<b>1,910,582</b>

Source: OTP Mortgage Bank Ltd. – Audited Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union and Independent Auditor's Report as at, and for the year ended, 31 December 2022 and the unaudited interim financial statements for the nine months period ended on 30 September 2023.

The Issuer's Consolidated Statement of Profit or loss as at 30 September 2023, 30 September 2022, 31 December 2022 and 31 December 2021, respectively

	30 September 2023	30 September 2022	31 December 2022	31 December 2021
<b>CONTINUING OPERATIONS (in HUF million)</b>				
Interest income calculated using the effective interest method	112,397	70,087	103,496	64,725
Income similar to interest income	25,818	12,874	17,700	15,202
<b>Total interest income</b>	<b>138,215</b>	<b>82,961</b>	<b>121,196</b>	<b>79,927</b>
<b>Interest expense</b>	<b>(117,502)</b>	<b>(71,293)</b>	<b>(108,417)</b>	<b>(43,816)</b>
<b>NET INTEREST INCOME</b>	<b>20,713</b>	<b>11,668</b>	<b>12,779</b>	<b>36,111</b>
Loss allowance on loan, placement and repo receivables losses	2,559	1,757	2,296	912
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	(1,138)	112	355	(986)
Loss allowance / (Release of loss allowance) on securities at fair value through other comprehensive income and on securities at amortised cost	423	(1,020)	(2,071)	(157)
Provision for loan commitments and financial guarantees given	835	(1,419)	(616)	(47)
<b>Risk cost total</b>	<b>2,679</b>	<b>(570)</b>	<b>(36)</b>	<b>(278)</b>
<b>NET INTEREST INCOME AFTER RISK COST</b>	<b>23,392</b>	<b>11,098</b>	<b>12,743</b>	<b>35,833</b>
<b>Loss from derecognition of financial assets at amortised cost</b>	<b>(51)</b>	<b>(29)</b>	<b>(61)</b>	<b>(57)</b>
<b>Modification loss</b>	<b>(11,008)</b>	<b>(9,472)</b>	<b>(22,278)</b>	<b>(6,034)</b>
Income from fees and commissions	3,567	5,496	6,825	6,400
Expense from fees and commissions	(5,824)	(7,163)	(9,348)	(9,964)
<b>NET PROFIT FROM FEES AND COMMISSIONS</b>	<b>(2,257)</b>	<b>(1,667)</b>	<b>(2,523)</b>	<b>(3,564)</b>
Foreign exchange gains / (losses)	1	(19)	2	(3)

	30 September 2023	30 September 2022	31 December 2022	31 December 2021
<b>CONTINUING OPERATIONS (in HUF million)</b>				
Gains / (Losses) on financial instruments at fair value through profit or loss and net result on hedge relationship	(3,053)	5,745	13,793	4,941
Net other operating (expense) / income	70	(89)	186	(7)
Other operating expense	(1,566)	(72)	(18)	(112)
<b>Net operating (expense) / income</b>	<b>(4,548)</b>	<b>5,565</b>	<b>13,963</b>	<b>4,819</b>
Personnel expenses	(1,125)	(1,019)	(1,387)	(1,332)
Depreciation and amortisation	(168)	(195)	(256)	(267)
Other administrative expenses	(4,620)	(9,434)	(9,919)	(4,385)
<b>Other administrative expenses</b>	<b>(5,913)</b>	<b>(10,648)</b>	<b>(11,562)</b>	<b>(5,984)</b>
<b>PROFIT / (LOSS) BEFORE INCOME TAX</b>	<b>(385)</b>	<b>(5,153)</b>	<b>(9,718)</b>	<b>25,013</b>
Income tax expense	(690)	(522)	(622)	(2,175)
<b>PROFIT/ (LOSS) AFTER INCOME TAX</b>	<b>(1,075)</b>	<b>(5,675)</b>	<b>(10,340)</b>	<b>22,838</b>

Source: OTP Mortgage Bank Ltd. Audited Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union and Independent Auditor's Report for the year ended 31 December 2022 and the unaudited interim financial statements for the nine months period ended on 30 September 2023.

#### Additional information on Issuer's performance in 2022 and in the first nine months of 2023

##### OTP Mortgage Bank consolidated

Main components of the Statement of recognised income (in HUF million)	30 September 2022	30 September 2023	Change q- o-q (%)	31 December 2021	31 December 2022	Change y- o-y (%)
Profit/Loss after tax for the year	(5,675)	(1,075)	19	22,838	(10,340)	-
Profit/Loss before tax	(5,153)	(385)	7	25,013	(9,718)	-
Operating profit	4,918	7,995	163	31,382	12,657	(60)
Total income	15,566	13,908	89	37,366	24,219	(35)
Net interest income	11,668	20,713	178	36,111	12,779	(65)
Net profit from fees and commissions	(1,667)	(2,257)	135	(3,564)	(2,523)	(29)
Other net non-interest income	5,565	(4,548)	-	4,819	13,963	190
Operating expenses	(10,648)	(5,913)	56	(5,984)	(11,562)	93
Total risk costs	(570)	2,679	-	(278)	(36)	(87)
Corporate income tax	(522)	(690)	132	(2,175)	(622)	(71)

Main components of balance sheet, closing balances (in HUF million)	30 September 2022	30 September 2023	Change q- o-q (%)	31 December 2021	31 December 2022	Change y-o-y (%)
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Total assets	2,074,379	2,190,118	106	1,910,582	2,181,428	14
Total customer loans (net)	1,614,045	1,638,264	102	1,540,577	1,618,959	5
Liabilities from issued securities	973,297	975,458	100	772,011	971,466	26
Interbank loans	979,142	1,053,087	108	1,022,772	1,059,717	4
Total shareholders' equity	104,193	120,661	116	103,740	124,673	20

Indicators	30 September	30 September	Change q-o-q (%)	2021	2022	Change y-o-y (pps)
	2022	2023		2021	2022	
ROE	(5.5%)	(0.9%)	4.6	25.4%	(9.1%)	(34.5)
ROA	(0.3%)	0.0%	0.2	1.3%	(0.5%)	(1.8)
Total revenue margin	0.8%	0.6%	(0.1)	2.1%	1.2%	(1.0)
Net interest margin	0.6%	0.9%	0.4	2.1%	0.6%	(1.4)
Cost-to-asset ratio	0.5%	0.3%	(0.3)	0.3%	0.6%	0.2
Cost-to-income ratio	68.4%	42.5%	(25.9)	16.0%	47.7%	31.7
Risk cost rate	1.4%	1.3%	(0.2)	1.7%	1.3%	(0.4)

The macroeconomic background of the Issuer's financial management in 2022 was determined by the repeated central bank rate hikes due to rising inflation and the government decisions taken in connection with the impacts of these hikes. The most impactful of these measures is the extension—on two occasions—of the end-of-2021 legal regulation, known as the 'interest rate freeze' on variable rate loans, on account of the sharp increase of the market interest rate on variable-rate liabilities against unrealised interest income. The introduction of the 'extra profit tax' and the extension of the loan repayment moratorium also caused further significant losses. Loan portfolio growth decelerated in the fourth quarter due to high interest rates, but its income impact will already be felt in 2023, as will the increase in bank operating costs due to high inflation. In 2022, the Issuer became loss-making, forcing the owner to implement a capital increase twice.

#### **Economic policy measures and other relevant regulatory changes after the balance sheet date**

The section below presents the economic policy measures taken and other events occurring after the balance sheet date that the Issuer considers relevant and that have materially affected or may materially affect the operation of the OTP Group members.

On 4 January 2023, the Guarantor announced that the MNB has imposed the following additional capital requirements on OTP Group on a consolidated basis as of 1 January 2023 until the next review:

- 1.13 percentage points for Common Equity Tier 1 (CET1), resulting in a mandatory CET1 minimum of 5.63 per cent. (excluding regulatory capital buffers);
- 1.50 percentage points for Tier 1 capital, resulting in a mandatory Tier 1 minimum of 7.50 per cent. (excluding regulatory capital buffers);
- 2.00 percentage points for total SREP capital requirements (TSCR), resulting in a mandatory TSCR minimum of 10.00 per cent. (excluding regulatory capital buffers).

These regulatory changes do not directly apply to the Issuer, but at the same time indirectly affect the determination of the target level of own funds for the Issuer's regulatory capital above legal requirements through the OTP Group's internal capital adequacy requirements.

On 24 January 2023, the MNB did not change its base rates at its rate-setting meeting. On 25 January 2023, MNB launched its long-term deposit facility, while from 1 February, it holds weekly discount bill auctions. The Deputy

Governor of the MNB announced that from April, the MNB will be raising the minimum reserve requirement rate from 5 per cent. to 10 per cent..

On 27 January 2023, S&P Global Ratings cut Hungary's long- and short-term foreign and local currency ratings to 'BBB-/A-3' from 'BBB/A-2'.

According to the announcement by S&P Global Ratings on 30 January 2023, the rating agency has lowered the long- and short-term credit ratings as well as the long- and short-term resolution counterparty risk ratings of the Guarantor and the Issuer to 'BBB-/A-3' from 'BBB/A-2', and the senior preferred debt rating of the Guarantor was downgraded by one notch to 'BBB-'.

According to its press release issued on 6 February 2023, Moody's Investors Service has concluded its ratings review launched in July 2021. The subordinated bond rating of the Guarantor was downgraded from 'Ba1' to 'Ba2'. The rating agency affirmed all other ratings of the Guarantor.

At the same time, Moody's Investors Service downgraded the backed long-term issuer rating of the Issuer to 'Baa3' from 'Baa2', while affirming all other ratings of the Issuer.

The acquisition of I-gen.hu Pénzügyi Szolgáltató Kft. was completed in January 2023. The purchase price was HUF 35 million. On 26 January 2023, Ingatlanpont carried out a capital increase of HUF 10 million in the company. At the date of preparation of the financial statement, there is no information available on the accounting and earnings impact of the acquisition for 2023. The balance sheet total of I-gen Kft. is not significant compared to the consolidated balance sheet total.

## **Presentation of the audited consolidated IFRS figures of the Issuer as at 31 December 2022**

### *Changes in assets and liabilities*

The total assets as at 31 December 2022 amounted to HUF 2,181.4 billion, up 14.2 per cent. on the previous year. On the asset side the volume of outstanding mortgage loans grew by 5.1 per cent., while on the liability side the mortgage bond volume grew by 25.8 per cent. The Issuer closed the reference period with after-tax losses of HUF 10.3 billion.

The net portfolio of customer loans grew at a more moderate pace of 5.1 per cent., compared with the 16.9 per cent. increase in the previous year, due to a decrease in mortgage loan demand and thus loan disbursements. The gross amount of the consolidated customer loan portfolio was HUF 1,640.2 billion as at 31 December 2022. The amount of the impairment recognised on the customer loan portfolio carried at amortised cost in 2022 is HUF 16.6 billion, which is almost HUF 3 billion lower than in the previous year. Total interbank placements amounted to HUF 217.6 billion, of which refinancing loans (at net value less impairment) amounted to HUF 158.9 billion.

On the liabilities side, the main liabilities are securities issued and interbank liabilities.

At the end of 2022, the IFRS value of mortgage bonds issued with a nominal value of HUF 971.1 billion (including amortisation differences, accruals and market value differences) amounted to HUF 971.5 billion. In 2022, the IFRS portfolio of mortgage bonds increased by HUF 199.5 billion, due to a new issuance of HUF 200 billion.

The two main components of interbank liabilities are loans granted by OTP Bank for financing purposes (HUF 876 billion) and secured loans received from the MNB (HUF 173 billion). Significant among the latter loans is the HUF 107.1 billion portfolio of the MNB's refinancing loans, providing the source of the loans disbursed under the MNB's 'Green Home Programme' (MNB ZOP), which is shown in the balance sheet at a much lower fair value (HUF 52.2 billion) due to interest-free financing.

The Issuer was loss-making in 2022. In order to ensure an adequate level of own funds, a HUF 20 billion subscribed capital increase was carried out on 29 June 2022. The combined effect of the extension of the 'interest rate freeze' to the first half of 2023 and the October 2022 yield increases required a further HUF 25 billion capital injection, which took place on 15 December 2022, bringing the subscribed capital of the Issuer to HUF 82 billion. The Issuer has consistently met the capital adequacy ratio requirements set out by Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the "CRD IV") and by Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit

institutions and investment firms (“**CRR**”). At the end of December 2022, the Issuer’s own funds amounted to HUF 126.7 billion and the closing value of the capital adequacy ratio was 16.0 per cent.

#### *Changes in profit and loss*

As a result of various government measures (including extra profit tax, interest rate freeze, repayment moratorium), the Issuer closed 2022 with net consolidated after-tax losses amounting to HUF 10.3 billion, down HUF 33.2 billion on the previous year.

The income structure of the credit institution is mainly determined by the interest margin, which amounted to HUF 12.8 billion, HUF 23.3 billion lower than last year, as a result of interest income of HUF 121.2 billion and interest expenses of HUF 108.4 billion.

The most significant item of interest income received by the Issuer is interest income on customer loans, which amounted to HUF 94.7 billion, including HUF 4.1 billion in interest subsidies paid by the state on the assets and liabilities side. Interest income from customer loans fell short of planned figures, mainly due to the government measure known as the ‘interest rate freeze’, however it increased by HUF 19.8 billion due to the significant increase in mortgage loan levels.

Interest income from refinancing loans included in interbank receivables and from government securities amounted to HUF 15.7 billion and HUF 9.2 billion, up HUF 12.9 billion and HUF 6.7 billion, respectively.

The main items of interest expenses are interest expense recognised on issued mortgage bonds and their hedging transactions (HUF 55.1 billion) and interest paid on interbank liabilities (HUF 52.6 billion), up HUF 26.8 billion and HUF 37 billion respectively, due to the significant increase in interest rates.

The net profit of fees and commissions is a loss of HUF 2.5 billion, up HUF 1 billion on the previous year due to a HUF 0.4 billion increase in income and HUF 0.6 billion decrease in expenses. The most significant items of fee and commission income are fee incomes from the collateral valuation business, the brokerage commission income of the subsidiaries and other lending-related fee income. The majority of fee and commission expenses are fees and commissions paid to the Guarantor in connection with lending activities and for the subsidiaries, the commission expenses related to real estate brokerage.

Due to the adjustment, the net profit/loss row shows a loss of HUF 8.7 billion from the interest rate freeze extensions announced in June 2022, as well as an expected loss of HUF 12.8 billion from the extension of the interest rate freeze to the first half of 2023, and the impact of the automatic extension of the repayment moratorium of HUF 0.7 billion.

The main component of operating profit is the HUF 13.8 billion gain on the fair valuation of the various state-subsidised loans, up HUF 8.9 billion on the previous year.

Other administrative expenses grew HUF 5.6 billion compared to last year and amounted to HUF 11.6 billion. Of this, actual operating expenses accounted for only HUF 3.1 billion, while the remaining HUF 8.5 billion were tax and tax-type expenditures not dependent on the result for the financial year 2022: the special bank tax accounted for HUF 2.9 billion, the newly introduced extra profit tax for HUF 4.8 billion, and contributions paid to the MNB (supervisory fee, resolution fund) for HUF 0.8 billion.

### **Presentation of the unaudited consolidated IFRS figures of the Issuer as at 30 September 2023**

#### *Changes in assets and liabilities*

As at 30 September 2023, the total assets of the Issuer amounted to HUF 2,190.1 billion, up 0.4 per cent. on the previous year end.

The net portfolio of customer loans grew 1.2 per cent. in the first nine months of 2023. The amount of the impairment recognised on the customer loan portfolio carried as at amortised cost at 30 September 2023 is HUF 21.0 billion, which is HUF 0.2 billion lower than at the end of the previous year. Total refinancing loans (at net value less impairment) amounted to HUF 161.5 billion at the end of the period.

On the liabilities side, the main liabilities are securities issued and interbank liabilities. At the end of the period, the IFRS value of mortgage bonds issued by the Issuer had a nominal value of HUF 971.1 billion to HUF 975.5

billion. The two main components of interbank liabilities are loans granted by the Guarantor for financing purposes (HUF 866.5 billion) and secured loans received from the MNB (HUF 180.1 billion). Significant among the latter loans is the HUF 139.2 billion portfolio of the MNB's refinancing loans, providing the source of the loans disbursed under the MNB's 'Green Home Programme' (MNB ZOP), which is shown in the balance sheet at a much lower fair value (HUF 67.7 billion) due to starting fair value corrections.

The Issuer was loss-making in 2022. In order to ensure an adequate level of own funds, a HUF 20 billion subscribed capital increase was carried out on 29 June 2022. The combined effect of the extension of the 'interest rate freeze' to the first half of 2023 and the October 2022 yield increases required a further HUF 25 billion capital injection, which took place on 15 December 2022, bringing the subscribed capital of the Issuer to HUF 82 billion. The Issuer has consistently met the capital adequacy ratio requirements set out by CRR and CRD IV. At the end of December 2022, the Issuer's own funds amounted to HUF 126.7 billion and the closing value of the capital adequacy ratio was 16.0 per cent.

Equity decreased by 3.2 per cent. compared to the end of the previous year. The Issuer has consistently met the capital adequacy ratio requirements set out by CRR and CRD IV. The subscribed capital of the Issuer as at 30 September 2023 was HUF 82 billion, the Issuer's own funds that can be taken into account to cover risks were HUF 124.2 billion and the closing value of the capital adequacy ratio was 16.5 per cent.

#### *Profit and loss*

As a result of various government measures (extra profit tax, interest rate freeze), the Issuer closed the first nine months of 2023 with a loss: net consolidated after-tax losses amounted to HUF 1.1 billion.

The income structure of the Issuer is mainly determined by the interest margin, which amounted to HUF 20.7 billion, as a result of interest income of HUF 138.2 billion and interest expenses of HUF 117.5 billion.

The most significant item of interest income received by the Issuer is interest income on customer loans, which amounted to HUF 97.0 billion. Upon the expiry of the repayment moratorium affecting retail customer loans, the Issuer could start to submit the revision of the prior year's returns for the subsidy claim. The newly submitted and accepted claims were recognized as interest income for the period.

Interest income from refinancing loans and from government securities amounted to HUF 20.5 billion and HUF 13.0 billion, respectively.

The main items of interest expenses are interest expense recognised on issued mortgage bonds and their hedging transactions (HUF 67.4 billion) and interest paid on interbank and repo liabilities (HUF 49.2 billion).

The net profit of fees and commissions is a loss of HUF 2.3 billion. The most significant items of fee and commission income are fee incomes from the collateral valuation business and other lending-related fee income. The majority of fee and commission expenses, exceeding the incomes by orders of magnitude, are fees and commissions paid to the Guarantor in connection with lending activities.

Due to the adjustment, the net profit/loss row shows a loss of HUF 11.0 billion from the extension of the interest rate cap to the first half of 2023.

The main component of operating result is the HUF 3.0 billion loss on the fair valuation of the various state-subsidised loans and the HUF 1.5 billion support for spectator team sports paid against the special bank tax.

Other administrative expenses amounted to HUF 5.9 billion. Of this, actual operating expenses accounted for HUF 2.4 billion, while the remaining HUF 3.5 billion were tax and tax-type expenditures not dependent on the result for the period, being the special bank tax accounted for HUF 1.9 billion, the extra profit tax for HUF 1 billion, and contributions paid to the MNB (supervisory fee, resolution fund) for HUF 0.6 billion.

#### **Presentation of non-consolidated IFRS figures of the Issuer as at 31 December 2022**

The unconsolidated balance sheet total as at 31 December 2022 amounted to HUF 2,185.3 billion, up 14.2 per cent. on the previous year. The Issuer closed the reference period with after-tax losses of HUF 9.7 billion, down HUF 33.3 billion on the previous year.

The unconsolidated equity increased by 20 per cent. due to a combination of capital increases and the loss for the current year.

In the unconsolidated financial statement of the Issuer, the total consolidated value of participations amounted to HUF 3,213 million, which value is no longer shown in the consolidated financial statement due to capital consolidation.

### **Presentation of the non-consolidated IFRS figures of the Issuer as at 30 September 2023**

The unconsolidated balance sheet total as at 30 September 2023 amounted to HUF 2,194.5 billion which means a 0.4 per cent. increase compared to the end of the previous year.

The unconsolidated equity decreased by 2.6 per cent. compared to the end of the previous year, the Issuer's subscribed capital did not change.

The Issuer closed the first nine months of 2023 with a loss: the after-tax losses amounted to HUF 0.5 billion, up HUF 4.6 billion on the same period for the previous year.

### **Alternative Performance Measures**

The Issuer considers each metric set out below to constitute an alternative performance measure (“APM”) as described in the European Securities and Markets Authority Guidelines on Alternative Performance Measures (the **ESMA Guidelines**) published on 5 October 2015 by the European Securities and Markets Authority and which came into force on 3 July 2016. An APM should not be considered in isolation from, or as substitute for any analysis of, financial information presented in compliance with Financial Reporting Standards 102 (“**FRS 102**”).

All figures in the tables below are rounded and presented in HUF million. For FX adjustment, the closing cross currency rates for the current period were used to calculate the HUF equivalent of loan volumes in the base periods.

The definition of average balance sheet items: calendar day-weighted average of the average balance sheet items in periods comprising the given period, where periods comprising the given period are defined as quarters (and within that months) in case of 1H, 9M and FY periods, and months in case of quarters. Furthermore, the average of the average balance sheet items is computed as the arithmetic average of closing balance sheet items for the previous period and the current period.

### **Return On Equity (ROE)**

**Definition:** Profit after tax for the given period (annualised for periods less than one year) divided by average total equity.

**Explanation:** Provides additional information on financial performance and profitability of the bank, compared to its average total equity.

	30 September 2022	30 September 2023	31 December 2021	31 December 2022
<b>Reconciliation table</b>				
Profit after tax for the period	(5,675)	(1,075)	22,838	(10,340)
Average total equity	103,967	122,667	89,809	114,207
ROE	(5.5%)	(0.9%)	25.4%	(9.1%)

### **Return On Assets**

**Definition:** Profit after tax for the given period (annualised for periods less than one year) divided by average total assets.

**Explanation:** Provides additional information on financial performance and profitability of the Issuer, compared to its average total assets.

Reconciliation table	30 September 2022	30 September 2023	31 December 2021	31 December 2022
Profit after tax for the period	(5,675)	(1,075)	22,838	(10,340)
Average total assets	1,992,481	2,185,773	1,747,751	2,046,005
ROA	(0.28%)	(0.05%)	1.3%	(0.5%)

### *Total revenue margin*

**Definition:** Total income for the given period (annualised for periods less than one year) divided by average total assets.

**Explanation:** Provides additional information on net revenue generation of assets and liabilities of the Issuer.

Reconciliation table	30 September 2022	30 September 2023	31 December 2021	31 December 2022
Total income	15,566	13,908	37,366	24,219
Average total assets	1,992,481	2,185,773	1,747,751	2,046,005
Total revenue margin	0.8%	0.6%	2.1%	1.2%

### *Net interest margin*

**Definition:** Net interest income for the given period (annualised for periods less than one year) divided by average total assets.

**Explanation:** Provides additional information on net interest generation of assets and liabilities of the Issuer.

Reconciliation table	30 September 2022	30 September 2023	31 December 2021	31 December 2022
Net interest income	11,668	20,713	36,111	12,779
Average total assets	1,992,481	2,185,773	1,747,751	2,046,005
Net interest margin	0.6%	0.9%	2.1%	0.6%

### *Net fee and commission margin*

**Definition:** Net fee and commission income for the given period (annualised for periods less than one year) divided by average total assets.

**Explanation:** Provides additional information on net fee and commission generation of assets and liabilities of the Issuer.

Reconciliation table	30 September 2022	30 September 2023	31 December 2021	31 December 2022
Net profit from fees and commissions	(1,667)	(2,257)	(3,564)	(2,523)
Average total assets	1,992,481	2,185,773	1,747,751	2,046,005
Net fee and commission margin	(0.1%)	(0.1%)	(0.2%)	(0.1%)

#### *Other income margin*

**Definition:** Other net non-interest income for the given period (annualised for periods less than one year) divided by average total assets.

**Explanation:** Provides additional information on non-interest income generation of assets and liabilities of the Issuer.

Reconciliation table	30 September 2022	30 September 2023	31 December 2021	31 December 2022
Net operating (expenses) / income	5,565	(4,548)	4,819	13,963
Average total assets	1,992,481	2,185,773	1,747,751	2,046,005
Other income margin	0.3%	(0.2%)	0.3%	0.7%

#### *Cost-to-asset ratio*

**Definition:** Operating expenses for the given period (annualised for periods less than one year) divided by average total assets.

**Explanation:** Provides additional information on operating efficiency of the Issuer.

Reconciliation table	30 September 2022	30 September 2023	31 December 2021	31 December 2022
Other administrative expenses	(10,648)	(5,913)	(5,984)	(11,562)
Average total assets	1,992,481	2,185,773	1,747,751	2,046,005
Cost-to-asset ratio	0.5%	0.3%	0.3%	0.6%

#### *Cost-to-income ratio*

**Definition:** Operating expenses divided by Total income.

**Explanation:** Provides additional information on operating efficiency of the Issuer.

	30 September 2022	30 September 2023	31 December 2021	31 December 2022
<b>Reconciliation table</b>				
Other administrative expenses	(10,648)	(5,913)	(5,984)	(11,562)
Total income	15,566	13,908	37,366	24,219
Cost-to-income ratio	68.4%	42.5%	16.0%	47.7%

### *Risk cost rate*

**Definition:** Absolute value of provision for impairment on loan and placement losses for the given period (annualised for periods less than one year) divided by average gross loans.

**Explanation:** Provides additional information on level of loss allowances compared to the size of the portfolio.

	30 September 2022	30 September 2023	31 December 2021	31 December 2022
<b>Reconciliation table</b>				
Provision for impairment on loan and placement losses	(22,913)	(20,999)	(24,450)	(21,208)
Average gross loans	1,601,934	1,650,778	1,452,083	1,602,597
Risk cost rate	1.4%	1.3%	1.7%	1.3%

### *Stage 3 ratio*

**Definition:** Stage 3 loans gross amount under IFRS 9 divided by total gross loans less accrued interest receivables related to Stage 3 loans.

**Explanation:** Provides additional information on the loan portfolio quality.

	30 September 2022	30 September 2023	31 December 2021	31 December 2022
<b>Reconciliation table</b>				
Stage 3 loans gross amount	36,894	17,081	45,353	55,931
Gross customer loans	1,636,966	1,659,263	1,565,027	1,640,167
Stage 3 ratio	2.3%	1.0%	2.9%	3.4%

### *Own coverage of Stage 3 loans*

**Definition:** Loss allowance on Stage 3 loans divided by Stage 3 loans gross amount.

**Explanation:** Provides additional information on the loan portfolio and its provisioning.



Reconciliation table	30 September 2022	30 September 2023	31 December 2021	31 December 2022
Loss allowance on Stage 3 loans	10,435	4,088	11,176	10,166
Stage 3 loans gross amount	36,894	17,081	45,353	55,931
Own coverage of Stage 3 loans	28.3%	23.9%	24.6%	18.2%

#### *DPD90+ ratio*

**Definition:** Gross amount of loans overdue more than 90 days divided by total gross amount of loans less accrued interest receivables related to DPD90+ loans.

**Explanation:** Provides additional information on the loan portfolio.

Reconciliation table	30 September 2022	30 September 2023	31 December 2021	31 December 2022
Gross amount of loans overdue more than 90 days	36,894	17,081	45,353	55,931
Gross customer loans	1,636,966	1,659,263	1,565,027	1,640,167
DPD90+ ratio	2.3%	1.0%	2.9%	3.4%

#### *DPD90+ coverage*

**Definition:** Total amount of allowances for loan losses as per the financial statements less allocated provision on accrued interest receivables related to DPD90+ loans divided by the gross amount of loans overdue more than 90 days.

**Explanation:** Provides additional information on the loan portfolio and its provisioning.

Reconciliation table	30 September 2022	30 September 2023	31 December 2021	31 December 2022
Allowances for loan losses	(22,913)	(20,999)	(24,450)	(21,208)
(-) Allocated provision on accrued interest receivables related to DPD90+ loans	(954)	(273)	(709)	(865)
Allowances for loan losses	(21,959)	(20,726)	(23,741)	(20,343)
Gross amount of loans overdue more than 90 days	36,894	17,081	45,353	55,931
DPD90+ coverage	59.5%	121.3%	52.3%	36.4%

#### *Gross customer loans*

**Definition:** Gross customer loans including finance lease receivables and accrued interest receivables related to loans less accrued interest receivables related to Stage 3 loans

**Explanation:** Provides additional information on the loan portfolio.

	30 September 2022	30 September 2023	31 December 2021	31 December 2022
<b>Reconciliation table</b>				
Gross customer loans (incl. loans at amortised cost and loans mandatorily at fair value through profit or loss) (incl. accrued interest receivables related to loans)	1,636,966	1,659,263	1,565,027	1,640,167
Gross finance lease receivables	0	0	0	0
Gross customer loans (incl. finance lease receivables and accrued interest receivables related to loans)	1,636,966	1,659,263	1,565,027	1,640,167
(-) Accrued interest receivables related to DPD90+ / Stage 3 loans	3,032	1,022	2,602	4,544
Gross customer loans	1,633,934	1,658,241	1,562,425	1,635,622

### *Net customer loans*

**Definition:** Gross customer loans including finance lease receivables and accrued interest receivables related to loans less allowance for loan losses

**Explanation:** Provides additional information on the proportion of loans.

	30 September 2022	30 September 2023	31 December 2021	31 December 2022
<b>Reconciliation table</b>				
Gross customer loans	1,633,934	1,658,241	1,562,425	1,635,622
(+) Allowances for loan losses (incl. impairment of finance lease receivables)	(22,913)	(20,999)	(24,450)	(21,208)
(-) Allocated provision on accrued interest receivables related to DPD90+ / Stage 3 loans	(954)	(273)	(709)	(865)
Net customer loans	1,611,975	1,637,515	1,538,684	1,615,280

### **Capital management**

The primary objective of the capital management of the Issuer is to ensure prudent operations, to comply with the requirements of the regulator and to maximise shareholder value, accompanied by an optimal financing structure. The capital management of the members of OTP Group includes the management and evaluation of shareholders' equity available for hedging risks, other types of funds to be recorded in the equity and all material risks to be covered by the capital.

The basis of the capital management of OTP Group members in the short term is the continuous monitoring of their objective capital positions and strategic business planning, which includes monitoring of their capital position. OTP Group members maintain capital adequacy as required by their respective regulatory bodies and any planned risk-taking is carried out on the basis of ensuring and developing their profitability. If the planned risk level of an OTP Group member exceeds its core and the previously raised supplementary capital, it ensures

the prudent operation by occasional measures. The Issuer also effects capital management through its dividend policy, and transactions performed with treasury shares.

The Issuer uses the standard approach for determining regulatory capital requirements to credit risk. Market risk is not a relevant risk type in case of the bank.

Since 31 December 2012, OTP Group has been following the principle of “partial use” in calculating the consolidated capital requirement for operational risks based on the Advanced Measurement Approach (“AMA”) methodology. The consolidated capital requirement for operational risks is calculated based on the AMA model approved by the MNB. Inter alia the Issuer. is also covered by AMA. The stand-alone capital requirement for operational risks in respect of the Issuer covered by the AMA scope is allocated from the consolidated AMA capital requirement for operational risks. The OTP Group has a different type of insurance which aims to mitigate operational risk losses, but any AMA-compliance insurance or other risk transfer mechanisms are not applied in order to reduce the capital requirement for operational risk.

### Regulatory capital and capital ratios

CRD IV and CRR transpose the global standards on banking regulations into the EU legal framework. The Issuer complied with its regulatory capital requirements throughout 2021, 2022 and the first nine months of 2023.

The Issuer calculated its regulatory capital based on IFRS data as adopted by the EU, and its consolidated capital adequacy ratio based on this in accordance with the regulations of Basel III.

The composition of audited (including eligible profit) regulatory capital and the capital ratios of the Issuer according to Basel III regulation implementation, based on IFRS financials are as follows:

	30 September 2022	30 September 2023	31 December 2021	31 December 2022
<b>Calculation on IFRS basis (in HUF billion)</b>	<b>2022</b>	<b>2023</b>	<b>2021</b>	<b>2022</b>
Capital adequacy ratio (%)	13.16%	16.54%	13.13%	16.03%
Tier 1 ratio (%)	13.16%	16.54%	13.13%	16.03%
CET 1 ratio (%)	13.16%	16.54%	13.13%	16.03%
Own funds	105.03	124.17	95.97	126.72
Tier 1 capital	105.03	124.17	95.97	126.72
Common Equity Tier 1 capital	105.03	124.17	95.97	126.72
Additional Tier 1 capital	0	0	0	0
Tier 2 capital	0	0	0	0
Risk Weighted Assets	798.28	750.55	730.81	790.27
Risk Weighted Assets/Total Assets	41.78%	36.18%	38.20%	36.16%

As at 31 December 2021, the CET1 ratio under IFRS (including the eligible net result) was 13.1 per cent. In 2022, this ratio increased in total by 2.9 percentage points, due to share capital increase, to cover the losses mainly due to a windfall tax on extra profit of the banking sector and the temporary cap on floating interest rates on consumer mortgage loans.

The amount of transitional adjustments within regulatory capital was HUF 7.9 billion at 31 December 2022.

The total risk exposure (“RWA”) increased by HUF 59.5 billion in 2022 compared to end of 2021 (+8.1 per cent.), of which HUF 39 billion was due to the credit risk (organic growth) and HUF 20.5 billion due to the non-credit risk RWA.

The leverage ratio of the Issuer under CRR was 4.9 per cent. in 2021 and 5.8 per cent. in 2022.

For the interim periods, as at 30 September 2022, the CET1 ratio under IFRS (including the eligible net result) was 13.6 per cent. As at 30 September 2023, this ratio is higher by 3.4 percentage points, due to the share capital increase mentioned above.

The amount of transitional adjustments within regulatory capital was HUF 4.5 billion at 30 September 2023.

The RWA decreased by HUF 47.7 billion by 30 September 2023 compared to 30 September 2022, of which a decrease of HUF 56.3 billion was due to the credit risk and increase of HUF 8.6 billion due to the non-credit risk RWA.

The leverage ratio of the Issuer under CRR was 4.9 per cent. in September 2022 and 5.7 per cent. in September 2023.

### **Capital requirements**

According to the OTP Group-wide Supervisory Review and Evaluation Process (“**SREP**”), there is no additional, Pillar 2 capital requirement for the Issuer.

The SREP rate (the sum of Pillar 1 and Pillar 2 requirements divided by the Pillar 1 requirement) on the Issuer is calculated to be 100 per cent.

The overall capital requirement for year end 2022 also included the 2.5 per cent. combined capital buffer requirement which was met by CET1. As at the date of this Base Prospectus, the capital conservation buffer (“**CCB**”) in Hungary is 2.5 per cent., the systemic risk buffer is 0 per cent., and the countercyclical buffer (“**CCyB**”) is 0 per cent. According to the decision of MNB, the Issuer was not declared as a member of other systemically important institutions, therefore the other systemically important institutions (“**O-SII**”) buffer is 0 per cent.

The overall capital requirement of the OTP Group for 3Q 2023 also included the 3.8 per cent. combined capital buffer requirement which was met by CET1. As at the date of this Base Prospectus, in Hungary the capital conservation buffer is 2.5 per cent., the systemic risk buffer is 0 per cent., the other systemically important institutions buffer is 1 per cent. and the countercyclical buffer is 0 per cent. The O-SII buffer was 0.5 per cent. at year end 2022 and is expected to be set at 2 per cent. in 2024 for the Guarantor. The CCyB rate applicable to exposures in Hungary is expected to be set at 0.5 per cent. from 1 July 2024. The MNB will modify the amount of the final buffer rates if material future changes in the systemic importance of the Guarantor necessitate adjustments during the annual revisions.

The CCyB requirement on a consolidated basis for the Guarantor was 0.29 per cent. in 3Q 2023, due to 1.5 per cent. CCyB in Bulgaria, 0.5 per cent. in Romania, and 0.5 per cent. in Croatia. In the last quarter of 2023, the consolidated institution specific CCyB requirements are expected to increase further for the following reasons: (i) in Bulgaria the local relevant buffer was increased to 2.0 per cent. from 1 October 2023, (ii) in Croatia this requirement is expected to increase to 1 per cent. from 31 December 2023, (iii) in Romania this requirement was increased to 1 per cent. from 23 October 2023 and (iv) in Slovenia this requirement will be increased to 0.5 per cent. from 31 December 2023. Once all these changes have taken effect, the CCyB requirement on a consolidated level.

From July 2023 0.5 per cent. countercyclical buffer was introduced in Hungary, therefore the combined capital buffer requirements increased to 3 per cent.

In line with Regulation (EU) No 648/2012 (“**CRR II**”), OTP Group considers 3 per cent. to be its minimum level of leverage ratio.

### **Minimum Requirement for own funds and Eligible Liabilities**

MNB as the responsible resolution authority for the Issuer waived the minimum requirement for own funds and eligible liabilities (“**MREL requirement**”) to the Issuer that would be applicable on an individual basis according to Section 68/B(1) of the Resolution Act (implementing Article 45f(1) BRRD). The waived MREL requirement is defined as 19.48 per cent. of TREA and 5.84 per cent. of total exposure measure (“**TEM**”) of the Issuer to be met by 1 January 2024. The waiver is granted based on Section 68/B(6) of Resolution Act (implementing Article

45f(3) of BRRD). The consolidated MREL requirement of the Guarantor, as the resolution entity of OTP Group covers the recapitalisation needs of the Issuer.

If the conditions for the waiver are no longer met the Issuer shall meet the applicable MREL requirement on an individual basis. Pursuant to Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending the Capital Requirements Directive IV as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures (“**CRD V**”), it shall also meet the combined buffer requirement in addition to the TREA-based MREL requirement on 1 January 2024 as institutions shall not use CET1 capital that is maintained to meet the combined buffer requirement, to meet the risk-based component of the MREL requirement. The MREL requirement and the fulfilment of the conditions for granting the waiver are to be reviewed at least once a year by the MNB, together with the EU resolution authorities of countries where members of the OTP Group are established (the “**Resolution College**”).

In line with BRRD II, MNB also determined and waived the mandatory intermediate target for the MREL requirement that the Issuer shall comply with from 1 January 2022. The intermediate target level for the MREL requirement was determined as 14.07 per cent. of TREA and 5.86 per cent. of TEM of the Issuer.

## FINANCIAL RISK MANAGEMENT OF THE ISSUER

The risk management practices of the Issuer are driven by the Risk Strategy of OTP Group, which defines the risk related vision, mission and values of OTP Group and sets out the main principles of risk management for all major risk types (credit, country and counterparty, operational, market, liquidity, interest rate risk in the banking book (IRRBB) and capital risks). The Risk Strategy also includes initiatives related to the improvement of the risk management framework in the forthcoming years. The Risk Appetite Statement constitutes part of the Risk Strategy which defines the risk tolerance and risk assumption principles for all major risk categories.

The Risk Strategy and the Risk Appetite Statement of OTP Group were approved by OTP Bank's Board of Directors on 7 December 2022 and they are both revised annually.

### Credit risk

Credit risk is managed both on an individual and OTP Group level. OTP Group has a credit risk exposure in the event that a counterparty is unable to pay amounts in full when due. OTP Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or banks of borrowers, and to geographical areas and loan types. Such risks are monitored on a periodic basis and subject to an annual or more frequent review. The OTP Group's exposure to any particular borrower, including banks and brokers, is further restricted by limits in relation to on-balance sheet and off-balance sheet exposures and by daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. For the Issuer, the two sources of credit risk are the mortgage loans granted to retail customers and refinancing loans granted to Hungarian commercial banks. Actual exposures against limits are monitored daily.

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

### Credit risk classification

According to the requirements of the IFRS 9 standard (effective for annual periods beginning on or after 1 January 2018), OTP Group currently classifies the financial assets measured at their amortised cost, at fair value through other comprehensive income and loan commitments and financial guarantees into the following stages:

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

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

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

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

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

Default qualification is applicable to those exposures (on-balance and off-balance) that originate credit risk (so originated from loan commitments, risk-taking contracts).

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

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

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

- defaulted (based on OTP Group level default definition);
- it is classified as non-performing forbore (based on OTP Group level forbore definition);
- the monitoring classification of corporate and municipal customers above different thresholds defined at OTP Group level (including but not limited to):
  - breaches of contracts;
  - significant financial difficulties of the debtor (such as capital adequacy, liquidity, deterioration of the instrument quality);
  - bankruptcy, liquidation, debt settlement processes against the debtor;
  - forced strike-off is commenced against the debtor;
  - termination of a loan contract by the Issuer;
  - occurrence of a fraud event; and
  - termination of the active market of the financial asset.

If the exposure is no longer considered as credit impaired, OTP Group will allocate the exposure to Stage 2.

When loss allowance is calculated in respect of exposures categorised into stages the following process is followed by stages:

- Stage 1 (performing): loss allowance at an amount equal to 12-month expected credit loss is recognised;
- Stage 2 (significant increase in credit risk): loss allowance at an amount equal to lifetime expected credit loss is recognised; and

- Stage 3 (non-performing): loss allowance at an amount equal to lifetime expected credit loss is recognised.

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

An entity must measure expected credit losses of a financial asset in a way that reflects:

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

### **Asset-liability management**

#### ***Liquidity position***

The primary objective of the Issuer in terms of asset-liability management is to ensure that the Issuer’s liquidity is maintained at a safe level.

As of 31 December 2022, the Issuer’s liquidity coverage ratio (“**LCR**”) was 675 per cent. while NSFR compliance has remained comfortable at 129 per cent.

**The following table sets out the key liquidity risk indicators and their limits as at 31 December 2021, 31 December 2022 and 30 September 2023:**

	Requirement	31 December 2021	31 December 2022	30 September 2023
Net stable funding ratio	at least 100%	123%	129%	128%
Liquidity coverage ratio	at least 100%	2,599%	675%	1,759%

#### ***Interest rate risk***

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

### **Operational risk management**

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. In many respects, operational risks are very diverse and different from conventional banking risks. Effective operational risk management requires participation and commitment of the entire organisation, and support from management is crucial in order to mobilise and involve the employees who are responsible for operational risk. Management of operational risk in the Hungarian members of OTP Group, including the Issuer, is coordinated on a group level by the Guarantor. As a result of strong management support, OTP Group has a well-designed and trained internal expert network. OTP Group places great importance on the training of this internal expert network.

The most important fundamental principles which OTP Group follows with respect to operational risk management are summarised below:



- in order for operational risks to be adequately managed, a standardised, easily understood, and robust framework system must be put in place at OTP Group level, covering the definition of operational risks and the methods of identification, measurement, monitoring, management and mitigation of such operational risks;
- the operational risk management system must cover all risks inherent in the activities of OTP Group, an operational risk toolset must be developed and updated according to changes and internal and external expectations;
- the review of this framework needs to be established and conducted;
- strong support of people within OTP Group dealing with operational risk management;
- OTP Bank's management body and the Operational Risk Committee must be informed on a regular basis of the prevailing operational risk exposure of OTP Group and any potential and incurred losses arising from operational risks;
- OTP Group strives for a high level of risk-awareness and must articulate its operational risk appetite;
- OTP Group must have guidelines, processes and procedures to mitigate operational risks, both for OTP Bank and for its subsidiaries as well; and
- independent operational risk management activities must be fully integrated into OTP Group's risk management activities and its general management information system.

Due to the changing operational environment, including technological developments, and the ever increasing need to meet the challenges of the digital era, there are increased operational risks and reputational risks. OTP Group maintains a comprehensive cyber-security programme with the necessary defence systems and solutions. OTP Group is a prime target in terms of phishing attacks and partially DOS/DDOS attacks. The members of OTP Group have the necessary capability to deal with these threats by contracting with relevant third-party providers and utilising IT solutions and organising periodical trainings for our employees and publishing awareness information on our website, while also complying with the regulations of the EU and Hungarian authorities.

The relevant department of OTP Bank annually conducts a phishing campaign to raise awareness. In order to comply with regulatory recommendations, OTP Group has created a role-based cyber security awareness training, which is also available to the subsidiaries. OTP Group has also introduced group-wide security solutions which enables faster deployment within the subsidiaries and more seamless daily operations. Knowledge sharing is also important and therefore a rotation programme has been initiated within OTP Group, during which employees of the Issuer will be able to visit OTP Bank's relevant departments to have an insight into how processes work at OTP Bank level. In 2022 OTP Group has signed a contract with Bluevoyant, a cybersecurity company which assists in assessing the security risks of its suppliers and enhances its brand protection capabilities. Additionally, it also gave its subsidiaries the option to use this service for their own suppliers from 2023 to boost OTP Group's resilience. With the entry into force of the EU's DORA regulation, OTP Group has initiated a tender process to be able to meet the requirements of this regulation. At the end of 2022, OTP Group has contracted a supplier for a group wide penetration test that covers all the foreign subsidiaries of OTP Group. This test is still in progress at the date of this Base Prospectus.

OTP Group has a major focus on money-laundering prevention and compliance with sanction regimes in order to manage reputational, legal and financial risks stemming from compliance failure. The top priority for OTP Group has been building strong internal controls, policies and systems, and a sound risk culture.

Insurance coverage is also used to manage operational risk. The Issuer has the following insurance cover:

- liability insurance; and
- motor insurance.

As most insurance is managed locally, a group-level insurance framework has not been implemented. Members of OTP Group are allowed to purchase additional local insurance cover. Insurance policies are renewed regularly. There is no current plan to terminate any of the existing insurance coverage. Current insurance policies are believed by the Issuer's management to be appropriate based on prevailing regulations and management decisions.

There is no indication that insurance will not be available to OTP Group members on commercially reasonable terms.

The Issuer takes into account the Regulation (EU) 2016/679 (the “**General Data Protection Regulation**” or “**GDPR**”), and other relevant guidelines and opinions of the competent data protection authorities in order to comply with privacy requirements. All documents such as general business rules and privacy notices and procedures are in line with the GDPR and the applicable national laws. A register of data protection activities was established and is kept up-to-date. Personal data breaches are recorded and classified concerning the risk they have to the rights of data subjects. Employees of the Issuer receive privacy training regularly to increase awareness of the responsibilities under the GDPR.

### **Compliance policies (Sanctions and sensitive transactions)**

The Issuer is a member of OTP Group. OTP Bank and all OTP Group members which are subsidiary banks, credit institutions, investment firms, financial institutions, or financial undertakings (together the “**OTP Banking Group**”) enforce a sanctions policy which is designed to ensure compliance with economic, financial and trade sanctions laws and regulations and embargo provisions of the European Union, the United Nations and the United States as well as other sanctions laws and regulations, in each case as applicable to OTP Banking Group.

The sanctions programme of OTP Banking Group sets out the minimum standards that the Issuer and its subsidiaries must comply with to meet the applicable sanctions requirements including the following standards and procedures.

- Screening customers and transactions against the sanctions lists issued by the European Union, the United Nations, the United States and the local regulatory sanctions lists (as applicable) including the jurisdictions in which the Issuer or its subsidiaries operate.
- Prohibiting or restricting business activities, the provision of financial and investment products or services or the facilitation of transactions that may violate the applicable sanctions laws. Prohibitions aim also to prevent transaction and business conduct that has the purpose of evading or avoiding directly or indirectly any applicable sanctions.
- OTP Banking Group may in its sole discretion refuse to provide financial and investment products or services or facilitate transactions even where permitted by applicable sanctions laws and regulations where these activities fall outside of OTP Banking Group’s risk appetite.

In addition to the above, OTP Banking Group has compliance policies in place relating to sensitive transactions and/or clients from sensitive industries, including but not limited to dual-used technology, nuclear energy, extractive industries and gambling.

In respect of transactions related to the defence industry, OTP Banking Group applies additional controls in compliance with relevant embargo regulations and binding national legal provisions with additional verification requirements for financing agreements in connection with the defence industry.

### **Anti-Corruption policy**

The Issuer is committed to combatting corruption and declared zero tolerance towards all forms of bribery and gaining of unfair advantages. The provisions of the Issuer’s Anti-Corruption Policy have been formulated in accordance with applicable Hungarian, European Union and international legislation and the Anti-Corruption Guidance of the Wolfsberg Group.<sup>12</sup>

In the course of and in connection with the Issuer’s activities, all staff members and any other contractual partners of the Issuer are strictly prohibited from performing any act of corruption and from participating or being involved in corruption. A violation of the prohibition on corruption would give rise to consequences under labour, civil and criminal law. The Issuer ensures full implementation of all applicable Hungarian, European Union and international anti-corruption regulations, and requires all of its staff members and contractual partners to comply with such regulations.

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<sup>12</sup> The Wolfsberg Group – Wolfsberg Anti-Bribery and Corruption (ABC) Compliance Programme Guidance (2017)

The Anti-Corruption Policy defines the principles of the Issuer's anti-corruption activity and identifies the areas particularly exposed to the risk of corruption. The scope of the Anti-Corruption Policy extends to all staff members and contractual partners of the Issuer and to any other persons participating in the performance of their activities.

In order to enforce zero tolerance towards corruption, the Issuer applies the following procedural and operational principles:

- in order to avoid the concentration of decision-making powers in one person's hands, the Issuer strictly defines staff members' roles and responsibilities by adequately and officially specifying the responsibilities and clearly designating decision-making levels;
- the Issuer formulates officially devised procedures for the performance of specific activities by individual staff members, and require the application thereof;
- in accordance with and to the extent permitted by legal provisions, the Issuer monitors the activity and transactions of individual staff members; and
- in all cases where required by relevant policies, the Issuer expects all staff members to make their decisions on the basis of pre-defined criteria.

#### **Anti-money laundering (AML) and counter-terrorism financing activities**

The employees of the Issuer exposed to AML risks are required to take definite steps toward the prevention and combating of money laundering and terrorist financing and to obtain exhaustive information on their clients by applying the "Know Your Customer" principle. In the course of their work, employees are required to proceed in full compliance with the provisions of the Act on the Prevention and Combating of Money Laundering and Terrorist Financing, the Act on the Implementation of Financial and Property Restrictive Measures Prescribed by the European Union and the UN Security Council, as well as the implementing decrees of such Acts, the Criminal Code, the recommendations of the MNB, the FATF and the Basel Committee on Banking Supervision, the relevant regulations of the European Union and the Issuer's internal regulatory documents.

#### **Basic principles of the Code of Ethics**

The Issuer enforces a Code of Ethics regarding ethical business operations.

Violations of the Code of Ethics can be reported either in person, by telephone or e-mail. The Issuer also does the utmost to protect employees who report infringements against discrimination and unfair treatment by prohibiting retaliatory measures or the application of negative consequences against any person who reports, in good faith, actual or suspected breaches of the values and principles of the Code of Ethics.

The Issuer attaches particular importance to making sure that its employees familiarise themselves with and develop awareness of the norms of ethics. The Issuer provides an e-learning programme for every employee, and reviews and monitors compliance with those norms on a regular basis.

The guidelines and requirements set forth in the Code of Ethics specify obligations for the Issuer's executive officers, employees and agents. "Agents" include representatives, experts, intermediaries, consultants, agents per se, subcontractors and suppliers, along with enterprises and natural persons in other legal relationships with the Issuer under the civil law. The provisions set forth in the Code of Ethics must be observed and complied with during the entire period of the employment or contractual relationships – both during and outside working hours.

As an ethical and compliant institution, the Issuer and its management are fully committed to ensuring observance of all relevant legislation, including anti-corruption statutes. The Issuer 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.

The Code of Ethics has also provisions on, among other things, anti-corruption including prohibited manipulation, rules on the acceptance of gifts, refusing payments facilitating business procedures, sponsorship, and donation.

The detailed procedural rules are set out in the administrative directive on the framework for reporting unethical conduct defining the rules concerning the operation of the whistleblowing system which complies with the

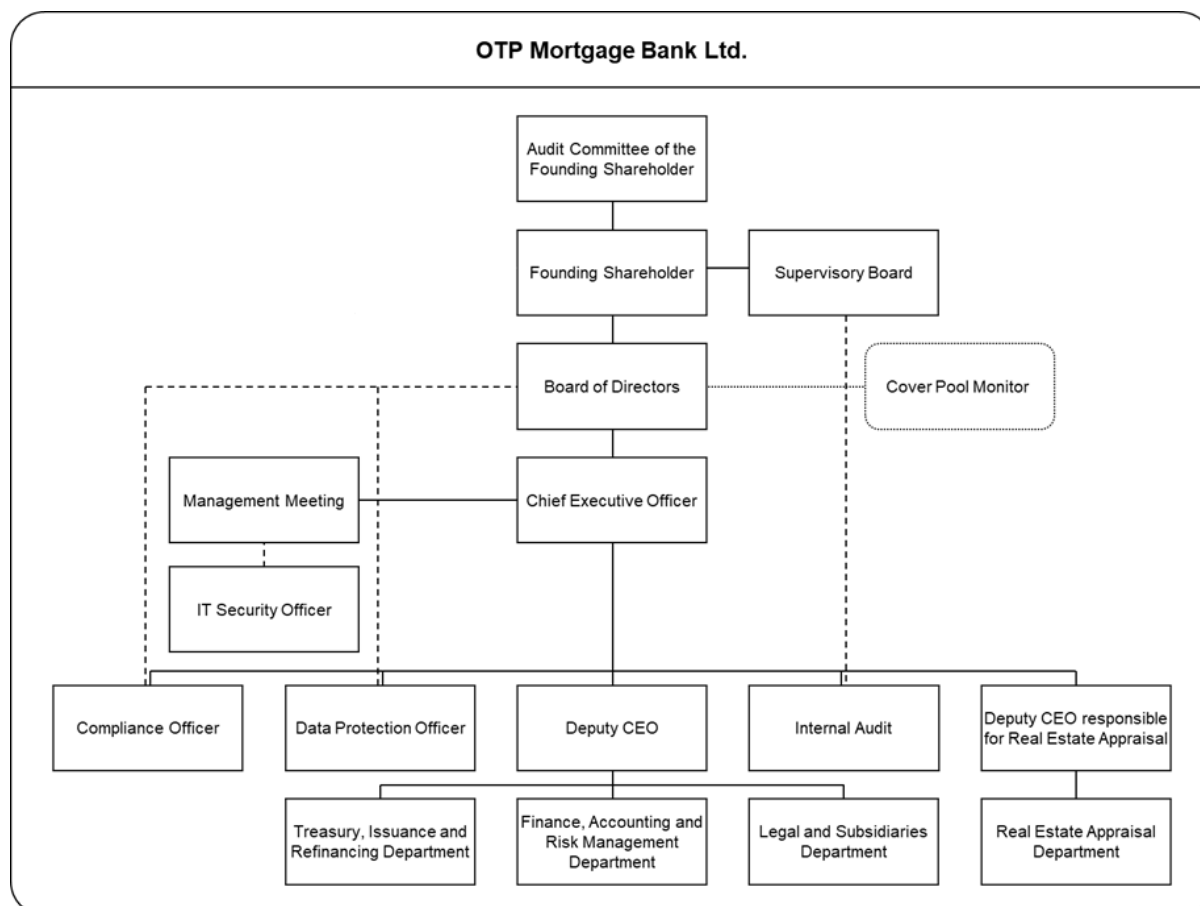
statutory requirements and also facilitates whistleblowing on the potential violation of the values specified in the Code of Ethics as well as the rules pertaining to the procedure related to such whistleblowing reports.

The Issuer places importance on compliance with ESG requirements. Based on these principles, the Code of Ethics have been supplemented to (i) emphasise regulation; (ii) focus the attention of suppliers on implementing the provisions of the Code of Ethics; (iii) make donations transparent; (iv) declare the respect for human rights; and (v) implement rules about customer protection and proper customer information.

## ORGANISATION STRUCTURE AND MANAGEMENT OF THE ISSUER

### Organisational structure of the Issuer

The founding shareholder is exercising the rights of the General Meeting. The Supervisory Board, the Board of Directors and the Auditor perform their duties set out in the relevant legislation and in the Issuer's articles of association. The Issuer is headed by the CEO, over whom employer rights are exercised by the Board of Directors. The CEO exercises employer rights over the Issuer's employees, and also manages the Issuer's organisation. The organisational structure of the Issuer is presented in the figure below.



The Issuer is a member of OTP Group and is independent from other members of OTP Group in terms of management and ownership.

OTP Group conducts retail and corporate lending, handles account management and bank card transactions, collects deposits and provides investment services, and provides financial services to its customers through bank branches, electronic channels and intermediaries. The most important members of OTP Group in Hungary are: the Guarantor, the Issuer, OTP Real Estate Lease Ltd., Merkantil Bank Ltd., OTP Building Society Ltd., OTP Factoring Ltd., OTP Fund Management Ltd., OTP Real Estate Investment Fund Manager Ltd., OTP Mobil Ltd., OTP Financial Point Ltd., OTP Real Estate Point Ltd., MONICOMP Ltd., OTP Fund Administration Provider Ltd., OTP Annuity Real Estate Investor Ltd. OTP Bank has made several successful acquisitions in recent years, and as a result has developed into a dominant banking group in the East-Central European region.

Through its business activities, the Issuer has close business relations with the following group members within OTP Group: the Guarantor, OTP Building Society Ltd., OTP Factoring Ltd.

#### *Investments embodying ownership*

Since 14 December 2016, the Issuer has owned 100 per cent. of OTP Real Estate Point Ltd., which carries out activities set out in Paragraph 9. of the Mortgage Credit Institutions Act.

Since 27 June 2019, the Issuer has owned 100 per cent. of shares of OTP Financial Point Ltd., which is classified as an ancillary enterprise based on Paragraph 9. section (1) of the Mortgage Credit Institutions Act and Paragraph 6. section (1) point 48. of Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (Credit Institutions Act).

The Board of Directors of the Issuer has not committed itself to future investments.

The Issuer believes that it is in compliance with the provisions of all applicable statutory regulations, orders of the supervisory authority and the regulations of the Budapest Stock Exchange. The structure and operating conditions of the Issuer are contained in its Articles of Association, which are approved by the Shareholder.

In 2023, the following changes were made in the Issuer's management bodies:

- The Shareholder reappointed Mr. Antal György Kovács as Chairman of the Board of Directors of the Issuer until the Annual General Meeting of the Shareholder closing the 2027 business year but not later than 31 May 2028;
- The Shareholder reappointed Mr. András Becsei as Member of the Board of Directors of the Issuer until the Annual General Meeting of the Shareholder closing the 2027 business year but not later than 31 May 2028;
- The Shareholder reappointed Mr. Csaba Nagy as Member of the Board of Directors of the Issuer until the Annual General Meeting of the Shareholder closing the 2027 business year but not later than 31 May 2028;
- The Shareholder reappointed Mr. Ákos Ferenc Fischl as Member of the Board of Directors of the Issuer until the Annual General Meeting of the Shareholder closing the 2027 business year but not later than 31 May 2028;
- The Shareholder reappointed Mr. Attila Kovács as Member of the Board of Directors of the Issuer until the Annual General Meeting of the Shareholder closing the 2027 business year but not later than 31 May 2028;
- The Shareholder reappointed Ms. Anna Mitkova Florova as Member of the Board of Directors of the Issuer until the Annual General Meeting of the Shareholder closing the 2027 business year but not later than 31 May 2028;
- The Shareholder reappointed Mr. Zoltán Roskó as Member of the Board of Directors of the Issuer until the Annual General Meeting of the Shareholder closing the 2027 business year but not later than 31 May 2028;
- The Shareholder appointed Mr. József Németh as Chairman of the Supervisory Board of the Issuer until the Annual General Meeting of the Shareholder closing the 2027 business year but not later than 31 May 2028;
- The Shareholder reappointed Ms. Ágota Selymes as Member of the Supervisory Board of the Issuer until the Annual General Meeting of the Shareholder closing the 2027 business year but not later than 31 May 2028;
- The Shareholder appointed Mr. Gergely Pókos as Member of the Supervisory Board of the Issuer until the Annual General Meeting of the Shareholder closing the 2027 business year but not later than 31 May 2028;
- The Shareholder appointed dr. Róbert Csató as Member of the Supervisory Board of the Issuer until the Annual General Meeting of the Shareholder closing the 2027 business year but not later than 31 May 2028.

### **Board of Directors**

The Board of Directors is an executive body elected by the Founding Shareholder of the Issuer. The Board of Directors shall be entitled and obliged to make all decisions which are not within the competence of the

Shareholder, the Supervisory Board as defined by law, the Articles of Association, or a resolution of the Shareholder.

The liability of the Board of Directors extends to the operation of the entire the Issuer, as part of which the Board's main tasks include the approval of the Issuer's strategy, annual report, major organisational restructurings and policies, as well as making other significant company law-related decisions. In its objectives and activities, particular emphasis is placed on increasing shareholder value, profitability and efficiency, and on managing risks and complying fully with external requirements – in other words on ensuring the most effective enforcement of business, ethical and internal control policies.

The scope of its authority is defined in the effective statutory provisions, the Issuer's Articles of Association, Shareholder's resolutions, and the Organisational and Operational Regulations. Its rules of procedure include the legal status and composition of the Board of Directors, as well as the regulations applicable to its operation and decision making.

All the obligations and prohibitions specified for executive officers under Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (Credit Institutions Act) apply to the members of the Board of Directors.

It oversees the Issuer's operative management through the CEO. The CEO is authorised to decide in all matters that do not, pursuant to the Articles of Association, fall within the scope of authority of the General Meeting or the Board of Directors. The employer's rights related to the CEO and deputy CEOs of the Issuer are exercised by the Board of Directors as a corporate body. In the case of other employees, the employer's rights are exercised by the CEO which right can be transferred to other executive officers.

In view of the fact that the Board of Directors also has an important role to play in overseeing the work of the management, it is of substantive importance that the principle of a majority of external (non-executive) members be implemented in respect of the Board of Directors (three executive members, four non-executive members). The makeup of the Board of Directors ensures that professional expertise, experience, and a degree of impartiality that goes beyond the above-mentioned independence requirement, are brought to bear in equal measure in the decision-making processes. The members of the Board of Directors are appointed by the Shareholder for a term of five years.

The business address for the members of the Board of Directors is:

OTP Mortgage Bank Ltd.  
Budapest  
Váci út 135-139. D building  
1138 Hungary

**Executive members and their principal activities outside the OTP Group are:**

**András Becsei, CEO**

In 2001, András Becsei graduated with a master's degree in Finance from the Budapest University of Economic Sciences and Public Administration. During his studies, he was awarded a scholarship at the University of Southern California in Los Angeles. Mr. Becsei holds a second master's degree in International Management from the University of Cologne (2002) and an MBA from INSEAD (2005-2006). His career started as a Mergers & Acquisitions analyst at MOL in 2000, before moving to Ruhrgas in Essen (2001-2002). Between 2002-2009, he worked as a Consultant and a Project Manager at McKinsey & Company.

Since 2014 Mr Becsei has been the CEO of the Issuer and OTP Building Society. He was appointed as Deputy CEO of the Retail Division of the Guarantor on 1 January 2023. Before that he had also worked at OTP Bank in various roles including Managing Director of the Retail Subsidiary Management and Business Development Directorate (2009-2012), Director of Retail Product Development (2012-2016), and Managing Director of Budapest Region (2017-2022).

Alongside his primary role at the Issuer, Mr. Becsei has performed other duties as a member of the Supervisory Board of OTP Bank Ukraine – JSC OTP Bank (2010-2014) and as the Vice President of the Hungarian Banking Association since 2014. He temporarily served as President of the Hungarian Banking Association for nine months.

### **Csaba Nagy, General Deputy CEO**

Mr Nagy graduated with a bachelor's degree in economics from College of Finance and Accounting, Zalaegerszeg in 1993, then he entered into a Career Development Programme which was founded by the Training Centre for Bankers and Hungarian Credit Bank, where he began his career as a treasury sales dealer. Throughout his career Mr Nagy has worked at numerous reputable companies and gained excellent leadership skills. He had been the CEO of OTP Security and OTP Life Annuity. He spent his first term as a Deputy CEO of the Issuer between 2003 and 2011. In 2011 he became Managing Director at the Hungarian Development Bank where he was responsible for product development and financing agricultural and municipal transactions. Then Mr Nagy was appointed as Deputy CEO with financial responsibilities at MVM Hungarian Electrical Works Ltd. before becoming CEO of the Hungarian Development Bank in 2013. After three years of leadership, he left Hungarian Development Bank and since then he has been General Deputy CEO of the Issuer and during this time he has also been appointed as Deputy CEO of OTP Building Society.

In addition to the abovementioned work experience Mr Nagy has held many other positions on various boards. To highlight some of them, he was Chairman of Hungarian Mortgage Bank Association, Capital Markets Working Group from 2002 to 2011, Chairman of the Supervisory Board, MVM PAKS II Nuclear Power Plant Developer from 2012-2013. From that time until 2015 he was Chairman of the Supervisory Board then Chairman of Board of Directors of Diákhotel Központ Zrt. which company is specialised in providing supplementary funding to students. He was also Chairman of Supervisory Board and Audit Committee of Budapest Bank from 2016 to 2017. Currently he is a member of Board of Directors of OTP Building Society and a member of Supervisory Board of OTP Pénzügyi Pont Ltd and a member of board of directors of OTP Ingatlanpont Ltd. The two beforementioned companies are subsidiaries of the Issuer.

### **Ákos Ferenc Fischl, Deputy CEO, Real Estate Appraisal Department**

Mr Fischl graduated from the Szent István University, Faculty of Economics and Social Sciences and Regional Economics with a MsC degree in agricultural engineering in 2002. He holds a second and even a third MsC degree in real estate survey engineering from Budapest University of Technology and Economics (2004-2006) and in construction industry judicial expertise from Budapest University of Technology and Economics (2007-2009). He is a certified real property and agricultural estate appraiser. He began his professional career in 2002 at Ernst & Young Consulting Ltd where he worked as a consultant in the Real Estate Division. After this he started working at FHB Mortgage Bank Plc. as a real estate appraiser and validator from 2005 to 2008 when he became head of department of the company's Constructions and Commercial Real Estate Valuation Department until 2010. Then in 2010 he joined the Issuer and became the head of the Real Estate Appraisal Department. In 2017 Mr Fischl was appointed as a Deputy CEO of the Issuer and beside his other duties he is also responsible for managing the IT tasks of the Issuer.

He has many other positions related to real estate appraisal. Mr Fischl has been a member of the Valuation Desk of Hungarian Mortgage Bank Association since 2010. He has been the Chairman of the Valuation Committee of Hungarian Real Estate Association since 2019 and also has been a member of Valuation Committee of European Mortgage Federation since 2011. He was appointed as a member of Advisory Board of RICS in 2020. In that year Mr Fischl became the Chairman of Property Valuation Working Group of Hungarian Banking Association.

#### **Non-executive members:**

#### **Antal György Kovács, Chairman**

He graduated from the Karl Marx University of Economic Sciences with a degree in economics. He began his professional career in 1990 at the Nagyatád branch of K&H Bank, where he worked as a branch manager between 1993 and 1995. He has been working at OTP Bank since 1995, first as a county director and from 1998 as the executive director of OTP Bank's South Transdanubian Region. He was OTP Bank's Deputy CEO from 1 July 2007 until the Guarantor's annual general meeting (28 April 2023). He was the head of Retail Division Until 31 December 2022 as well. He has received additional training at the International Training Centre for Bankers and on various courses held by the World Trade Institute.

Between April 2007 and April 2012 he was Chairman of the Supervisory Board of OTP banka Hrvatska d.d. He has been Chairman of the Supervisory Board of OTP Bank Romania SA since 12 December 2012. He has been



Chairman of the Board of Directors of the Issuer and OTP Building Society Ltd. since 24 April 2014. He is Chairman of the Supervisory Board of OTP Fund Management Ltd. He was a member of the Supervisory Board from 2004 to 14 April 2016.

#### **Anna Mitkova Florova**

Mrs Florova graduated from the Plekhanov Russian University of Economics in 1989 and earned a postgraduate degree in bank management from the Corvinus University of Budapest in 1996. Her career began in 1993 at the Commercial and Creditbank as SME and Retail Branch Deputy Director. Between 1999 and 2002 she had worked at Post Bank as VIP Retail Branch Director before she moved to K&H Bank. There she was the Director of Private Banking then the Director of Deposit and Investment Marketing Department. In 2008 she worked at Hungarian Foreign Trade Bank. After that she continued her career at the Guarantor, first as the Director of Mortgage Loan Department (2008-2012) then as the Deputy CEO and member of the Board of Directors of the Russian OTP Bank. She was the Managing director of OTP Inगतlanpont from 2015 to 2016. In the same period she was appointed as General Deputy CEO and was a member of Board of Directors of the Issuer.

From 2017 to the present days Mrs Florova has been the Head of Retail Lending Tribe of the Guarantor and also a member of the Board of Directors of the Issuer and OTP Building Society. She is the Chairperson of the Supervisory Board of OTP Inगतlanpont and Chairperson of Board of Directors of SKB Banka Slovenia and OTP Pénzügyi Pont. She has been leading one of the most recognised working groups of the Hungarian Banking Association as Chairperson.

#### **Attila Kovács**

Mr Kovács graduated with a degree in economics at the Budapest University of Economics and Public Administration (Corvinus University) in 2003. He worked as an analyst first at the department of SAP Controlling (2005-2008) then at the Department of Liquidity Risks before becoming head of the Department of Country, Partner and Liquidity Risks (2006-2008) and the department responsible for liquidity management (2007-2008) at the Guarantor. He was the head of the Balance Sheet Management Department between 2008 and 2017. Since 2017 he has been the Director of Middle Office Department of the Guarantor.

Mr. Kovács is currently a member of the Board of Directors of the Issuer, OTP Building Society and SKB Banka d.d Ljubjana. He was appointed as chairman of the Treasury Working Group of Hungarian Banking Association in 2018.

#### **Zoltán Roskó**

In 1995 Mr Roskó earned a degree in economics from the Budapest University of Economics Sciences. In 1997 he earned a second degree in economics of financial law from Eötvös Loránd University. Mr Roskó started working in the banking industry first. In 1997 he became the CFO of K&H Investment and K&H Leasing Ltd. After that he worked at the Hungarian Press Agency as Vice President of Finance in 2002. Between 2003 and 2010 he was the Vice President of Finance of National Development Agency. Since 2010 he has been working at the Hungarian Football Association in a position of Head of Operations. His main activities and responsibilities include finance and accounting, IT management, licence administration, project management.

He has been a member of the Board of Directors of the Issuer since 2012.

#### **Supervisory Board**

In line with the two-tier governance structure of the Issuer, the Supervisory Board – as a body elected by the Shareholder – performs the oversight of the Issuer’s management, business activities and legal operation and fulfils the responsibilities assigned to it by the Credit Institutions Act.

In accordance with the regulatory requirements – the principle of a majority of independent (non-executive) members is fully enforced in respect of the composition of the Supervisory Board. The ratio of independent (non-executive) Supervisory Board members (four members) is 100 per cent.

There is no Works Council operating at the Issuer, therefore the Supervisory Board does not have any employee delegate.

In order to avoid conflicts of interest, the Shareholder may not appoint the members of the Board of Directors and their close relatives to the Supervisory Board.

The Supervisory Board determines and approves its own rules of procedure.

The responsibility of the Supervisory Board extends to the supervision of the lawfulness of the Issuer operations, its business practices and management, including the control of the Issuer's internal auditor. The Supervisory Board exercises a preliminary right of consent in respect of decisions relating to the establishment and termination by the employer of the employment of the internal auditor.

It is the task of the Supervisory Board to accept and regularly review – within the limits defined by the Shareholder and its resolutions – the principles of the Issuer's Remuneration Policy.

#### **Members of the Supervisory Board:**

The Supervisory Board members are elected by the Shareholder for a term of five years.

#### **Independent members:**

##### **József Németh, Chairman**

Mr Németh graduated from the College of Finance and Accounting with a degree in economics in 1985. He worked as an internal auditor at Gyöngyös-Rábamenti Mg. Szövetkezet in 1985. After that he went to work for Hungarian Credit Bank where he worked first as an analyst (1987-1990) and in 1990 he became a bank branch manager then a bank branch director in Szombathely. Mr Németh was the western regional manager of ABN AMRO Bank between 1998 and 2000. In 2001, he returned to the Hungarian Credit Bank and was appointed as corporate regional manager. From 2002 to 2006 he was the director of OTP Bank's directorate in Szombathely. Since 2006 he has been the managing director of OTP Bank's West and North Transdanubian Region. In 2023 he was appointed as the Chairman of the Supervisory Board of the Issuer.

##### **Gergely Pókos**

Mr Pókos earned a MSc degree in economics from Budapest University of Economics and Public Administration (Corvinus University) in 2004. From 2004 he worked for McKinsey & Company as a Counsel until becoming a project manager in strategic and corporate management and financial consulting projects in Hungary, EU countries, Middle East and South East Asia. Then he started working in the agri-food industry and became the Deputy CEO of Bonafarm (2012-2020) and chairman of the Board of Directors of PICK Szeged (2016-2020) and the CEO of MCS Vágóhíd (2017-2019). In 2021, Mr Pókos has changed his career path and was appointed as a managing director of the Guarantor with the responsibility of the management of OTP Group's ESG programme and the implementation of ESG strategy.

He is the professional manager of OTP Green Investment Fund managed by Portfolion Ltd. (Chairman of the Investment Committee and member of the Board of Portfolion Ltd.). He has been the Owner-manager of OTP Hungaro-Projekt Kft., Chairman of the Supervisory Board (from 2022). Mr Pókos also holds secretary positions in universities foundations. In 2023 he was appointed as a member of the Supervisory Board of the Issuer.

##### **Dr. Róbert Csató**

In 2011, Mr Csató graduated from the Corvinus University of Budapest with a degree in international studies and in 2013 he obtained his MSc degree at Corvinus University of Budapest. He went to the University of Hull studying Politics and International Relations with a scholarship for one year. He also graduated with a law degree (2016) and later qualified as a data privacy lawyer (2019) from Eötvös Loránd University. He started his career as an intern at CIB Bank (2013) and he was a data analyst at AblnBev Hungary (2013-2014). He worked in the public administration at the Ministry of Justice (2014) then at the Ministry of Interior (2015-2016) supporting security audits and performing professional tasks related to the protection of classified data. In 2016 he became an information security advisor at the Guarantor. Since 2019 he has been working as the head of IT Security Coordination and Operations Department of the Guarantor. In 2019, he was appointed as member of the Supervisory Board of OTP Building Society and in 2023 as a member of the Supervisory Board of the Issuer.

## **Ágota Selymes**

Ms Selymes has over 50 years of work experience in the financial sector, but she has retired in 2019. In 1973 she graduated from the College of Finance and Accounting with a degree in economics. During her professional career she qualified as an auditor (1995), tax consultant (1989) and international tax advisor (2003). In 1966 she started working at the Guarantor where she spent her further career until her retirement (2019). In 1990 she was appointed as a deputy managing director at the Accounting and Finance Directorate. She was responsible for developing tax related administration, developing banking systems for international data reporting and managing tax related tasks of OTP Group.

In 2020 she earned her real estate agent qualification. She has been a member of the Supervisory Board of the Issuer since 2001.

## **Audit Committee**

The Issuer has not established an independent Audit Committee, the functions of the Audit Committee are performed by the Audit Committee of the Founding Shareholder pursuant to the Credit Institutions Act.

## **Members of Senior Management:**

*András Becsei, CEO*

*Csaba Nagy, General Deputy CEO*

*Ákos Ferenc Fischl, Deputy CEO, Real Estate Appraisal Department*

## **Permanent Committees of the Issuer**

Decisions to establish permanent committees are made by the Board of Directors. The permanent committee established in support of management functions is the Management Meeting. The Management Meeting is a forum that directly supports the work of the CEO and is the management body of the Issuer. It coordinates the preparation of strategic decisions and has decision-making powers in matters referred to its competence by the Issuer's Organisational and Operational Regulations needed for the performance of the Issuer's business activities, for minimising the Issuer's risks and for ensuring its operation. It takes a preliminary position and prepares decisions in the issues that are discussed by the Board of Directors, the Supervisory Board and the Shareholder, and plays a coordinating role in the senior management of the Issuer. The Management Meeting also ensures that the Issuer can respond flexibly and effectively to market and regulatory factors and that the Issuer can act in a coordinated fashion. The Management Meeting performs its work in accordance with its order of business approved by itself and meets once a week (and on an ad-hoc basis as and when necessary). Its order of business is determined by its rules of procedure. The permanent members of the Management Meeting are the CEO (as the Chairman), Deputy CEOs, and the heads of the departments of the Issuer, thus all the necessary expertise is represented. Permanent invitees are the internal auditor and the compliance officer. If required, the Chairman of the committee is entitled to invite persons other than the members of the committee. The decisions are made by a simple majority of votes.

The body responsible at the Issuer for the valuation and selection of green loans and for the periodical review of the Issuer's Green Mortgage Bond Framework is the Management Meeting acting as the Green Mortgage Bond Committee. It is responsible for approving the annual green mortgage bond reports published for investors and compiled by the domain in charge of collateral registration. The body also prepares a quarterly report for the Board of Directors, presenting the number of green mortgage bonds issued and the volume of eligible green loans.

## **Potential conflicts of interest**

There are no actual or potential conflicts of interest between the private interests or duties of the members of the Board of Directors, the Supervisory Board or the senior management of the Issuer and their duties to the Issuer.

## DESCRIPTION OF THE GUARANTOR'S AND THE OTP GROUP'S BUSINESS

### Introduction

The Guarantor is both an operating company and the parent company of its corporate group. The OTP Group provides universal banking service, including through several domestic and foreign subsidiaries. In Hungary, traditional banking operations are performed by the Guarantor while specialised services, including car leasing, mortgage lending and investment funds, are offered by the Guarantor's subsidiaries. In addition to operating in Hungary, the OTP Group currently operates, through its banking subsidiaries, in the following countries: Albania, Bulgaria, Croatia, Montenegro, Moldova, Romania, Russia, Serbia, Slovenia and Ukraine. After the completion of a divestment in November 2020, the OTP Group has no more banking operations in Slovakia. The OTP Group also operates in Uzbekistan since the acquisition of Ipoteka Bank. The first part of the financial closure of the acquisition of Ipoteka Bank by the OTP Group took place on 13 June 2023 (acquiring 75 per cent. of the shares) and the remaining part (i.e. 25 per cent. of the shares) is expected to close in 2026. The Guarantor currently has two representative offices (with non-banking activities, with the sole aim of representing and promoting the Guarantor in the given country), one is located in Beijing, China, and the other one is located in Eschborn, Germany.

As at 31 December 2022, the OTP Group provides financial services through 1,392 branches, agent networks and electronic channels. The OTP Group's total assets were HUF 32,804 billion (EUR 82 billion) as at 31 December 2022, out of which close to 42 per cent. was in Hungary. The next four largest foreign operations comprised 42 per cent. of the OTP Group's total assets (Bulgaria 18 per cent., Croatia 10 per cent., Serbia 8 per cent. and Slovenia 5 per cent.). Based on publicly available information on central bank and bank association websites,<sup>13</sup> the Guarantor's management believes the Guarantor to be the market leader in terms of total assets in Hungary and among the leading banking players in Bulgaria, Croatia, Montenegro, Serbia and Slovenia. As at 30 September 2023, the OTP Group provides financial services through 1,450 branches, agent networks and electronic channels. The OTP Group's total assets were HUF 39,574 billion (EUR 101.1 billion) as at 30 September 2023, out of which close to 36 per cent. was in Hungary. The next four largest foreign operations comprised 46 per cent. of the OTP Group's total assets (Bulgaria 16 per cent., Slovenia 15 per cent., Croatia 8 per cent. and Serbia 7 per cent.).

### History

The predecessor of the Guarantor, the National Savings Bank (*Országos Takarékpénztár*), was established in 1949 as a nationwide, state-owned banking entity providing retail services in relation to bank accounts, savings accounts and loans. Its activities and the scope of its authorisation have gradually widened. It was initially authorised to enter into real estate transactions. Thereafter, its role was extended to provide domestic foreign currency accounts and foreign exchange services as well as banking services for Hungarian municipalities. In 1989, the National Savings Bank started operating as a universal commercial bank. In addition to continuing its previous retail and municipal activities, the National Savings Bank became authorised to offer services in respect of corporate loan accounts and deposits and to provide commercial loans and banking services for corresponding banking and export-import transactions.

In 1990, the National Savings Bank became a public company with a share capital of HUF 23 billion. Its name was changed to National Savings and Commercial Bank (OTP Bank Rt.). Subsequently, its non-banking activities were separated from it, along with their supporting organisational units. The state lottery was reorganised into a separate state-owned company and OTP Real Estate Ltd. was established as a subsidiary of the Guarantor.

The Guarantor's privatisation began in 1995. As a result of three public offerings accompanied by the listing of the Guarantor's shares on the Budapest Stock Exchange, the state's ownership in the Guarantor decreased to a single voting preference (golden) share. The law on abolishing the voting preference share of the state came into effect on 21 April 2007. Currently, the Guarantor's ownership structure is dispersed with its shares mostly held by institutional (financial) and private investors.

After the completion of its privatisation, the Guarantor started its international expansion, targeting countries in the CEE region, which were considered to offer economic growth potential similar to that of its domestic market.

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<sup>13</sup>Information available (for example) in *The National Bank of Hungary – 'Golden Book'* and similar publications and data available on central bank websites for Croatia, Serbia, Montenegro, and Bulgaria and the website of the Bank Association of Slovenia.

The Guarantor has completed several acquisitions during the period 2002 to 2007, becoming one of the key players in the CEE region. By the end of 2006, the Guarantor operated in nine countries. During the period of 2014 to 2016, the OTP Group completed three further acquisitions to enhance its presence in markets where it was already present. Between December 2016 and February 2023, the OTP Group completed ten further acquisitions, including commencing operations in Albania, Moldova, Slovenia and Uzbekistan.

**The following table sets out the total assets evolution of the OTP Group in the period between 1995 and 2022:**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Total assets (EUR billion)</b>	4.3	5.0	5.7	6.5	7.3	7.7	9.3	11.5	13.2	16.9	20.6	28.1	33.4	35.4

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Total assets (EUR billion)</b>	36.0	35.1	32.8	34.7	35.0	34.8	34.0	36.0	42.5	45.4	60.9	63.9	74.7	82.0

	30 September 2023
<b>Total assets (EUR billion)</b>	101.1

The corporate name of the Guarantor is OTP Bank Nyrt. The Guarantor’s corporate name in English is “OTP Bank Plc”. The Guarantor has its registered seat at Nádor utca 16., 1051 Budapest, Hungary, its telephone number is: +36 1 473 5000. It was founded on 31 December 1990 for an indefinite period of time and was registered with the Metropolitan Court of Budapest on 28 November 1991 as a company limited by shares (in Hungarian: *részvénytársaság*) under the registration number of Cg 01-10-041585. The Guarantor’s Legal Entity Identifier (LEI) is 529900W3MOO00A18X956. The Guarantor operates under Hungarian law, in particular, under Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (the “**Credit Institutions Act**”), Act CXX of 2001 on the capital markets (the “**Capital Markets Act**”) and Act CXXXVIII of 2007 on investment firms and commodity service providers and on the rules of their activities (the “**Investment Firms Act**”).

### Shareholder Structure

The Guarantor’s registered capital is HUF 28,000,001,000, divided into 280,000,010 dematerialised ordinary shares with a nominal value of HUF 100 each. The ordinary shares of the Guarantor all have the same nominal value and bestow the same rights in respect of the Guarantor. Ordinary shares of the Guarantor are listed in Category “Equities Prime” on the Budapest Stock Exchange.

### Ownership structure of the Guarantor as at 30 September 2023 and 31 December 2022 and

Description of owner	Total equity					
	30 September 2023			31 December 2022		
	%	% <sup>(1)</sup>	Qty	%	% <sup>(1)</sup>	Qty
Domestic institution/company	31.24	31.30	87,462,423	31.80	31.84	89,040,716
Foreign institution/company	53.67	53.78	150,266,882	50.05	50.11	140,129,576
Domestic individual	13.85	13.88	38,776,092	16.91	16.93	47,338,305
Foreign individual	0.35	0.36	992,340	0.52	0.52	1,464,494
Employees, senior officers	0.62	0.62	1,728,800	0.55	0.55	1,526,762
Treasury shares <sup>(2)</sup>	0.22	0.00	602,180	0.13	0.00	354,144

Government held owner	0.05	0.05	139,036	0.05	0.05	139,946
International Development Institutions	0.01	0.01	28,603	0.00	0.00	3,183
Other <sup>(3)</sup>	0.00	0.00	3,654	0.00	0.00	2,884
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>280,000,010</b>	<b>100.00</b>	<b>100.00</b>	<b>280,000,010</b>

Notes:

- (1) Voting rights in the General Meeting of the Guarantor for participation in decision-making.
- (2) Treasury shares do not include the OTP shares held by OTP Bank Employee Stock Ownership Plan Organisation (“ESOP”). 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 2022, ESOP owned 10,965,752 OTP shares. On 30 September 2023, ESOP owned 12,206,117 OTP shares.
- (3) Non-identified shareholders according to the shareholders’ registry.

Source: OTP Bank Plc. - Annual Report 2022, Budapest, 06 April 2023 and Summary of the first nine months 2023 results, Budapest, 10 November 2023”

**To the extent known by the Guarantor, direct and/or indirect shareholders of the Guarantor with over/around 5 per cent. stake as at 30 September 2023**

Name	Number of shares	Ownership <sup>(1)</sup>	Voting rights <sup>(1)(2)</sup>
MOL (Hungarian Oil and Gas Company Plc.)	24,000,000	8.57%	8.59%
Groupama Group	14,256,056	5.09%	5.10%
Groupama Gan Vie SA	14,140,000	5.05%	5.06%
Groupama Biztosító Ltd.	116,056	0.04%	0.04%

Notes:

- (1) Rounded to two decimals.
- (2) Voting rights in the General Meeting of the Guarantor for participation in decision-making.

Source: OTP Bank Plc. – Summary of the first nine months 2023 results, Budapest, 10 November 2023

**Detailed information on the major shareholders of the Guarantor as at 30 September 2023**

***MOL (Hungarian Oil and Gas Company Plc.)***

MOL is one of the largest oil and gas companies in the CEE region and is headquartered in Budapest, Hungary. MOL is primarily engaged in the exploration and production of crude oil and natural gas, the refining of crude oil, wholesale and retail sales of refined petroleum products and the production and sale of petrochemicals. In addition, the MOL Group is involved in gas infrastructure services.

On 16 April 2009, the Guarantor and MOL concluded a three-year share swap transaction, under which the Guarantor has exchanged 24,000,000 ordinary shares in the Guarantor for 5,010,501 “A series” MOL shares, which now equals 40,084,008 MOL shares after the 8-for-1 share split in September 2017. As a result of the transaction, MOL became a shareholder in the Guarantor with 8.57 per cent. holding of ordinary shares. MOL has no representation on either the Guarantor’s Board of Directors (the **Board of Directors**) or the Guarantor’s Supervisory Board (the **Supervisory Board**).

As part of the transaction, both parties were granted call and put options to initiate the gross physical settlement of shares back to the respective Guarantor at any time on or before 11 July 2012. There is no compulsory settlement of shares at the maturity of the swap agreement. The swap agreement contains additional settlement provisions in case of certain movements in relative share prices of the parties subject to net cash or net share settlement, as set out in the swap agreement. In July 2012, 2017 and 2022, the maturity of the transaction was increased by five years on each occasion and, therefore, the amended final maturity of the swap agreement is 11 July 2027. Until such date, either party may initiate cash or physical settlement of the transaction, as set out in the swap agreement.

At the time of the transaction, due to the loss of control over the exchanged shares in the Guarantor, the shares in the Guarantor were derecognised from the balance sheet of the Guarantor. At the same time, the written put option over the shares in the Guarantor were accounted as a deduction from equity in the amount of HUF 55.5 billion, which was equal to the carrying value of the exchanged shares in the Guarantor at the time of derecognition. The received MOL shares are not recognised in the balance sheet of the Guarantor. In addition, the net present value of the transaction is accounted for in the balance sheet among Derivative financial instruments, which represented HUF -649.6 million as at 31 December 2022.

### ***Groupama Group***

In February 2008, an agreement was made between the Guarantor and the Groupama Group, with respect to the purchase by Groupama Group of a 100 per cent. shareholding in OTP Garancia Insurance. This transaction boosted the OTP Group's profit and strengthened its capital position with a one-off revenue item of HUF 121.4 billion. As a part of the transaction, the Guarantor and Groupama Group concluded a long-term cooperation agreement with each other regarding the cross-selling of financial and insurance products. In addition to this, Groupama Group appeared as a strategic owner among the shareholders of the Guarantor with its significant 8 per cent. share and appointed one member to the Supervisory Board. In 2017, Groupama Group decreased its shareholding in the Guarantor as part of its strategy to diversify its assets. Following the sale of shares representing approximately 3 per cent. of the Guarantor's share capital, Groupama Group remained a significant shareholder of the Guarantor and maintained its representation on the Supervisory Board.

## **Business Overview of the Guarantor and the OTP Group**

### **Strategy**

The OTP Group's strategic objective is to meet the needs and expectations of its customers, investors, and employees at the highest possible level, and to set a positive example from an environmental, social and corporate governance perspective even at an international level.

The pillars of the OTP Group's strategy are stability, sustainability, profitability, growth and innovation:

### ***Stability***

The OTP Group will strive to preserve its safe capital and liquidity positions, to be able at all times to provide the conditions for stable operations and growth. Since its Initial Public Offering in 1995, the Guarantor has never raised equity, never received any state support, and has always comfortably relied on its organic capital generation capability. In addition, having dominant market positions in several countries it operates in, the OTP Group enjoys relatively strong deposit collection positions. Despite management focus on allocating liquidity for lending, the net loan-to-deposit ratio indicates that there is potential for further leverage in the consolidated balance sheet of the Guarantor. The trust of customers provides a strong source of competitive funding. Since the 2007/2009 global financial crisis, one of the key considerations of the OTP Group's business expansion is that all subsidiaries should rely as much as reasonably possible on their own deposit generation. The Guarantor's customers in Russia and Ukraine remained loyal and confident during times of distress, as evidenced by the 19 per cent. and 21 per cent. year-on-year growth in local currency deposits they made in 2022.

The Guarantor's management believes that an important lesson from the global financial crisis is that most of the OTP Group's business should be local currency based to avoid significant currency mismatches. In recent years, the Guarantor has only tapped the covered bond markets for the sake of meeting local regulatory threshold requirements and not as a result of pressure on liquidity.

Throughout all of its operations, the OTP Group promotes transparency, prudence and full compliance with European and local regulations.

### ***Sustainability***

The OTP Group is committed to ensuring sustainability in its socio-economic role and in serving its customers, as well as in its own operations. Accordingly, the OTP Group aims to be the regional leader in financing a fair and gradual transition to a low-carbon economy and building a sustainable future through responsible solutions.

As part of its social activities, the OTP Group makes a positive impact through its financial awareness raising and donation programmes, and extensive civil society partnerships. As a responsible employer, the OTP Group has designed complex programmes for employee well-being.

### ***Profitability***

The profitability of operations is a key pre-condition for continued growth and stability. Between 2016 and 2022, the consolidated ROE has exceeded the Guarantor's target of 15 per cent. which was set in 2015. In 2022, the ROE of the OTP Group temporarily dropped to 11.0 per cent. due to the direct effects of the Russian-Ukrainian war (impairment of Russian government bonds and investment in subsidiaries) and government measures in Hungary (special tax on financial institutions, one-off effect of interest rate caps on certain loans in Hungary). Without these one-off items, the adjusted ROE was 18.8 per cent. showing resilient and robust underlying profitability.

### ***Growth***

The OTP Group believes in the future of the CEE region and is committed to actively contributing to its progress. Through offering its products and services, the OTP Group actively contributes to the growth of the CEE region. The OTP Group aims to increase its share in all existing markets through organic growth and occasionally by acquisitions in new markets. The commitment of the OTP Group in the region has been demonstrated by its acquisition activity in recent years. Since 2016, the OTP Group has concluded 11 acquisitions, of which six acquisitions have been in four new markets. As a result of these acquisitions the subsidiaries of the OTP Group became the market leaders in five countries in terms of customer loans (Hungary, Bulgaria, Slovenia, Serbia and Montenegro).

Between 2016 and 2022 the FX adjusted performing customer loans of the OTP Group grew more than three times, including the acquisition of Nova Kreditna Banka Maribor d.d. (**Nova KBM d.d.**) in Slovenia which closed in February 2023 and the first step of the acquisition (i.e. acquiring 75 per cent. of the shares) of Ipoteka Bank in Uzbekistan took place in June 2023. Almost half of the growth came from acquisitions, while half of the growth came from organic growth.

The Guarantor's latest acquisition in Uzbekistan is the first venture of the OTP Group outside Europe. The OTP Group believes that Uzbekistan has potential for economic growth given its young and fast growing population (approximately 35 million)<sup>14</sup> and low penetration of banking products. Ipoteka Bank is the first privatisation in the Uzbekistani market providing a unique opportunity for the OTP Group, similar to Hungary and Bulgaria 20 to 30 years ago.

### ***Innovation***

The OTP Group will continue to make efforts to develop convenient and modern services that are easier and faster to access and meet the challenges of the digital age and the expectations of its customers.

The OTP Group aims to design and operate the most user-friendly and reliable digital platforms. To achieve its goal, the OTP Group is investing significant resources to understand customer expectations and to adopt customer services to meet those expectations.

### ***Simple and reliable solutions***

The prerequisite for growth of the OTP Group's digital channels is that all current and future customers should be able to easily and reliably access the OTP Group's systems. Growth in digital channel use is also supported by

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<sup>14</sup> <https://data.worldbank.org/indicator/SP.POP.TOTL?locations=UZ>



customer education and modular pricing. The OTP Group develops its applications through many iterative steps to test whether those apps are easy to use and stable. The OTP Group upgrades its technological stacks in order to create and run fast, fault-tolerant and flexible IT platforms. All key performance indicators of the Guarantor are focusing on the clients and their experience with its products and platforms.

#### *Personalised content*

Remote authentication and authorisation solutions will ensure cost-efficient operations for the OTP Group and a seamless process for customers. With data integration, services become personalised and digital channels are adjusted to customers' expectations. For a tailor-made customer user interface (UI) experience and online content is adjusted by machine learning-driven advanced analytical models. Constant functional expansion is a key element of the OTP Group's digital services strategy. The OTP Group focuses on providing customers with financial control through dashboards and portfolio view and a "Bank in the pocket" experience through constantly launching new end-to-end digital services.

The Guarantor sees personalisation as a must-have feature of the digital environment, since the amount of available data has increased radically and thanks to increasingly advanced analytical tools the ability to collect, process and analyse data has also increased significantly. As an example, the recently launched new Spend Monitor feature enables users to automatically organise their expenses into pre-set budget categories and add individual categories that match their own life events. All data is managed as a cooperative effort between the clients and the machine learning algorithm strengthening the overall well-being of the users based on the comfort provided by the Guarantor's solutions.

#### *Managed customer service*

By creating interoperability between the channels, the Guarantor aims to optimise and integrate the customer journey. The omni-channel operation ensures higher customer satisfaction and cost-effectiveness. Real-time analytical tools can help the Guarantor optimise online journeys based on testing and immediate customer feedback. Highly innovative tools such as chatbot banking – not only service and product innovations, but also channel innovations – are part of the development process.

In order to achieve the OTP Group's strategic goals, the following new digital products and services are being developed.

#### *Online channels*

The new internet bank and mobile bank applications were launched in 2020. These two platforms provide the highest level of digital accessibility for customers. The purpose of the developments is to increase the number of customers using the channel and increase product usage and cross-selling. During the COVID-19 pandemic, digital activity of OTP clients increased significantly, which was supported by online campaigns, customer education in branches and continuous development of OTP Group's digital services.

#### *Development of non-banking applications*

The Guarantor has acquired and integrated a complex online health appointment booking company called FoglaljOrvost which provides a comprehensive reservation tool for patients and user-friendly practice management platform for doctors, which also has further development potential. The platform assists in finding the right fit for every individual need, and also in building an overall community of trust between patients and healthcare providers. This company offers services for both customers and clinics, so it operates not only on the business-to-business market but also on the business-to-customer side.

Additionally, the Simple by OTP app aims to combine the functionality of an urban lifestyle app, with numerous useful features – parking and highway toll payment, public transport tickets, movie and entertainment ticket sales, etc. – with payment app functionality. Simple also provides both Android and Apple Pay functionality for its users (the Guarantor was the first to introduce Apple Pay on the Hungarian market via its mobile banking app and Simple apps).

### *Branch digitalisation*

Contracts and transaction slips are signed on an electronic signature pad by both the customer and the branch officer. The document is created and stored only in electronic format, while customers can access their signed documents via the internet. With the introduction of electronic signature pads, more and more products are converted to be based on digitalised contracts. At the end of a multi-annual process, the Guarantor has renewed its branch and customer service front-end system.

With the use of cash-in ATMs, customers can deposit cash into their HUF accounts held with the Guarantor through ATMs. The amount deposited through these ATMs is instantly available in the customers' accounts. Customers have free access to these accounts for bank card purchases or cash withdrawals and can make transfers and/or term deposits.

A service named 'Remote Expert from Home' was launched in 2021, which allows client to avail of consultation video calls from their home at a pre-arranged time.

### *Integrated channel management*

The Guarantor is committed to an omni-channel user experience and omni-channel is a main focus of the sales process development strategy as well. Omni-channel application is available for current account and personal loan products. Customers can start the application via online channels (e.g. website, internet banking) and finish the process via online/offline channels. Using this end-to-end process, customers can decide whether to start and finish applications via online channels or start applications online and finish them in a branch. In 2021, the Guarantor launched a new online service called Selfie current account opening, in which future clients can open a new retail account at any time in a few minutes without the help of a branch officer from their home using the Guarantor's mobile application.

To support the organisational transformation required to maintain the pace of digital development, the Guarantor launched an Agile Transformation Programme in 2019, shifting a substantial part of its Hungarian workforce to an agile organisational structure.

### *Automation, robotisation*

The Guarantor aims to fully digitalise its business processes to be able to provide fast, error-free and cost-efficient processes to its clients. Robotisation not only achieves that but also lets the Guarantor's employees focus on high value added tasks and innovation instead of manual administration. More than 40 processes are currently conducted by new "digital colleagues" who have closed more than 2.7 million cases in the last three years.

The Guarantor is also committed to automating digital communication channels. At the end of 2021 it launched its own Low-code / No-code (LCNC) chatbot builder framework. The LCNC approach supports quick, efficient and customer demand-driven chatbot development.

### *Speeding up Innovation with start-up partnerships*

The OTP Group is continuously seeking mutually beneficial partnerships with later stage start-ups and scale-ups in order to leverage the fast time-to-market of start-ups on one hand and to enable them to grow internationally in the CEE region on the other hand. This activity has been run through a structured programme with predefined focus areas for five consecutive years with an above-market success rate. As a result, the Guarantor has managed to find new revenue streams, decrease operational costs, as well as improve both internal and external customer experience.

## **Ratings**

As at the date of this Base Prospectus, the following credit ratings have been assigned to the Guarantor by S&P, Moody's and Scope with the cooperation of the Guarantor in the rating process:

Rating agency	Rating classes	Rating	
		Long term	Short term
Moody's	Foreign Currency Deposit	Baa1	P-2
	Local Currency Deposit	Baa1	P-2
	Counterparty Risk Rating (Local and Foreign Currency)	Baa1	P-2
	Senior Preferred debt	Baa3	
	Subordinated Foreign Currency Debt	Ba2	-
	Junior subordinated Foreign Currency Debt	Ba3 (hyb)	-
	S&P	Foreign and Local Currency Counterparty Credit Rating	BBB-
Foreign and Local Currency Resolution Counterparty Rating		BBB-	A-3
Senior preferred debt		BBB-	-
Subordinated debt		BB	-
Scope		Guarantor rating	BBB+
	Preferred senior unsecured debt	BBB+	-
	Non-preferred senior unsecured debt	BBB	-
	Tier 2 debt	BB+	-
Lianhe	Issuer Credit Rating (China national scale)	AAA	-

## FINANCIAL PERFORMANCE OF THE OTP GROUP

**OTP Bank Plc. Consolidated Statement of Financial Position as at 30 September 2022, 30 September 2023, 31 December 2022 and 31 December 2021, respectively**

	30 September 2022	30 September 2023	31 December 2022	31 December 2021
	<i>(in HUF million)</i>			
Cash, amounts due from banks and balances with the National Banks	3,598,087	6,557,052	4,221,392	2,556,035
Placements with other banks	1,776,714	1,500,795	1,351,082	1,584,861
Repo receivables	25,337	264,209	41,009	61,052
Financial assets at fair value through profit or loss	562,021	528,080	436,387	341,397
Securities at fair value through other comprehensive income	2,024,179	1,664,591	1,739,603	2,224,510
Securities at amortised cost	5,039,491	5,596,136	4,891,938	3,891,335
Loans at amortised cost	16,905,119	18,802,518	16,094,458	13,493,183
Loans mandatorily at fair value through profit or loss	1,202,462	1,345,620	1,247,414	1,068,111
Finance lease receivables	1,372,245	1,385,365	1,298,752	1,182,628
Associates and other investments	75,308	93,834	73,849	67,222
Property and equipment	460,359	520,363	464,469	411,136
Intangible assets and goodwill	231,923	257,382	237,031	248,631
Right-of-use assets	63,509	76,366	58,937	50,726
Investment properties	28,572	49,206	47,452	29,882
Derivative financial assets designated as hedge accounting	38,061	38,377	48,247	18,757
Deferred tax assets	76,618	52,691	75,421	15,109
Current income tax receivables	39,760	20,536	5,650	29,978
Other assets	479,682	820,911	471,119	276,785
Assets classified as held for sale	-	-	-	2,046
<b>TOTAL ASSETS</b>	<b><u>34,022,405</u></b>	<b><u>39,574,032</u></b>	<b><u>32,804,210</u></b>	<b><u>27,553,384</u></b>
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	1,720,768	2,119,865	1,463,158	1,567,348
Repo liabilities	312,721	312,809	217,369	79,047
Financial liabilities designated at fair value through profit or loss	60,727	71,225	54,191	41,184

	30 September 2022	30 September 2023	31 December 2022	31 December 2021
	<i>(in HUF million)</i>			
Deposits from customers	25,814,547	28,968,038	25,188,805	21,068,644
Liabilities from issued securities	587,987	2,082,051	870,682	436,325
Derivative financial liabilities held for trading	507,133	232,323	385,747	202,716
Derivative financial liabilities designated as hedge accounting	74,607	24,158	27,949	11,228
Leasing liabilities	71,107	80,159	63,778	53,286
Deferred tax liabilities	37,372	34,336	40,094	24,045
Current income tax payable	122,081	54,819	28,866	36,581
Provisions	138,740	135,830	131,621	119,799
Other liabilities	804,799	867,052	707,654	598,081
Subordinated bonds and loans	317,368	584,626	301,984	278,334
<b>TOTAL LIABILITIES</b>	<b>30,569,957</b>	<b>35,567,291</b>	<b>29,481,898</b>	<b>24,516,618</b>
Share capital	28,000	28,000	28,000	28,000
Retained earnings and reserves	3,524,339	4,092,934	3,395,215	3,109,509
Treasury shares	(107,625)	(122,109)	(106,862)	(106,941)
<b>Total equity attributable to the parent</b>	<b>3,444,714</b>	<b>3,998,825</b>	<b>3,316,353</b>	<b>3,030,568</b>
Total equity attributable to non-controlling interest	7,734	7,916	5,959	6,198
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>3,452,448</b>	<b>4,006,741</b>	<b>3,322,312</b>	<b>3,036,766</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>34,022,405</b>	<b>39,574,032</b>	<b>32,804,210</b>	<b>27,553,384</b>

Source: OTP Bank Plc. – Audited Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union and Independent Auditor's Report as at, and for the year ended, 31 December 2022

**OTP Bank Plc. Consolidated Statement of Profit or loss as at 30 September 2022, 30 September 2023, 31 December 2022 and 31 December 2021, respectively**

	30 September 2022	30 September 2023	31 December 2022	31 December 2021
	<i>(in HUF million)</i>			
<b>CONTINUING OPERATIONS</b>				
Interest income calculated using the effective interest method	1,028,544	1,758,930	1,508,050	922,539

	30 September 2022	30 September 2023	31 December 2022	31 December 2021
<i>(in HUF million)</i>				
Income similar to interest income	342,293	470,516	495,973	194,920
<b>Interest income and income similar to interest income</b>	<b>1,370,837</b>	<b>2,229,446</b>	<b>2,004,023</b>	<b>1,117,459</b>
<b>Interest expense</b>	<b>(575,083)</b>	<b>(1,195,408)</b>	<b>(912,709)</b>	<b>(243,149)</b>
<b>NET INTEREST INCOME</b>	<b>795,754</b>	<b>1,034,038</b>	<b>1,091,314</b>	<b>874,310</b>
Loss allowance on loans, placements and on repo receivables	(125,620)	(66,417)	(155,681)	(27,721)
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	13,118	(1,438)	13,346	(16,289)
Loss allowance on securities at fair value through other comprehensive income and on securities at amortised cost	(57,237)	8,347	(60,774)	(3,974)
Provision for commitments and guarantees given	494	5,133	(6,145)	(99)
Release of impairment of assets subject to operating lease and of investment properties	141	1,393	(1,204)	438
<b>Risk cost total</b>	<b>(169,104)</b>	<b>(52,982)</b>	<b>(210,458)</b>	<b>(47,645)</b>
<b>NET INTEREST INCOME AFTER RISK COST</b>	<b>626,650</b>	<b>981,056</b>	<b>880,856</b>	<b>826,665</b>
<b>Gain from derecognition of financial assets at amortised cost</b>	<b>(707)</b>	<b>(2,287)</b>	<b>(1,655)</b>	<b>1,885</b>
<b>Modification loss</b>	<b>(15,253)</b>	<b>(29,066)</b>	<b>(39,997)</b>	<b>(13,672)</b>
Income from fees and commissions	529,080	642,104	739,576	554,113
Expense from fees and commissions	(98,960)	(127,963)	(139,216)	(111,939)
<b>Net profit from fees and commissions</b>	<b>430,120</b>	<b>514,141</b>	<b>600,360</b>	<b>442,174</b>
Foreign exchange results, net	6,132	7,921	(14,989)	(4,075)
Gains on securities, net	(6,849)	9,800	(4,488)	5,560
Fair value adjustment on financial instruments measured at fair value through profit or loss	(7,695)	67,415	(4,164)	(532)
Gain on derivative instruments, net	21,942	14,889	10,558	6,798
Profit from associates	16,718	18,625	14,640	15,648
Goodwill impairment	196,621	70,473	(67,715)	-
Other operating income	81,891	311,938	125,415	81,328
Other operating expense	(93,664)	(87,557)	(128,785)	(85,732)
<b>Net operating income</b>	<b>(4,174)</b>	<b>325,855</b>	<b>(69,528)</b>	<b>18,995</b>

	30 September 2022	30 September 2023	31 December 2022	31 December 2021
(in HUF million)				
Personnel expenses	(279,348)	(353,530)	(402,563)	(340,684)
Depreciation and amortisation	(146,613)	(86,543)	(107,588)	(94,996)
Other general expenses	(354,793)	(373,874)	(464,997)	(311,932)
<b>Other administrative expenses</b>	<b>(780,754)</b>	<b>(813,947)</b>	<b>(975,148)</b>	<b>(747,612)</b>
<b>PROFIT BEFORE INCOME TAX</b>	<b>256,589</b>	<b>978,039</b>	<b>394,888</b>	<b>528,435</b>
Income tax expense	(34,913)	(120,161)	(59,251)	(72,123)
<b>NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>221,676</b>	<b>857,878</b>	<b>335,637</b>	<b>456,312</b>

Source: OTP Bank Plc. Audited Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union and Independent Auditor's Report for the year ended 31 December 2022

### Additional information on the OTP Group's performance in the period between 31 December 2003 and 30 September 2023

	2003- 2008 average	2009- 2013 average	2014	2015	2016	2017	2018	2019	2020	2021	2022	9 M 2023
ROE	29.4%	8.4%	(7.4%)	5.1%	15.4%	18.5%	18.7%	20.3%	10.9%	17.0%	11.0% <sup>(2)</sup>	32.8%
Adjusted ROE	29.0%	11.6%	8.5%	9.6%	15.4%	18.7%	19.1%	20.6%	13.0%	18.5%	18.8% <sup>(2)</sup>	29.8%
Total Revenue Margin	8.60%	8.17%	7.74%	6.98%	6.79%	6.71%	6.33%	6.28%	5.37%	5.21%	5.31% <sup>(2)</sup>	5.89%
Net Interest Margin	6.02%	6.28%	5.96%	5.12%	4.82%	4.56%	4.30%	4.12%	3.61%	3.51%	3.51% <sup>(2)</sup>	3.80%
Net fee and commission Margin	1.50%	1.47%	1.59%	1.55%	1.62%	1.75%	1.58%	1.65%	1.34%	1.29%	1.27% <sup>(2)</sup>	1.27%
Other Income Margin	1.08%	0.41%	0.19%	0.31%	0.35%	0.41%	0.44%	0.52%	0.41%	0.41%	0.53% <sup>(2)</sup>	0.81%
Operating costs / Average assets	4.47%	3.80%	3.85%	3.66%	3.70%	3.68%	3.57%	3.31%	2.90%	2.59%	2.53% <sup>(2)</sup>	2.51%
Cost-to-Income ratio	51.9%	46.5%	49.8%	52.0%	54.4%	54.9%	56.3%	52.7%	54.1%	49.7%	47.6% <sup>(2)</sup>	42.6%
Credit Risk Cost Rate	0.90%	3.37%	3.68%	3.18%	1.14%	0.43%	0.23%	0.28%	1.15%	0.30%	0.73% <sup>(2)</sup>	0.03%
CET1 capital ratio <sup>(3)</sup>	9.1%	13.4%	14.1%	13.3%	13.5%	12.7%	16.5%	14.4% <sup>(1)</sup>	15.4%	17.5%	16.1%	16.4%

Note:

- (1) For 2019 the originally published 13.9% CET1 ratio assumed a dividend payment of HUF 69.44 billion. However, on 30 April 2020 the Board of Directors – acting on behalf of the AGM in accordance with legal authorisation – in line with a recommendation by the MNB - decided to put the total profit made in 2019 into general reserves and retained earnings. As a result, the 2019 CET1 ratio changed to 14.4%, incorporating the dividend amount not being paid out.

- (2) If adjusted to exclude of the Russian and Ukrainian operations, ROE is 11.7%, adjusted ROE is 20.7%, total revenue margin is 4.70%, net interest margin is 3.05%, net fee and commission margin is 1.20%, other income margin is 0.46%, operating costs / average assets is 2.33%, cost-to-income ratio is 49.5% and credit risk cost rate is -0.04%.
- (3) CET1 ratio based on IFRS financials, under the accounting scope of consolidation.

**Additional information on the OTP Group's performance as at 31 December 2021, 31 December 2022, 30 September 2022 and 30 September 2023, respectively**

***OTP Group consolidated***

	30 September 2022	30 September 2023	FX- adjusted w/o Ipoteka quarter- on- quarter Change	31 December 2021	31 December 2022	Change	FX- adjusted 4Q 2022 Q-o-Q Change	FX- adjusted 2022 Y-o-Y Change
	<i>(in HUF million)</i>		%	<i>(in HUF million)</i>		%	%	%
<b>Main components of the Statement of recognised income</b>								
Profit after tax for the year	231,898	857,878	(33)	456,428	347,081	(24)	(39)	(32)
Adjustments (total)	(207,229)	79,283		(40,474)	(245,466)	506		539
Adjusted profit after tax for the year	439,126	778,596	7	496,902	592,547	19	(18)	8
Adjusted profit before tax	508,641	917,539	8	587,853	690,022	17	(15)	7
Operating profit	645,330	920,509	5	660,391	868,487	32	(9)	22
Adjusted total income	1,205,424	1,602,388	3	1,313,124	1,656,571	26	0	17
Adjusted net interest income	797,080	1,034,650	4	884,012	1,093,579	24	2	14
Adjusted net profit from fees and commissions	287,591	346,080	4	325,548	397,118	22	3	14
Adjusted other net non-interest income	120,753	221,659	(3)	103,563	165,874	60	(14)	52
Adjusted operating expenses	(560,095)	(681,879)	0	(652,733)	(788,084)	21	12	13
Total risk costs	(136,688)	(2,970)	119	(72,538)	(178,465)	146	32	130



	30 September 2022	30 September 2023	FX- adjusted w/o Ipoteka quarter- on- quarter Change	31 December 2021	31 December 2022	Change	Fx- adjusted 4Q 2022 Q-o-Q Change	Fx- adjusted 2022 Y-o-Y Change
	<i>(in HUF million)</i>		%	<i>(in HUF million)</i>		%	%	%
Adjusted corporate income tax	(69,515)	(138,943)	13	(90,951)	(97,475)	7	4	1

Note: FX adjusted figures are APMs.

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
	<i>(in HUF million)</i>		%	<i>(in HUF million)</i>		%
<b>Main components of balance sheet, closing balances<sup>(2)</sup></b>						
Total assets	34,022,405	39,574,032	16	27,553,384	32,804,210	19
Total customer loans (net, FX adjusted)	18,081,776	21,533,503	19	16,655,367	18,640,624	12
Total customer deposits (FX adjusted)	24,246,513	28,968,037	19	22,173,249	25,188,805	14
Liabilities from issued securities	587,987	2,082,051	254	436,325	870,682	100
Subordinated bonds and loans	317,368	584,626	84	278,334	301,984	8
Total shareholders' equity	3,452,448	4,006,741	16	3,036,766	3,322,312	9

Note:

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 period.

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
			<i>pps</i>			<i>pps</i>
<b>Indicators</b>						

	30 September 2022	30 September 2023	Change <i>pps</i>	31 December 2021	31 December 2022	Change <i>pps</i>
ROE	10.1%	32.8%	22.7	17.0%	11.0%	(6.0)
Adjusted ROE	19.1%	29.8%	9.7	18.5%	18.8%	0.3
Adjusted ROA	1.9%	2.9%	1.0	2.0%	1.9%	(0.1)
Total revenue margin	5.31%	5.89%	0.58	5.21%	5.31%	0.10
Net interest margin	3.51%	3.80%	0.29	3.51%	3.51%	0.00
Cost-to-asset ratio	2.47%	2.51%	0.04	2.59%	2.53%	(0.06)
Cost-to-income ratio	46.5%	42.6%	(3.9)	49.7%	47.6%	(2.1)
Risk cost rate	0.75%	0.03%	(0.72)	0.30%	0.73%	0.43
Net loan/(deposit+retail bond) ratio (FX adjusted)	75%	74%	(1)	75%	74%	(1)

***Additional information on the OTP Group's performance as at 31 December 2022 and the impact of the conflict between Russia and Ukraine on the OTP Group***

The overall performance of the Guarantor and the OTP Group in 2022 was shaped mainly by the direct and indirect impact of the war between Russia and Ukraine which began on 24 February 2022.

In 2022, the OTP Group has successfully completed the purchase of Alpha Bank in Albania, and the 3Q results already incorporated the balance sheet and profit and loss numbers of the newly acquired entity.

The OTP Group recorded HUF 347.1 billion (EUR 0.89 billion) profit after tax in 2022. The significant, year-on-year 24 per cent. drop was due to the increase in the negative adjustment items. The annual ROE was 11 per cent. (a drop of 6.0 percentage points year-on-year).

The total volume of negative adjustment items amounted to HUF 245 billion underpinning a year-on-year six-fold increase. The major items were as follows:

- a negative amount of HUF 91.4 billion tax on financial institutions including both the banking tax and the windfall tax (after tax);
- a negative amount of HUF 59.3 billion on goodwill and investment impairment charges (after tax);
- a negative amount of HUF 36.5 billion in respect of the expected one-of effect of the extension of the interest rate cap for certain loans in Hungary (after tax);
- a negative amount of HUF 35 billion in impairments on Russian government bonds held at OTP Core and DSK Bank (after tax);
- a negative amount of HUF 10.4 billion in respect of the effect of the winding up Sberbank Hungary (after tax);
- a negative amount of HUF 2.5 billion in respect of the expected one-off negative effect of the debt payment moratorium in Hungary (after tax); and
- a negative amount of HUF 14 billion in other items.

The profit after tax, as well as the balance sheet items were substantially affected by currency movements as the average rate of the Hungarian Forint year-on-year depreciated against all currencies, the most significant weakening (-37.5 per cent.) being against RUB.

The weight of exposures towards Russia and Ukraine was shaped partially by FX movements, but also by deliberate or forced business policy measures.

In Russia the profit after tax in local currency dropped from RUB 9.1 billion to 3.9 billion (-57 per cent. year-on-year); the gross loan portfolio eroded by 12 per cent. year-on-year in RUB, with corporate exposures decreasing by 75 per cent. Intragroup funding declined to nil, and there is a Tier 2 loan expiring in 2031 in the amount of HUF 10 billion. Russian assets comprised 3.1 per cent. of the consolidated total assets of the OTP Group at the end of 2022, while net loans represented 3.3 per cent. of the consolidated loan book. Under an unexpected and extremely negative scenario of deconsolidating the Russian entity and writing down the outstanding gross intragroup exposure, the effect on the consolidated CET1 ratio would be -71 basis points.

In Ukraine lending activity suffered a major setback after 24 February 2022 with loan volumes dropping by 16 per cent. year-on-year. However, the deposit book increased by 21 per cent., FX-adjusted. Ukrainian assets comprised 3.2 per cent. of the consolidated total assets of the OTP Group at the end of 2022, while net loans represented 2.2 per cent. of the consolidated loan book. The volume of gross intragroup funding for Ukraine comprised HUF 84 billion. In 2022, the Ukrainian operation posted almost a HUF 16 billion loss. However, after the negative results in 1H 2022, the bank managed to turn that around and achieve a positive result in 2H 2022. The provisions coverage of the gross Ukrainian loan book reached almost 22 per cent. by the end of 2022 (+14.7 percentage points year-on-year). Under an unexpected and extremely negative scenario of deconsolidating the Ukrainian entity and writing down the outstanding gross intragroup funding, the effect on the consolidated CET1 ratio would be +1 basis point.

In the case of Ukraine and Russia, the OTP Group applies a “going concern” approach. However, in Russia the OTP Group is still considering all strategic options, although a Russian presidential decree in October 2022 prohibited the sale of shares of 45 banks, including OTP Bank Russia, without presidential approval. The Guarantor’s management is continuously monitoring the situation of the Ukrainian-Russian conflict in order to be able to take the necessary steps to moderate the business risk. If the Russian entity was deconsolidated and the outstanding gross intragroup exposures were written off as well, the negative effect for the consolidated CET1 ratio would be 14 basis points, whereas in the Ukraine the negative effect would be 13 basis points.

The 2022 earnings to a large extent were shaped by the 32 per cent. improvement in operating result; total risk costs grew by 146 per cent. year-on-year mainly due to higher Russian and Ukrainian provisions. The dynamic increase of total income (+26 per cent.) was supported by all lines. The net interest income advanced by 24 per cent. year-on-year, whereas growth in the net fee and commission income grew was slower, with growth of 22 per cent. year-on-year. Other net non-interest income surged by 60 per cent. year-on-year and within that FX results more than doubled.

The consolidated net interest margin remained flat year-on-year (3.51 per cent.). Despite the rising interest rate environment, the consolidated net interest margin of the OTP Group remained flat due to the Hungarian margin narrowing considerably as a result of the following: (i) the fixed rate asset surplus of the Guarantor (mainly due to the size of the Guarantor’s fixed rate Hungarian government bond portfolio); (ii) the Guarantor’s variable rate loans reprice slower than its variable rate corporate deposits, causing margin pressure in the context of the steeply rising short term interest rates; and (iii) the compulsory reserve requirement of the Guarantor increased and from October 2022 the rate paid by the MNB on those reserves was no longer aligned with the 18 per cent. overnight rate. Apart from the Russian market, in other geographies the rate hike trend continued. In 2022 the Ukrainian, Moldavian and Hungarian policy rates closed at the highest levels (25 per cent., 20 per cent. and 18 per cent., respectively). The positive impact of higher rates on the interest income is realised only gradually as a result of the different dynamics in deposit and loan repricing. In other markets like Bulgaria, Ukraine, Slovenia, Moldova and Romania the net interest margin improved in 2022 year-on-year; at OTP Core, however it eroded by 28 basis points year-on-year.

Consolidated operating expenses grew by 21 per cent. year-on-year, although underlying inflation above 10 per cent. in most countries impacted on all cost elements. The consolidated cost-to-income ratio improved by 2.1 percentage points year-on-year to 47.6 per cent.; the cost-to-asset ratio (2.53 per cent.) declined by 6 basis points year-on-year.

Total risk costs for 2022 amounted to -HUF 178 billion, two and the half times higher than in 2021. Within this the total volume of credit risk costs reached -HUF 135.2 billion versus -HUF 46 billion a year ago. The credit risk cost rate stood at 0.73 per cent. (+42 basis points year-on-year). Without the Russian and Ukrainian operations the yearly credit risk costs were +HUF 7 billion implying a cost of risk of -0.04 per cent. versus 0.19 per cent. in 2021.

The FX-adjusted consolidated performing (Stage 1+2) loan volumes increased by 12 per cent. year-on-year. Without the Ukrainian and Russian volumes but incorporating the acquisition impact of Alpha Bank Albania the loan book increased by 15 per cent. As a result, the growth of the portfolio reached close to HUF 2,300 billion in 2022. Apart from the Ukrainian, Russian and Moldavian subsidiaries, all other operations posted an increase of around or above 10 per cent., whereas in those three countries the decline was 27, 16 and 5 per cent. year-on-year, respectively. Alongside the strong volume dynamics OTP managed to improve its markets shares in many countries and segments, which was a positive outcome.

As for the major segments, the fastest FX-adjusted performing loan volume increase was posted in the corporate sector (+20 per cent. year-on-year), followed by MSE loans (+12 per cent.) which was also supported by the new subsidiary structures in Hungary. The consumer book grew by 3 per cent., while the mortgage book by 10 per cent. year-on-year, respectively.

The FX-adjusted deposits grew by 14 per cent. year-on-year which corresponds to about a HUF 3,000 billion increase. Without the Russian, Ukrainian volumes the growth was 13 per cent. year-on-year.

The consolidated net loan-to-deposit ratio marginally declined to 74 per cent. (-1 percentage point year-on-year).

The credit profile of the consolidated loan book continued to further improve in 2022, with the major indicators shaping favourably. The Stage 3 ratio under IFRS 9 comprised 4.9 per cent. of the gross loan exposure by the end of 4Q 2022 underpinning a year-on-year 0.3 percentage point improvement. The own coverage of Stage 3 exposures was 61 per cent. On the OTP Group level the Ukrainian and Russian operations had the highest Stage 3 ratio (18.1 per cent. and 15.7 per cent., respectively). The consolidated Stage 2 ratio stood at 11.6 per cent. at the end of 2022.

The general Hungarian payment moratorium ceased to exist by the end of 2022. At OTP Core and Merkantil Bank altogether 2.1 per cent. of their aggregated gross loan volumes were under the expiring moratorium (HUF 148 billion). There is still a moratorium in place for agricultural companies until the end of 2023, with the affected loan volumes comprising HUF 57 billion at OTP Core and Merkantil Group in total (0.8 per cent. of their aggregated gross loan volumes).

OTP Group posted HUF 281 billion (EUR 0.7 billion) profit after tax in 3Q 2023. The quarter-on-quarter 26 per cent. decrease was due to the negative balance of adjustment items (2Q: +HUF 98.1 billion, 3Q: -HUF 26.5 billion). Total income maintained its positive growth trend, while risk costs remained stable and low. The quarterly figures incorporate the performance of Ipoteka Bank in Uzbekistan.

### **Additional information on the OTP Group's performance as 30 September 2023**

Adjustment items lowered the consolidated profit after tax by around -HUF 26.5 billion in 3Q 2023. The major items were as follows:

- a negative adjustment of HUF 24.1 billion due to the acquisitions (after tax), of which -HUF 13.2 billion (after tax) was induced by the adjustment of goodwill related to the acquisition of Ipoteka Bank, as according to the accounting standards, the goodwill can be adjusted within one year following the transaction. Additionally, this item mainly compromised the Slovenian integration costs (-HUF 7.4 billion);
- a negative adjustment of HUF 7.1 billion due to the expected negative impact of the rate caps introduced in October in Serbia effective till the end of 2024 for existing and newly originated mortgages was booked in 3Q in one sum;
- a positive adjustment of HUF 4.3 billion (after tax) related to the OTP-MOL treasury share swap agreement as MOL paid dividend in July.

In the first nine months of 2023, the OTP Group posted HUF 857.9 billion (EUR 2.2 billion) profit after tax (almost quadrupling year-on-year).

Both the quarterly and nine months profit after tax, as well as the balance sheet items were distorted by the currency movements. In 3Q 2023, the closing rate of the Hungarian Forint weakened against all other OTP Group currencies typically by 5-6 per cent., except for the RUB where its average rate depreciated by around 3 per cent. quarter-on-quarter. The nine months moves were extraordinary in case of UAH and RUB: the Ukrainian UAH average rate against the Hungarian Forint dropped by 18 per cent. year-on-year, whereas the RUB by 20 per cent.

In 3Q 2023, the consolidated adjusted profit after tax reached HUF 307.5 billion (+8 per cent. quarter-on-quarter), as a result OTP Group posted HUF 779 billion adjusted profit in the first nine months (+77 per cent. year-on-year). The 3Q adjusted ROE reached 32.2 per cent. (-1.3 percentage points quarter-on-quarter) and the 1-9M adjusted ROE was close to 30 per cent. (29.8 per cent.).

The quarterly results reflected the growth of income, while the inflation rate exceeded the increase of operating expenses and the total risk costs remained moderate.

In 3Q 2023, the consolidated operating result advanced by 12 per cent. quarter-on-quarter, and by 43 per cent. year-on-year for the first nine months.

During 3Q 2023, the OTP Group was profitable in all regions, especially the Bulgarian and Slovenian subsidiaries. For most of the subsidiaries the first nine months profit after tax have already exceeded the whole year net results in the previous year. Foreign subsidiaries' adjusted profit contribution reached 66 per cent. in the first nine months (+24 percentage points year-on-year).

As for the Slovenian operation, the profit after tax for first nine months exceeded HUF 88 billion including 8 months contribution from Nova KBM. The Uzbek Ipoteka Bank had a moderate HUF 0.2 billion profit in 3Q 2023: during the quarter operating results reached HUF 21.4 billion which was offset by a similar amount of risk costs related mainly in relation to the corporate segment.

The cumulated total income increased by 9 per cent. quarter-on-quarter on the group level (without Ipoteka Bank and FX-adjusted: +3 per cent.), within that the net interest income improved by 12 per cent. (without Ipoteka Bank and FX-adjusted: +4 per cent.), whereas the net fee and commission income increased by 6 per cent. (without Ipoteka Bank and FX-adjusted: +4 per cent.) quarter-on-quarter. Other non-interest income grew by 2 per cent. quarter-on-quarter.

The consolidated 3Q net interest margin ("NIM") improved by 19 basis points quarter-on-quarter reaching 3.96 per cent. The impact of reference rate changes varied among the OTP Group entities: while some of them gained from the ECB rate hikes, the NIM of OTP Core rose by 19 basis points quarter-on-quarter mainly due to the continuous decline of the reference rates. In 3Q 2023, the ECB raised the base interest rate by 50 basis points, whereas in Hungary, the MNB lowered rates by 500 basis points between May and September 2023. Even after a 400 basis points reduction in the 3Q 2023, Ukraine's interest rate remained the highest in the OTP Group at 16 per cent.

Quarterly operating expenses increased by 5 per cent. quarter-on-quarter but remained stable on an FX-adjusted basis and without the acquisition of Ipoteka Bank. The consolidated 3Q cost-to-income ratio lowered below 40 per cent. (39.2 per cent.), thus the first nine months ratio was 42.6 per cent. underpinning an almost 4 percentage points year-on-year improvement, as a result of the year-on-year 58 basis points improvement of the income margin (close to 5.9 per cent.).

The amount of consolidated total risk costs was moderate: -HUF 3.2 billion against a positive balance of HUF 9.5 billion in 2Q. Within that, the provisions for impairment on loan losses amounted to -HUF 2.4 billion. Most of the OTP Group members had provision releases, most notably at OTP Core, the Ukrainian and Bulgarian subsidiaries (HUF 14.3 billion, HUF 6.9 billion and HUF 4.3 billion, respectively), whereas the biggest provisions were made in Russia and Uzbekistan.

Compared to the full-year risk cost rate of 0.73 per cent. in 2022, the rate for the first nine months of 2023 was much lower at 0.03 per cent.

The FX-adjusted consolidated performing (Stage 1+2) loan volumes increased by HUF 133 billion or 1 per cent. quarter-on-quarter and got close to HUF 21,600 billion. In the first nine months of 2023, the loan portfolio grew by 4 per cent. organically. The performing loan book of Ipoteka Bank consolidated in June represented HUF 889 billion (-3 per cent. quarter-on-quarter).

The Bulgarian and Croatian operations demonstrated favourable trends with 2 per cent. and 3 per cent. quarter-on-quarter FX-adjusted volume expansion. The Uzbek and Moldavian subsidiaries experienced declines in volumes quarter-on-quarter (-3 per cent. and -5 per cent., respectively), whereas both the Ukrainian and Russian portfolio grew quarter-on-quarter (+2 per cent. and +10 per cent., FX-adjusted). In Ukraine the expansion was partially related to a re-classification of previously non-performing volumes, and to a smaller extent to

strengthening corporate lending, while in Russia the quarter-on-quarter 11 per cent. growth in consumer loan volumes was the major driver behind the quarterly expansion.

As for the major segments, the FX-adjusted performing consumer book grew by 6 per cent. quarter-on-quarter, the leasing volumes by 3 per cent., while the mortgage portfolio by 2 per cent. The quarter-on-quarter 3 per cent. decline in the corporate book was explained by the portfolio migration into Stage 3 category at Ipoteka Bank, as well as by the declining volumes in Hungary and Bulgaria.

FX-adjusted deposits grew by 4 per cent. quarter-on-quarter and got close to HUF 29,000 billion. In 3Q 2023, the Russian, Croatian, Serbian, Moldavian and Montenegrin deposit volumes grew the fastest. In Hungary the 3 per cent. quarter-on-quarter increase was induced by the corporate segment, while the retail volumes (with retail bonds) declined by 2 per cent.

The consolidated net loan (deposit + retail bond) ratio moderated to 74 per cent. (-2 percentage points quarter-on-quarter).

The Issuer maintained its MREL-eligible bond issuance activity in 3Q 2023: EUR 650 million Senior Preferred Callable Notes were issued in September and a private placement of EUR 34 million equivalent was completed in October. As a result, year-to-date the total amount of MREL-eligible bond issuances reached around EUR 1.85 billion equivalent.

The consolidated loan portfolio maintained a stable risk profile in 2023, with favourable trends in the key indicators. The Stage 3 ratio under IFRS 9 comprised 4.3 per cent. of the gross loans at the end of 3Q 2023, underpinning a 0.1 per cent. quarter-on-quarter increase. Since the Stage 3 ratio improved quarter-on-quarter at all members of the OTP Group, the moderate increase was entirely related to the Stage ratio increasing to 8.6 per cent. at Ipoteka Bank. At the same time, in 3Q 2023 both the Ukrainian and Russian Stage 3 rates improved quarter-on-quarter.

The own provision coverage of Stage 3 exposures continued to exceed 60 per cent.

In the case of Ukraine and Russia, the OTP Group applies a “going concern” approach. However, in Russia the OTP Group is still considering all strategic options, although a Russian presidential decree in October 2022 prohibited the sale of shares of 45 banks, including OTP Bank Russia, without presidential approval. The Issuer’s management is continuously monitoring the situation of the Ukrainian-Russian conflict in order to be able to take the necessary steps to moderate the business risk. If the Russian entity was deconsolidated and the outstanding gross intragroup exposures were written off as well, the negative effect for the consolidated CET1 ratio would be 14 basis points, whereas in the Ukraine the negative effect would be 13 basis points.

**The following tables show additional financial information by main segments of the OTP Group, for the financial years ended 31 December 2021 and 31 December 2022, and the nine months ended on 30 September 2022 and 30 September 2023, respectively:**

***OTP Core***

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
	<i>(in HUF million)</i>		<i>%</i>	<i>(in HUF million)</i>		<i>%</i>
<b>Main components of the Statement of recognised income</b>						
Adjusted profit after tax for the year	220,149	215,695	(2)	213,377	253,232	19
Adjusted total income	500,607	543,705	9	546,215	637,469	17
Adjusted net interest income	328,437	294,171	(10)	369,309	412,611	12

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
	<i>(in HUF million)</i>		%	<i>(in HUF million)</i>		%
Adjusted net profit from fees and commissions	131,268	144,601	10	150,578	176,830	17
Adjusted other net non-interest income	40,902	104,934	157	26,328	48,028	82
Adjusted other administrative expenses	(244,881)	(293,949)	20	(289,034)	(343,212)	19
Total risk costs	(1,029)	10,908		(3,210)	2,415	

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
	<i>(in HUF million)</i>		%	<i>(in HUF million)</i>		%
<b>Main components of balance sheet closing balances</b>						
Total Assets	18,318,621	19,029,283	4	14,207,399	15,758,292	11
Net customer loans (FX-adjusted)	6,114,210	6,285,353	3	5,387,188	6,278,620	17

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
			<i>pps</i>			<i>pps</i>
<b>Indicators</b>						
Adjusted ROE	14.6%	13.9%	(0.7)	11.6%	12.6%	1.0%
Stage 3 loans under IFRS 9/gross customer loans	48.9%	54.1%	5.2	4.6%	4.9%	0.3%
Own coverage of Stage 3 loans under IFRS 9	4.3%	4.1%	(0.2)	42.7%	43.2%	0.5%

**OTP Fund Management (Hungary)**

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
	<i>(in HUF million)</i>		<i>%</i>	<i>(in HUF million)</i>		<i>%</i>
<b>Main components of the Statement of recognised income</b>						
Adjusted profit after tax for the year	3,760	11,303	201	6,116	9,357	53
Adjusted total income	6,902	15,891	130	10,044	14,585	45
Adjusted net interest income	0	1		0	0	
Adjusted net profit from fees and commissions	6,575	14,527	121	9,799	14,094	44
Adjusted other net non-interest income	327	1,362	316	245	491	101
Adjusted other administrative expenses	(2,445)	(3,237)	32	(3,125)	(3,907)	25
Total risk costs	(158)	0		(14)	(86)	509
<b>Asset under management</b>						
Assets under management, total (w/o duplicates) <sup>(3)</sup>	1,458	2,714	86	1,331	1,782	34

Note:

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.

**Merkantil (Hungary)**

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
	<i>(in HUF million)</i>		<i>%</i>	<i>(in HUF million)</i>		<i>%</i>
<b>Main components of the Statement of recognised income</b>						
Adjusted profit after tax for the year	7,509	11,045	47	7,998	10,971	37
Adjusted total income	17,228	21,689	26	23,291	24,766	6



	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
	<i>(in HUF million)</i>		%	<i>(in HUF million)</i>		%
Adjusted net interest income	15,396	20,457	33	20,680	22,537	9
Adjusted net profit from fees and commissions	623	627	1	116	921	694
Adjusted other net non-interest income	1,209	605	(50)	2,495	1,307	(48)
Adjusted other administrative expenses	(7,794)	(9,263)	19	(11,330)	(10,836)	(4)
Total risk costs	(854)	(179)	(79)	(3,045)	(1,314)	(57)

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
			<i>pps</i>			<i>pps</i>
<b>Indicators</b>						
Stage 3 loans under IFRS 9/gross customer loans	2.7%	2.7%	0.0	2.9%	2.7%	(0.2)
Own coverage of Stage 3 loans under IFRS 9	50.8%	40.3%	(10.5)	60.0%	53.1%	(6.9)
Adjusted ROE	17.5%	25.5%	8.0	14.3%	19.1%	4.8

### *DSK Group (Bulgaria)*

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
	<i>(in HUF million)</i>		%	<i>(in HUF million)</i>		%
<b>Main components of the Statement of recognised income</b>						
Adjusted profit after tax for the year	76,478	151,132	98	76,790	119,885	56
Adjusted total income	160,520	230,829	44	178,470	230,834	29
Adjusted net interest income	100,740	165,216	64	112,869	145,461	29
Adjusted net profit from fees and commissions	50,901	53,785	6	54,508	68,755	26

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
	<i>(in HUF million)</i>		%	<i>(in HUF million)</i>		%
Adjusted other net non-interest income	8,879	11,828	33	11,093	16,618	50
Adjusted other administrative expenses	(63,214)	(72,793)	15	(72,230)	(88,451)	22
Total risk costs	(12,905)	9,608		(20,997)	(9,819)	(53)

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
			<i>pps</i>			<i>pps</i>
<b>Indicators</b>						
Stage 3 loans under IFRS 9/gross customer loans	5.3%	2.8%	(2.5)	6.2%	3.5%	(2.7)
Own coverage of Stage 3 loans under IFRS 9	69.9%	61.1%	(8.8)	68.2%	60.2%	(8.0)
Adjusted ROE	14.6%	26.3%	11.7	11.8%	16.7%	4.9

#### *OTP Bank (Slovenia)*

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
	<i>(in HUF million)</i>		%	<i>(in HUF million)</i>		%
<b>Main components of the Statement of recognised income</b>						
Adjusted profit after tax for the year	18,511	88,474	378	16,822	23,860	42
Adjusted total income	36,353	157,512	333	42,354	51,403	21
Adjusted net interest income	23,091	120,831	423	27,673	33,688	22
Adjusted net profit from fees and commissions	11,757	32,636	178	13,258	15,416	16

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
	<i>(in HUF million)</i>		%	<i>(in HUF million)</i>		%
Adjusted other net non-interest income	1,506	4,046	169	1,423	2,299	61
Adjusted other administrative expenses	(19,951)	(56,639)	184	(22,759)	(27,357)	20
Total risk costs	6,498	(767)		1,065	5,523	419

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
			<i>pps</i>			<i>pps</i>
<b>Indicators</b>						
Stage 3 loans under IFRS 9/gross customer loans	1.1%	1.1%	0.0	1.3%	1.2%	(0.1)
Own coverage of Stage 3 loans under IFRS 9	66.4%	47.9%	(18.5)	56.1%	68.4%	12.3
Adjusted ROE	13.5%	21.9%	8.4	10.0%	12.8%	2.8

**OBH (Croatia)**

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
	<i>(in HUF million)</i>		%	<i>(in HUF million)</i>		%
<b>Main components of the Statement of recognised income</b>						
Adjusted profit after tax for the year	37,811	45,364	20	33,448	42,801	28
Adjusted total income	74,667	90,055	21	88,736	102,042	15
Adjusted net interest income	51,289	66,048	29	60,933	70,547	16
Adjusted net profit from fees and commissions	18,339	19,442	6	18,183	24,692	36
Adjusted other net non-interest income	5,038	4,565	(9)	9,619	6,803	(29)

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
	<i>(in HUF million)</i>		<i>%</i>	<i>(in HUF million)</i>		<i>%</i>
Adjusted other administrative expenses	(37,849)	(41,230)	9	(45,313)	(53,029)	17
Total risk costs	9,341	6,208	(34)	(2,357)	3,082	

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
			<i>pps</i>			<i>pps</i>
<b>Indicators</b>						
Stage 3 loans under IFRS 9/gross customer loans	5.2%	3.9%	(1.3)	8.0%	4.9%	(3.1)
Own coverage of Stage 3 loans under IFRS 9	69.1%	71.5%	2.4	61.4%	70.6%	9.2
Adjusted ROE	13.8%	16.2%	2.4	10.0%	11.4%	1.4

### *OTP Bank Serbia*

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
	<i>(in HUF million)</i>		<i>%</i>	<i>(in HUF million)</i>		<i>%</i>
<b>Main components of the Statement of recognised income</b>						
Adjusted profit after tax for the year	32,451	50,485	56	32,104	36,873	15
Adjusted total income	73,111	97,828	34	83,494	104,524	25
Adjusted net interest income	53,465	76,558	43	62,497	76,635	23
Adjusted net profit from fees and commissions	12,914	13,241	3	14,410	17,954	25
Adjusted other net non-interest income	6,733	8,029	19	6,586	9,934	51
Adjusted other administrative expenses	(33,742)	(36,085)	7	(42,740)	(45,980)	8
Total risk costs	(2,080)	(3,538)	70	(5,040)	(15,553)	209

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
	<i>pps</i>			<i>pps</i>		
<b>Indicators</b>						
Stage 3 loans under IFRS 9/gross customer loans	2.7%	2.8%	0.1	2.9%	2.5%	(0.4)
Own coverage of Stage 3 loans under IFRS 9	56.5%	63.2%	6.7	53.6%	59.8%	6.2
Adjusted ROE	13.2%	19.4%	6.2	11.4%	10.9%	(0.5)

### *OTP Bank Albania*

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
	<i>(in HUF million)</i>			<i>(in HUF million)</i>		
	<i>%</i>			<i>%</i>		
<b>Main components of the Statement of recognised income</b>						
Adjusted profit after tax for the year	7,221	10,605	47	5,522	10,175	84
Adjusted total income	14,260	24,402	71	13,398	20,232	51
Adjusted net interest income	11,041	20,103	82	10,619	16,927	59
Adjusted net profit from fees and commissions	2,162	2,929	35	1,843	3,067	66
Adjusted other net non-interest income	1,057	1,370	30	936	238	(75)
Adjusted other administrative expenses	(6,705)	(11,175)	67	(6,186)	(10,896)	76
Total risk costs	1,010	(783)		(705)	(2,852)	(505)

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
	<i>pps</i>			<i>pps</i>		
<b>Indicators</b>						

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
	<i>pps</i>			<i>pps</i>		
Stage 3 loans under IFRS 9/gross customer loans	4.6%	6.2%	1.6	3.3%	4.9%	1.6
Own coverage of Stage 3 loans under IFRS 9	54.1%	50.3%	(3.8)	73.3%	54.4%	(18.9)
Adjusted ROE	21.8%	20.9%	(0.9)	17.6%	21.1%	3.5

### CKB Group (Montenegro)

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
	<i>(in HUF million)</i>			<i>(in HUF million)</i>		
	<i>%</i>			<i>%</i>		
<b>Main components of the Statement of recognised income</b>						
Adjusted profit after tax for the year	4,523	17,009	276	4,140	9,791	137
Adjusted total income	20,377	27,811	36	22,046	28,816	31
Adjusted net interest income	14,570	21,532	48	16,553	20,832	26
Adjusted net profit from fees and commissions	5,219	5,670	9	4,880	7,106	46
Adjusted other net non-interest income	588	609	4	613	878	43
Adjusted other administrative expenses	(9,846)	(10,448)	6	(11,805)	(13,683)	16
Total risk costs	(4,785)	2,609		(5,283)	(3,158)	(40)

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
	<i>pps</i>			<i>pps</i>		
<b>Indicators</b>						
Stage 3 loans under IFRS 9/gross customer loans	5.8%	4.5%	(1.3)	7.0%	4.9%	(2.1)

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
	<i>pps</i>			<i>pps</i>		
Own coverage of Stage 3 loans under IFRS 9	70.4%	67.0%	(3.4)	66.0%	64.4%	(1,6)
Adjusted ROE	7.0%	22.5%	15.5	5.2%	10.9%	5.7

***Ipoteka Bank (Uzbekistan)***

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
	<i>(in HUF million)</i>		<i>%</i>	<i>(in HUF million)</i>		<i>%</i>
<b>Main components of the Statement of recognised income</b>						
Adjusted profit after tax for the year	-	242	-	-	-	-
Adjusted total income	-	31,749	-	-	-	-
Adjusted net interest income	-	24,014	-	-	-	-
Adjusted net profit from fees and commissions	-	2,688	-	-	-	-
Adjusted other net non-interest income	-	5,046	-	-	-	-
Adjusted other administrative expenses	-	(10,362)	-	-	-	-
Total risk costs	-	(25,677)	-	-	-	-

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
	<i>pps</i>			<i>pps</i>		
<b>Indicators</b>						
Stage 3 loans under IFRS 9/gross customer loans	-	8.6%	-	-	-	-

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
	<i>pps</i>			<i>pps</i>		
Own coverage of Stage 3 loans under IFRS 9	-	27.0%	-	-	-	-
ROE	-	0.4%	-	-	-	-
Cost-to-income ratio		32.6%				

### *OTP Bank Russia*

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
	<i>(in HUF million)</i>			<i>(in HUF million)</i>		
	<i>%</i>			<i>%</i>		
<b>Main components of the Statement of recognised income</b>						
Adjusted profit after tax for the year	23,722	72,598	206	37,624	42,548	13
Adjusted total income	117,032	164,745	41	118,158	178,494	51
Adjusted net interest income	80,765	90,735	12	91,364	118,004	29
Adjusted net profit from fees and commissions	23,538	29,840	27	25,728	35,251	37
Adjusted other net non-interest income	12,730	44,170	247	1,066	25,239	2268
Adjusted other administrative expenses	(56,096)	(53,265)	(5)	(55,790)	(80,357)	44
Total risk costs	(37,511)	(12,216)	(67)	(15,055)	(51,958)	245

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
	<i>pps</i>			<i>pps</i>		
<b>Indicators</b>						
Stage 3 loans under IFRS 9/gross customer loans	16.0%	14.6%	(1.4)	11.4%	15.7%	4.3



	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
			<i>pps</i>			<i>pps</i>
Own coverage of Stage 3 loans under IFRS 9	94.3%	93.1%	(1.2)	95.1%	93.6%	(1.5)
Adjusted ROE	11.4%	34.1%	22.7	18.2%	14.1%	(4.1)

### *OTP Bank Ukraine*

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
	<i>(in HUF million)</i>		<i>%</i>	<i>(in HUF million)</i>		<i>%</i>
<b>Main components of the Statement of recognised income</b>						
Adjusted profit after tax for the year	(25,968)	52,188		39,024	(15,922)	
Adjusted total income	78,929	82,543	5	83,567	110,805	33
Adjusted net interest income	63,897	69,879	9	62,051	90,007	45
Adjusted net profit from fees and commissions	8,956	8,454	(6)	14,494	12,673	(13)
Adjusted other net non-interest income	6,076	4,209	(31)	7,022	8,125	16
Adjusted other administrative expenses	(22,596)	(22,107)	(2)	(28,806)	(30,943)	7
Total risk costs	(81,392)	2,990		(7,494)	(93,067)	1142

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
			<i>pps</i>			<i>pps</i>
<b>Indicators</b>						
Stage 3 loans under IFRS 9/gross customer loans	14.2%	22.1%	7.9	6.3%	18.1%	11.8

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
			<i>pps</i>			<i>pps</i>
Own coverage of Stage 3 loans under IFRS 9	64.0%	75.7%	11.7	69.6%	75.3%	5.7
Adjusted ROE	(26.7%)	50.4%	77.1	28.8%	(12.4%)	(41.2)

### OTP Bank Romania

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
	<i>(in HUF million)</i>		<i>%</i>	<i>(in HUF million)</i>		<i>%</i>
<b>Main components of the Statement of recognised income</b>						
Adjusted profit after tax for the year	(1,050)	18,014		4,253	3,071	(28)
Adjusted total income	44,283	50,765	15	46,699	62,596	34
Adjusted net interest income	37,812	39,594	5	36,270	53,560	48
Adjusted net profit from fees and commissions	3,443	3,959	15	4,143	4,743	14
Adjusted other net non-interest income	3,028	7,212	138	6,285	4,293	(32)
Adjusted other administrative expenses	(32,819)	(35,055)	7	(37,762)	(45,212)	20
Total risk costs	(11,729)	5,469		(3,240)	(13,663)	322

	30 September 2022	30 September 2023	Change	31 December 2021	31 December 2022	Change
			<i>pps</i>			<i>pps</i>
<b>Indicators</b>						
Stage 3 loans under IFRS 9/gross customer loans	5.0%	5.6%	0.6	5.7%	5.2%	(0.5)

	30 September 2022	30 September 2023	Change <i>pps</i>	31 December 2021	31 December 2022	Change <i>pps</i>
Own coverage of Stage 3 loans under IFRS 9	59.7%	51.4%	(8.3)	57.5%	54.1%	(3.4)
Adjusted ROE	(0.8%)	13.4%	14.2	3.0%	1.8%	(1.2)

### *OTP Bank Moldova*

	30 September 2022	30 September 2023	Change %	31 December 2021	31 December 2022	Change %
	<i>(in HUF million)</i>		%	<i>(in HUF million)</i>		%
<b>Main components of the Statement of recognised income</b>						
Adjusted profit after tax for the year	5,602	11,775	110	5,858	9,403	61
Adjusted total income	18,543	19,016	3	15,271	27,830	82
Adjusted net interest income	12,736	13,108	3	9,698	19,172	98
Adjusted net profit from fees and commissions	2,044	1,696	(17)	2,344	2,624	12
Adjusted other net non-interest income	3,763	4,213	12	3,230	6,034	87
Adjusted other administrative expenses	(7,110)	(8,503)	20	(7,437)	(10,279)	38
Total risk costs	(5,055)	2,895		(1,175)	(6,763)	476

	30 September 2022	30 September 2023	Change <i>pps</i>	31 December 2021	31 December 2022	Change <i>pps</i>
<b>Indicators</b>						
Stage 3 loans under IFRS 9/gross customer loans	2.5%	4.6%	2.1	1.8%	2.8%	1.0
Own coverage of Stage 3 loans under IFRS 9	56.6%	55.1%	(1.5)	54.3%	61.3%	7.0

	30 September 2022	30 September 2023	Change <i>pps</i>	31 December 2021	31 December 2022	Change <i>pps</i>
Adjusted ROE	16.2%	27.9%	11.7	15.2%	19.3%	4.1

### Alternative Performance Measures

The Guarantor considers each metric set out below to constitute an alternative performance measure (“APM”) as described in the European Securities and Markets Authority Guidelines on Alternative Performance Measures (the “ESMA Guidelines”) published on 5 October 2015 by the European Securities and Markets Authority and which came into force on 3 July 2016. An APM should not be considered in isolation from, or as substitute for any analysis of, financial information presented in compliance with Financial Reporting Standards 102 (FRS 102).

All figures in the tables below are rounded and presented in HUF million. 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.

The definition of average balance sheet items: calendar day-weighted average of the average balance sheet items in periods comprising the given period, where periods comprising the given period are defined as quarters (and within that months) in case of 1H, 9M and FY periods, and months in case of quarters. Furthermore, the average of the average balance sheet items is computed as the arithmetic average of closing balance sheet items for the previous period and the current period.

#### Adjusted profit after tax

<b>Definition:</b>	Profit after tax as per the financial statements modified by adjustments determined by management.
<b>Explanation:</b>	Provides additional information on profits for the period on an adjusted basis, in order to enable better comparability of profits of prior periods.

#### Reconciliation table:

	OTP Group			
	30 September 2022	30 September 2023	31 December 2021	31 December 2022
	Profit after tax for the year	231,898	857,878	456,428
(-) Adjustments (total, after corporate income tax)	(207,229)	79,283	(40,474)	(245,466)
Dividends and net cash transfers (after tax)	1,208	980	729	1,927
Goodwill/investment impairment charges (after tax)	(54,514)	(518)	1,909	(59,254)
Special tax on financial institutions and one-timer payment compensating the underperformance of the financial transaction tax (after corporate income tax)	(88,180)	(62,543)	(18,893)	(91,353)
Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia (after corporate income tax)	(2,488)	0	(15,040)	(2,473)
Expected one-off effect of the extension of the interest rate cap for certain retail loans in Hungary (after tax)	(10,141)	(24,625)	0	(36,585)
Effect of the winding up of Sberbank Hungary (after tax)	(10,690)	10,389	0	(10,389)
Effect of acquisitions (after tax)	(9,576)	144,838	(15,506)	(15,594)
Result of the treasury share swap agreement (after tax)	2,952	10,761	6,326	3,028
Impairments on Russian government bonds at OTP Core and DSK Bank booked in 2022 (after tax)	(35,800)	0	0	(34,775)

	OTP Group			
	30	30	31	31
	September	September	December	December
	2022	2023	2021	2022
Adjusted profit after tax for the year	439,126	778,596	496,902	592,547

### *Adjusted net interest income*

**Definition:** Net interest income before loss allowance on loans and placements as per the financial statements modified by adjustments determined by management.

**Explanation:** Provides additional information on net interest income for the period on an adjusted basis, in order to enable better comparability of net interest income of prior periods.

#### **Reconciliation table:**

	OTP Group			
	30	30	31	31
	September	September	December	December
	2022	2023	2021	2022
Net interest income	795,754	1,034,038	874,310	1,091,314
(+) Presentation of the revaluation result of intra-group swaps on the net interest income line realised at the Romanian and Slovakian operations	1,318	0	625	2,034
(-) Netting of interest revenues on DPD90+ loans with the related provision (booked on the Provision for loan losses line) at OTP Core and CKB	3,937	0	1,131	5,335
(-) Effect of acquisitions on net interest income	(2,243)	1,566	(2,680)	(3,179)
(-) Reclassification due to the introduction of IFRS16	(1,704)	(2,176)	(1,556)	(2,386)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	-	-	46	0
(-) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	-	-	(5,925)	0
Adjusted net interest income	797,082	1,034,648	884,011	1,093,578

### *Adjusted net profit from fees and commissions*

**Definition:** Net profit from fees and commissions as per the financial statements modified by adjustments determined by management.

**Explanation:** Provides additional information on net profit from fees and commissions for the period on an adjusted basis, in order to enable better comparability of net profit from fees and commissions of prior periods.

#### **Reconciliation table:**

	OTP Group			
	30	30	31	31
	September	September	December	December
	2022	2023	2021	2022
Net profit from fees and commissions	430,120	514,141	442,174	600,360
(+) Payment transaction duty	(63,793)	(73,681)	(68,818)	(89,751)

	OTP Group			
	30	30	31	31
	September	September	December	December
	2022	2023	2021	2022
(-) Effect of acquisitions net profit from fees and commissions	(2)	1	(33)	(2)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	-	-	0	0
(-) Structural shift of income from currency exchange from net fees to the FX result	78,740	94,378	47,843	113,494
Adjusted net profit from fees and commissions	287,591	346,080	325,548	397,118

### **Adjusted other net non-interest income**

**Definition:** Sum of foreign exchange gains (net), gain/loss on securities (net), and other non-interest income (net) as per the financial statements modified by adjustments determined by management.

**Explanation:** Provides additional information on other non-interest income of the period on an adjusted basis, in order to enable better comparability of other non-interest income of prior periods.

### **Reconciliation table:**

	OTP Group			
	30	30	31	31
	September	September	December	December
	2022	2023	2021	2022
Foreign exchange result, net	6,132	7,921	(4,075)	(14,989)
(-) Presentation of the revaluation result of intra-group swaps on the net interest income line realised at the Romanian and Slovakian operations	(2,504)	0	(492)	7,818
(-) Effect of acquisitions	(4)	(210)	0	(4)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	-	-	(10)	0
(+) Structural shift of income from currency exchange from net fees to the FX result	78,740	94,378	47,843	113,494
(Loss) / gain on securities, net	(6,849)	9,800	5,560	(4,488)
(-) Effect of acquisitions	(556)	(1,125)	(1,077)	(556)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	-	-	14	0
(-) Revaluation result of the treasury share swap agreement	(556)	(1,125)	2,766	(10,002)
(+) Structural adjustment due to the Gain from derecognition of financial assets at amortised cost line (against Gain/loss on securities, net)	(10,086)	(3,779)	1,031	(4,636)
(+) 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	(2,882)	(10,523)	4,812	145
Gains and losses on real estate transactions	(1,404)	3,919	6,424	5,269
Result of discontinued operation and gains from disposal of subsidiaries classified as held for sale	3,050	5,082	282	11,444
(+) Other non-interest income	10,222	0	74,246	118,777
(+) Gains and losses on derivative instruments	77,844	305,528	6,797	10,558
(+) Net insurance result	21,942	14,889	657	1,370
(+) Fair value adjustment on financial instruments measured at fair value through profit or loss	996	1,327	(532)	(4,164)
(-) 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	(7,695)	67,415	4,812	145

	OTP Group			
	30	30	31	31
	September	September	December	December
	2022	2023	2021	2022
(-) Received cash transfers	(1,404)	3,919	165	447
(+) Other non-interest expenses	64	413	(44,882)	(72,969)
(+) 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	(46,814)	(48,233)	11,155	840
(-) Effect of acquisitions	3,301	3,710	(4)	3,268
(-) Presentation of the revaluation result of intra-group swaps on the net interest income line realised at the Romanian and Slovakian operations	3,348	206,752	1,117	(5,783)
(-) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	3,823	0	(948)	(591)
(-) One-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	(501)	0	(194)	(275)
(-) 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	(186)	0	387	0
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	-	-	0	(5)
(+) Shifting of the costs of mediated services at Merkantil Bérlet Ltd. to the net other non-interest result line	(1,553)	(1,457)	0	(1,846)
(+) Structural adjustment due to the Gain from derecognition of financial assets at amortised cost line (against Net other non-interest result)	(342)	177	0	(492)
(-) Expected one-off effect of the interest rate cap for certain loans in Hungary	0	11,416	0	(2,022)
Adjusted other net non-interest income without one-offs	120,753	221,659	103,563	165,874

### Adjusted total income

**Definition:** Sum of adjusted net interest income, adjusted net profit from fees and commissions and adjusted other net non-interest income without one-offs.

**Explanation:** Provides additional information of total income on an adjusted basis, in order to enable better comparability of total income of prior periods.

### Reconciliation table:

	OTP Group			
	30	30	31	31
	September	September	December	December
	2022	2023	2021	2022
Adjusted net interest income	797,080	1,034,650	884,012	1,093,579
Adjusted net profit from fees and commissions	287,591	346,080	325,548	397,118
Adjusted other net non-interest income without one-offs	120,753	221,659	103,563	165,874
Adjusted total income	1,205,424	1,602,388	1,313,124	1,656,571

### Adjusted operating expenses

**Definition:** Other administrative expenses as per the financial statements modified by adjustments determined by management.

**Explanation:** Provides additional information of other administrative expenses on an adjusted basis, in order to enable better comparability of other administrative expenses of prior periods.

**Reconciliation table:**

	OTP Group			
	30	30	31	31
	September	September	December	December
	2022	2023	2021	2022
Depreciation and amortisation	(146,613)	(86,543)	(94,996)	(107,588)
(-) Effect of acquisitions	(67,715)	0	(6,134)	(4,917)
(-) Reclassification due to the introduction of IFRS16	(3,701)	(3,675)	(16,064)	(18,008)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	(13,358)	(13,151)	(20)	0
Personnel expenses	(279,348)	(353,530)	(340,684)	(402,563)
(-) Effect of acquisitions	(792)	(1,694)	(781)	(1,259)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	-	-	(298)	0
Other general expenses	(354,793)	(373,874)	(311,932)	(464,997)
(+) Other costs and expenses	(17,676)	(4,602)	(6,508)	(17,279)
(+) Other non-interest expenses	(61,002)	(63,052)	(56,874)	(90,678)
(-) Paid cash transfers	(14,187)	(14,819)	(11,992)	(17,709)
(+) Film subsidies and cash transfers to public benefit organisations	(14,044)	(14,672)	(11,873)	(17,519)
(-) Other non-interest expenses	(46,814)	(48,233)	(44,882)	(72,969)
(-) Special tax on financial institutions (recognised as other administrative expenses)	(96,802)	(68,622)	(20,680)	(96,808)
(-) Tax deductible transfers (offset against corporate taxes)	(6,292)	(62)	(8,137)	(14,479)
(-) Financial Transaction Tax	(63,793)	(73,681)	(68,818)	(89,751)
(-) Effect of acquisitions	(2,271)	(5,299)	(10,370)	(4,654)
(+) Reclassification due to the introduction of IFRS16	(15,063)	(15,327)	(17,620)	(20,395)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	-	-	(106)	0
(-) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	(5)	0	(318)	0
(-) Shifting of the costs of mediated services at Merkantil Bérlét Ltd. to the net other non-interest result line	(1,553)	(1,457)	0	(1,846)
(+) Shifting of certain expenses arising from mediated services from other provisions to the other non-interest expenses line	(588)	(975)	0	(882)
(-) Effect of the winding up of Sberbank Hungary (contribution to the Deposit Protection Fund)	(11,747)	0	0	(11,416)
Adjusted operating expenses	(560,095)	(681,879)	(652,733)	(788,084)

**Adjusted provision for impairment on loan and placement losses**

**Definition:** Loss allowance on loans and placements as per the financial statements modified by adjustments determined by management.

**Explanation:** Provides additional information of loss allowance on loans and placements on an adjusted basis, in order to enable better comparability of loss allowance on loans and placements of prior periods.

**Reconciliation table:**



	OTP Group			
	30	30	31	31
	September	September	December	December
	2022	2023	2021	2022
Loss allowance / Release of loss allowance on loans, placements, amounts due from banks and repo receivables	(125,620)	(66,417)	(27,721)	(155,681)
(+) Modification gains or losses	(15,253)	(29,066)	(13,672)	(39,997)
(+) Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	13,118	(1,438)	(16,289)	13,346
(+) Loss allowance on securities at fair value through other comprehensive income and on securities at amortised cost	(57,238)	8,348	(3,974)	(60,775)
(+) Provision for commitments and guarantees given	494	5,133	(99)	(6,145)
(+) Impairment of assets subject to operating lease and of investment properties	140	1,393	438	(1,205)
(-) One-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	155	0	339	138
(+) Netting of interest revenues on DPD90+ loans with the related provision (booked on the Provision for loan losses line) at OTP Core and CKB	3,937	0	1,131	5,335
(-) Effect of acquisitions	(3,407)	(51,873)	0	(3,493)
(-) Structural correction between Provision for loan losses and Other provisions	(57,097)	9,740	(3,536)	(61,979)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	-	-	0	0
(-) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	(2,700)	0	(10,131)	(4,816)
(+) Structural adjustment due to the Gain from derecognition of financial assets at amortised cost line (against Provision for impairment on loan losses)	2,517	8,059	854	3,473
(-) Shifting of provision for impairment on placement losses to the other provisions line from 1Q 2022	(2,199)	3,268	0	(261)
(-) Expected one-off effect of the extension of the interest rate cap for certain retail loans in Hungary	(11,144)	(27,797)	0	(36,005)
Adjusted provision for impairment on loan and placement losses	(101,512)	(5,430)	(46,006)	(135,231)

### Return On Equity (“ROE”)

**Definition:** Profit after tax for the given period (annualised for periods less than one year) divided by average total equity.

**Explanation:** Provides additional information on financial performance and profitability of the bank, compared to its average total equity.

#### Reconciliation table:

	OTP Group			
	30	30	31	31
	September	September	December	December
	2022	2023	2021	2022
Profit after tax for the year	231,898	857,878	456,428	347,081
Average total equity	3,079,313	3,497,219	2,686,983	3,160,119
ROE	10.1%	32.8%	17.0%	11.0%

### *Adjusted ROE*

**Definition:** Adjusted profit after tax for the given period (annualised for periods less than one year) divided by average total equity.

**Explanation:** Provides additional information on financial performance and profitability of the OTP Group, compared to its average total equity.

**Reconciliation table:**

	OTP Group			
	30	30	31	31
	September	September	December	December
	2022	2023	2021	2022
Adjusted profit after tax for the year	439,126	778,596	496,902	592,547
Average total equity	3,079,313	3,497,219	2,686,983	3,160,119
Adjusted ROE	19.1%	29.8%	18.5%	18.8%

### *Adjusted Return On Assets*

**Definition:** Adjusted profit after tax for the given period (annualised for periods less than one year) divided by average total assets.

**Explanation:** Provides additional information on financial performance and profitability of the OTP Group, compared to its average total assets.

**Reconciliation table:**

	OTP Group			
	30	30	31	31
	September	September	December	December
	2022	2023	2021	2022
Adjusted profit after tax for the year	439,126	778,596	496,902	592,547
Average total assets	30,364,046	36,365,075	25,194,346	31,190,137
Adjusted ROA	1.93%	2.86%	1.97%	1.90%

### *Total revenue margin*

**Definition:** Adjusted total income for the given period (annualised for periods less than one year) divided by average total assets.

**Explanation:** Provides additional information on net revenue generation of assets and liabilities of the OTP Group.

**Reconciliation table:**

	OTP Group			
	30	30	31	31
	September	September	December	December
	2022	2023	2021	2022
Adjusted total income	1,205,424	1,602,388	1,313,124	1,656,571
Average total assets	30,364,046	36,365,075	25,194,346	31,190,137
Total revenue margin	5.31%	5.89%	5.21%	5.31%

### *Net interest margin*

**Definition:** Adjusted net interest income for the given period (annualised for periods less than one year) divided by average total assets.

**Explanation:** Provides additional information on net interest generation of assets and liabilities of the OTP Group.

#### **Reconciliation table:**

	OTP Group			
	30	30	31	31
	September	September	December	December
	2022	2023	2021	2022
Adjusted net interest income	797,080	1,034,650	884,012	1,093,579
Average total assets	30,364,046	36,365,075	25,194,346	31,190,137
Net interest margin	3.51%	3.80%	3.51%	3.51%

### *Net fee and commission margin*

**Definition:** Adjusted net fee and commission income for the given period (annualised for periods less than one year) divided by average total assets.

**Explanation:** Provides additional information on net fee and commission generation of assets and liabilities of the OTP Group.

#### **Reconciliation table:**

	OTP Group			
	30	30	31	31
	September	September	December	December
	2022	2023	2021	2022
Adjusted net profit from fees and commissions	287,591	346,080	325,548	397,118
Average total assets	30,364,046	36,365,075	25,194,346	31,190,137
Net fee and commission margin	1.27%	1.27%	1.29%	1.27%

### *Other income margin*

**Definition:** Adjusted other net non-interest income for the given period (annualised for periods less than one year) divided by average total assets.

**Explanation:** Provides additional information on non-interest income generation of assets and liabilities of the OTP Group.

#### **Reconciliation table:**

	OTP Group			
	30	30	31	31
	September	September	December	December
	2022	2023	2021	2022
Adjusted other net non-interest income without one-offs	120,753	221,659	103,563	165,874
Average total assets	30,364,046	36,365,075	25,194,346	31,190,137
Other income margin	0.53%	0.81%	0.41%	0.53%

### *Cost-to-asset ratio*

**Definition:** Adjusted operating expenses for the given period (annualised for periods less than one year) divided by average total assets.

**Explanation:** Provides additional information on operating efficiency of the OTP Group.

#### **Reconciliation table:**

	OTP Group			
	30	30	31	31
	September	September	December	December
	2022	2023	2021	2022
Adjusted operating expenses	(560,095)	(681,879)	(652,733)	(788,084)
Average total assets	30,364,046	36,365,075	25,194,346	31,190,137
Cost-to-asset ratio	2.47%	2.51%	2.59%	2.53%

### *Cost-to-income ratio*

**Definition:** Adjusted operating expenses divided by Adjusted total income.

**Explanation:** Provides additional information on operating efficiency of the OTP Group.

#### **Reconciliation table:**

	OTP Group			
	30	30	31	31
	September	September	December	December
	2022	2023	2021	2022
Adjusted operating expenses	(560,095)	(681,879)	(652,733)	(788,084)

	OTP Group			
	30	30	31	31
	September	September	December	December
	2022	2023	2021	2022
Adjusted total income	1,205,424	1,602,388	1,313,124	1,656,571
Cost-to-income ratio	46.5%	42.6%	49.7%	47.6%

### **Risk cost rate**

**Definition:** Absolute value of adjusted provision for impairment on loan and placement losses for the given period (annualised for periods less than one year) divided by average gross loans.

**Explanation:** Provides additional information on level of loss allowances compared to the size of the portfolio.

### **Reconciliation table:**

	OTP Group			
	30	30	31	31
	September	September	December	December
	2022	2023	2021	2022
Adjusted provision for impairment on loan and placement losses	(101,512)	(5,430)	(46,006)	(135,231)
Average gross loans	18,116,966	21,025,268	15,132,360	18,639,433
Risk cost rate	0.75%	0.03%	0.30%	0.73%

### **Stage 3 ratio**

**Definition:** Stage 3 loans gross amount under IFRS 9 divided by total gross loans less accrued interest receivables related to Stage 3 loans.

**Explanation:** Provides additional information on the loan portfolio quality.

### **Reconciliation table:**

	OTP Group			
	30	30	31	31
	September	September	December	December
	2022	2023	2021	2022
Stage 3 loans gross amount	1,071,147	970,321	877,951	969,169
Gross customer loans (adjusted)	20,634,650	22,554,157	16,634,454	19,643,558
Stage 3 ratio	5.2%	4.3%	5.3%	4.9%

### *Own coverage of Stage 3 loans*

**Definition:** Loss allowance on Stage 3 loans divided by Stage 3 loans gross amount.

**Explanation:** Provides additional information on the loan portfolio and its provisioning.

**Reconciliation table:**

	OTP Group			
	30	30	31	31
	September	September	December	December
	2022	2023	2021	2022
Loss allowance on Stage 3 loans	(696,025)	(583,702)	(530,772)	(591,656)
Stage 3 loans gross amount	1,071,147	970,321	877,951	969,169
Own coverage of Stage 3 loans	65.0	60.2	60.5%	61.0%

### *DPD90+ ratio*

**Definition:** Gross amount of loans overdue more than 90 days divided by total gross amount of loans less accrued interest receivables related to DPD90+ loans.

**Explanation:** Provides additional information on the loan portfolio.

**Reconciliation table:**

	OTP Group			
	30	30	31	31
	September	September	December	December
	2022	2023	2021	2022
Gross amount of loans overdue more than 90 days	711,262	667,767	535,445	601,268
Gross customer loans (adjusted)	20,634,650	22,554,157	16,634,454	19,643,558
DPD90+ ratio	3.4%	3.0%	3.2%	3.1%

### *DPD90+ coverage*

**Definition:** Total amount of allowances for loan losses as per the financial statements less allocated provision on accrued interest receivables related to DPD90+ loans divided by the gross amount of loans overdue more than 90 days.

**Explanation:** Provides additional information on the loan portfolio and its provisioning.

**Reconciliation table:**

	OTP Group			
	30	30	31	31
	September	September	December	December
	2022	2023	2021	2022
Allowances for loan losses	(1,202,235)	(1,020,654)	(926,547)	(1,049,663)

	OTP Group			
	30	30	31	31
	September	September	December	December
	2022	2023	2021	2022
(-) Allocated provision on accrued interest receivables related to DPD90+ loans	(47,410)	0	(36,015)	(46,730)
Allowances for loan losses (adjusted)	(1,154,824)	(1,020,654)	(890,532)	(1,002,933)
Gross amount of loans overdue more than 90 days	711,262	667,767	535,445	601,268
DPD90+ coverage	162.4%	152.8%	166.3%	166.8%

### *Gross customer loans (adjusted)*

**Definition:** Gross customer loans including finance lease receivables and accrued interest receivables related to loans less accrued interest receivables related to Stage 3 loans

**Explanation:** Provides additional information on the loan portfolio.

#### **Reconciliation table:**

	OTP Group			
	30	30	31	31
	September	September	December	December
	2022	2023	2021	2022
Gross customer loans (incl. loans at amortised cost and loans mandatorily at fair value through profit or loss) (incl. accrued interest receivables related to loans)	20,682,060	22,554,157	15,457,838	18,338,404
Gross finance lease receivables	-	-	1,212,631	1,351,883
Gross customer loans (incl. finance lease receivables and accrued interest receivables related to loans)	-	-	16,670,469	19,690,287
(-) Accrued interest receivables related to DPD90+ / Stage 3 loans	47,410	0	36,015	46,730
Gross customer loans (adjusted)	20,634,650	22,554,157	16,634,454	19,643,558

### *Net customer loans (adjusted)*

**Definition:** Gross customer loans including finance lease receivables and accrued interest receivables related to loans less allowance for loan losses

**Explanation:** Provides additional information on the proportion of loans and deposits.

#### **Reconciliation table:**

	OTP Group			
	30	30	31	31
	September	September	December	December
	2022	2023	2021	2022
Gross customer loans (adjusted)	20,634,650	22,554,157	16,634,454	19,643,558
(+) Allowances for loan losses (incl. impairment of finance lease receivables)	(1,154,824)	(1,020,654)	(926,547)	(1,049,663)
(-) Allocated provision on accrued interest receivables related to DPD90+ / Stage 3 loans	-	-	(36,015)	(46,730)
Net customer loans (adjusted)	19,479,826	21,533,503	15,743,922	18,640,624

### *Net loan-to-deposit ratio*

**Definition:** Gross customer loans less allowance for loan losses divided by total customer deposits without accrued interest liabilities on deposits from customers.

**Explanation:** Provides additional information on the proportion of loans and deposits.

#### **Reconciliation table:**

	OTP Group			
	30	30	31	31
	September	September	December	December
	2022	2023	2021	2022
Net customer loans (adjusted)	19,479,826	21,533,503	15,743,922	18,640,624
Deposits from customers (adjusted)	25,814,547	28,968,037	21,068,644	25,188,805
Net loan-to-deposit ratio	75%	74%	75%	74%

### *Net loans to deposits including retail bonds ratio*

**Definition:** Gross customer loans less allowance for loan losses divided by the sum of total customer deposits without accrued interest liabilities on deposits from customers and retail bonds.

**Explanation:** Provides additional information on the proportion of loans and deposits.

#### **Reconciliation table:**

	OTP Group			
	30	30	31	31
	September	September	December	December
	2022	2023	2021	2022
Net customer loans (adjusted)	19,479,826	21,533,503	15,743,922	18,640,624
Deposits from customers (adjusted)	25,814,547	28,968,037	21,068,644	25,188,805



	OTP Group			
	30	30	31	31
	September	September	December	December
	2022	2023	2021	2022
Retail bonds	0	194,833	0	35,766
Net loans to deposit including retail bonds ratio	75%	74%	75%	74%

## Capital management

The primary objective of the capital management of the OTP Group is to ensure prudent operations, to comply with the requirements of the regulator and to maximise shareholder value, accompanied by an optimal financing structure. The capital management of the members of the OTP Group includes the management and evaluation of shareholders' equity available for hedging risks, other types of funds to be recorded in the equity and all material risks to be covered by the capital.

The basis of the capital management of the OTP Group members in the short term is the continuous monitoring of their objective capital positions and strategic business planning, which includes monitoring of their capital position. The OTP Group members maintain capital adequacy as required by their respective regulatory bodies and any planned risk-taking is carried out on the basis of ensuring and developing their profitability. If the planned risk level of an OTP Group member exceeds its core and the previously raised supplementary capital, it ensures the prudent operation by occasional measures. The Guarantor also effects capital management through its dividend policy, and transactions performed with treasury shares.

The OTP Group uses the standard method for determining regulatory capital requirements with respect to credit risk and market risk.

Since 31 December 2012, the OTP Group has been following the principle of "partial use" in calculating the consolidated capital requirement for operational risks based on the Advanced Measurement Approach ("AMA") methodology. The consolidated capital requirement for operational risks is calculated based on the AMA model approved by the MNB. The following subsidiaries are currently covered by the AMA: the Guarantor, OTP Mortgage Bank Ltd., OTP Building Society Ltd., OTP Factoring Ltd., Merkantil, OTP Bank Ukraine, OTP Bank Russia, DSK, OBSr and CKB. The consolidated capital requirement for operational risks is the sum of the AMA capital requirement and the Basic Indicator Approach capital requirement calculated by those subsidiaries that do not fall under the AMA. The stand-alone capital requirement for operational risks in respect of the Guarantor and the subsidiaries covered by the AMA scope is allocated from the consolidated AMA capital requirement for operational risks. The OTP Group has a different type of insurance which aims to mitigate operational risk losses, but any AMA-compliance insurance or other risk transfer mechanisms are not applied in order to reduce the capital requirement for operational risk.

## Regulatory capital and capital ratios

CRD IV and CRR transpose the global standards on banking regulations into the EU legal framework. The OTP Group complied with its regulatory capital requirements throughout 2020 and 2021.

For international comparison purposes, the OTP Group calculated its regulatory capital based on IFRS data as adopted by the EU, and its consolidated capital adequacy ratio based on this in accordance with the regulations of Basel III.

The composition of consolidated regulatory capital and the capital ratios of the Guarantor according to Basel III regulation implementation, based on IFRS financials and accounting scope of consolidation, are as follows:

Calculation on IFRS basis	2015	2016	2017	2018 <sup>(1)</sup>	2019 <sup>(1)</sup>	2020 <sup>(1)</sup>	2021	2022
Capital adequacy ratio (%)	16.2%	16.0%	14.6%	18.3%	16.8%	17.7%	19.1%	17.5%
Tier 1 ratio (%)	13.3%	13.5%	12.7%	16.5%	14.4%	15.4%	17.5%	16.1%

Calculation on IFRS basis	2015	2016	2017	2018 <sup>(1)</sup>	2019 <sup>(1)</sup>	2020 <sup>(1)</sup>	2021	2022
CET 1 ratio (%)	13.3%	13.5%	12.7%	16.5%	14.4%	15.4%	17.5%	16.1%
Capital adequacy ratio – including non-eligible profit less dividend (%)	16.4%	18.2%	17.3%	18.3%	16.8%	17.7%	19.1%	17.5%
CET1 ratio – including non-eligible profit less dividend (%)	13.5%	15.8%	15.3%	16.5%	14.4%	15.4%	17.5%	16.1%
	<i>(in HUF billion)</i>							
Own funds	1,064	1,079	1,229	1,732	2,391	2,670	3,192	3,566
Tier 1 capital	873	911	1,063	1,565	2,055	2,316	2,927	3,278
Common Equity Tier 1 capital	873	911	1,063	1,565	2,055	2,316	2,927	3,278
Additional Tier 1 capital	0	0	0	0	0	0	0	0
Tier 2	191	168	166	167	336	354	265	288
Consolidated Risk Weighted Assets	6,576	6,730	8,390	9,489	14,262	15,047	16,691	20,405
Consolidated Risk Weighted Assets/Total Assets	62%	60%	64%	65%	71%	64%	61%	62%

Note:

- 1) For 2018, the reported CET1 capital (and thus the Tier 1 Capital, as well as the Own funds, together with the ratios calculated therefrom) contain the profit for the period decreased by the dividend paid for that year. For 2019, the CET1 capital (and thus the Tier 1 Capital, as well as the Own funds, together with the ratios calculated therefrom) are calculated with HUF 0 dividend payment to reflect the original request of the Financial Stability Council of the MNB to banks and their shareholders (dated 18 March 2020) to hold off on the approval and payment of any dividend until the end of September 2020. In its circular of 8 January 2021, the MNB instructed Hungarian credit institutions to refrain from paying dividends or making irrevocable commitments to pay dividends until 30 September 2021. For 2020, however, the CET1 capital (and thus the Tier 1 Capital, as well as the Own funds, together with the ratios calculated therefrom) are calculated with HUF 119 billion dividend payment, which is equal to the amount the management would have proposed to the AGM if the MNB had not restricted dividend payment until 30 September 2021.

As at 31 December 2021, the consolidated Common Equity Tier 1 (“**CET1**”) ratio under IFRS (including the eligible net result) was 17.5 per cent. In 2022, this ratio decreased in total by 1.5 percentage points, out of which 0.9 percentage points decrease was due to the changes in risk weighted assets resulting from changes in foreign exchange rates, 0.9 percentage points increase was due to the changes in CET1 resulting from changes in foreign exchange rates, 2.0 percentage points decrease was due to the changes in risk weighted assets resulting from organic growth, 0.4 percentage points decrease was due to regulatory impact (including a change of the transition rate of IFRS 9 transitional adjustment and of transitional adjustment due to the unrealised gains/loss on sovereign exposure), 2.1 percentage points increase was due to eligible interim profit and a 1.1 percentage points decrease was due to other effects. The amount of transitional adjustments within regulatory capital was HUF 273.3 billion at 31 December 2022.

In 4Q 2022, the CET1 ratio based on IFRS financials and accounting scope of consolidation was stable quarter-on-quarter. The quarterly decrease in the ratio is due to the combined effect of the HUF 248 billion decrease in CET1 capital (numerator) and the HUF 1,092 billion decrease of RWA (denominator). The main items contributing to the CET1 capital decrease were the HUF 59 billion positive impact of the quarterly eligible profit; the HUF 265 billion negative effect of FX fluctuations, HUF 20 billion mark to market positive impact on financial instruments held under available-for-sale, HUF 52 billion negative impact due to transitional effects and HUF 10 billion negative impact due to higher deductions.

The main items contributing to the quarterly RWA decrease: HUF 96 billion positive effect of organic growth; HUF 1,173 billion negative effect of changes in foreign exchange rates and HUF 15 billion negative impact due to increase in non-credit risk RWA.

At the end of 2021, the capital adequacy ratio of the OTP Group under CRR was 19.4 per cent. which includes eligible profit. The CET1 ratio as at the end of 2020 calculated on the same basis was 17.8 per cent.<sup>15</sup> At the end of 2022, the capital adequacy ratio of the OTP Group under CRR was 17.8 per cent., while the CET1 ratio was 16.4 per cent., both of which include eligible profit.

The slight difference between the capital ratios based on IFRS financials and accounting scope of consolidation, and the capital ratios calculated under CRR, is due to the different scope of consolidation, as disclosed by the Guarantor in the Disclosure by Institutions in line with the Credit Institutions Act and CRR II, the so-called Pillar III report.

The OTP Group consolidated regulatory capital requirements are measured against the capital levels calculated on the scope of consolidation according to CRR.

The leverage ratio under CRR was 10.1 per cent. in 2021 and 9.5 per cent. in 2022.

The following table sets out the consolidated capital adequacy related ratios and figures based on the prudential scope of consolidation, i.e. in line with Capital Requirements Regulation (CRR).

Calculation based on prudential scope of consolidation	2015	2016	2017	2018 <sup>(1)</sup>	2019 <sup>(1)</sup>	2020 <sup>(1)</sup>	2021	2022	3Q 2023
Capital adequacy ratio (%)	16.5%	18.0%	17.3%	18.2%	16.7%	17.8%	19.4%	17.8%	17.8%
Tier 1 ratio (%)	13.6%	15.6%	15.4%	16.5%	14.4%	15.4%	17.8%	16.4%	16.4%
CET 1 ratio (%)	13.6%	15.6%	15.4%	16.5%	14.4%	15.4%	17.8%	16.4%	16.4%
	<i>(in HUF billion)</i>								
Own funds	1,092	1,239	1,464	1,748	2,410	2,696	3,267	3,671	4,490
Tier 1 capital	901	1,073	1,298	1,581	2,074	2,342	3,002	3,383	3,930
Common Equity Tier 1 capital	901	1,073	1,298	1,581	2,074	2,342	3,002	3,383	3,930
Additional Tier 1 capital	0	0	0	0	0	0	0	0	0
Tier 2	191	167	166	167	336	354	265	288	560
Consolidated Risk Weighted Assets	6,626	6,881	8,448	9,595	14,439	15,167	16,831	20,608	23,923
Consolidated Risk Weighted Assets/Total Assets	62%	61%	64%	66%	72%	65%	61%	63%	60%

Note:

- (1) For 2018, the reported CET1 capital (and thus the Tier 1 Capital, as well as the Own funds, together with the ratios calculated therefrom) contain the profit for the period decreased by the dividend paid for that year. For 2019, the CET1 capital (and thus the Tier 1 Capital, as well as the Own funds, together with the ratios calculated therefrom) are calculated with HUF 0 dividend payment to reflect the original request of the Financial Stability Council of the MNB to banks and their shareholders (dated 18 March 2020) to hold off on the approval and payment of any dividend until the end of September 2020. In its circular of 8 January 2021, the MNB instructed Hungarian credit institutions to refrain from paying dividends or making irrevocable commitments to pay dividends until 30 September 2021. For 2020, however, the CET1 capital (and thus the Tier 1 Capital, as well as the Own funds, together with the ratios calculated therefrom) are calculated with HUF 119 billion dividend payment, which is equal to the amount the management would have proposed to the AGM if the MNB had not restricted dividend payment until 30 September 2021.

In 3Q 2023 the CET1 ratio based on IFRS financials and accounting scope of consolidation was stable year-to-date, mainly driven by the inclusion of the quarterly eligible profit (+232 basis points impact), partly offset by the acquisition effect of Nova KBM d.d. and Ipoteka Bank (-115 basis points impact), regulatory changes (-75 basis points impact), organic growth effect in RWA (-44 basis points impact), FX movements (-25 basis points impact)

<sup>15</sup> For prudential reasons, in 2020, the expected dividend amount is deducted from the presented regulatory capital in accordance with the regulation (EU) No 241/2014.

in total, as a combined effect of +38 basis points FX impact on RWA and -64 basis points impact on CET1 capital) and other effects (+29 basis points impact).

At the end of 3Q 2023, the capital adequacy ratio of the OTP Group under CRR was 18.8 per cent., while the CET1 ratio was 16.4 per cent., both of which include eligible profit. The capital adequacy ratio exceeded the regulatory requirement by 4.9 percentage points at the end of 3Q 2023.

### Capital requirements

Following the group-wide Supervisory Review and Evaluation Process (“SREP”), the MNB imposed the below additional capital requirements for the OTP Group on a consolidated level, effective from 1 January 2024:

0.9 per cent.-points in case of the CET1 capital, accordingly the minimum requirement for the consolidated CET1 ratio is 5.4 per cent. (without regulatory capital buffers);

1.2 per cent.-points in case of the Tier 1 capital, accordingly the minimum requirement for the consolidated Tier 1 ratio is 7.2 per cent. (without regulatory capital buffers); and

1.6 per cent.-points in case of the Total SREP Capital Requirement, accordingly the minimum requirement for the consolidated capital adequacy ratio is 9.6 per cent. (without regulatory capital buffers).

Since the OTP Group does not have any AT1 capital instruments at the date of this Base Prospectus, the Tier 1 capital minimum requirement level applies to CET1 as well. Pillar 2 requirements can be met proportionally with CET1, Tier 1 and Tier 2 capital, so the Pillar 2 requirement is composed of minimum 56 per cent. CET1, minimum 75 per cent. Tier 1 and maximum 25 per cent. Tier 2. The SREP rate (the sum of Pillar 1 and Pillar 2 requirements divided by the Pillar 1 requirement) on the OTP Group is calculated to be 125 per cent. from 1 March 2022.

The overall capital requirement for year end 2022 also included the 3.2 per cent. combined capital buffer requirements which was met by CET1. As at the date of this Base Prospectus, in Hungary the capital conservation buffer (“CCB”) is 2.5 per cent., the systemic risk buffer is 0 per cent., the other systemically important institutions (“O-SII”) buffer is 1 per cent. and the countercyclical buffer (“CCyB”) is 0 per cent. The O-SII buffer was 0.5 per cent. at year end 2022 and is expected to be set at 2 per cent. in 2024 for the Guarantor. The MNB will modify the amount of the final buffer rates if material future changes in the systemic importance of the Guarantor necessitate adjustments during the annual revisions.

In the course of 2023, the consolidated institution specific CCyB requirements are expected to increase further for the following reasons: (i) in Bulgaria the local relevant buffer requirement effective from 1 January 2023 has increased to 1.5 per cent. and is expected to further increase to 2.0 per cent. from 1 October 2023, (ii) in Croatia this requirement has been increased to 0.5 per cent. from 31 March 2023 and will be increased to 1 per cent. from 31 December 2023, (iii) in Hungary this requirement will be increased to 0.5 per cent. from 1 July 2024, (iv) in Romania this requirement will be increased to 1 per cent. from 23 October 2023 and (v) in Slovenia this requirement will be increased to 1 per cent. from 31 December 2023. Once all these changes have taken effect, the CCyB requirement on a consolidated level is expected to be 0.7 per cent. as at 31 December 2023.

In line with CRR II, the OTP Group considers 3 per cent. to be its minimum level of leverage ratio.

The overall capital requirement for 3Q 2023 also included the 3.8 per cent. combined capital buffer requirement (“CBR”) which was met by CET1. As at the date of this Base Prospectus, in Hungary the capital conservation buffer (“CCB”) is 2.5 per cent., the systemic risk buffer is 0 per cent., the other systemically important institutions (“O-SII”) buffer is 1 per cent. and the countercyclical buffer (“CCyB”) is 0 per cent. The O-SII buffer was 0.5 per cent. at year end 2022 and is expected to be set at 2 per cent. in 2024 for the Issuer. The CCyB rate applicable to exposures in Hungary is expected to be set at 0.5 per cent. from 1 July 2024. The MNB will modify the amount of the final buffer rates if material future changes in the systemic importance of the Issuer necessitate adjustments during the annual revisions.

The CCyB requirement on a consolidated basis was 0.29 per cent. in 3Q 2023, due to 1.5 per cent. CCyB in Bulgaria, 0.5 per cent. in Romania, and 0.5 per cent. in Croatia. In the last quarter of 2023, the consolidated institution specific CCyB requirements are expected to increase further for the following reasons: (i) in Bulgaria the local relevant buffer was increased to 2.0 per cent. from 1 October 2023, (ii) in Croatia this requirement is expected to increase to 1 per cent. from 31 December 2023, (iii) in Romania this requirement was increased to 1

per cent. from 23 October 2023 and (iv) in Slovenia this requirement will be increased to 0.5 per cent. from 31 December 2023. Once all these changes have taken effect, the CCyB requirement on a consolidated level is expected to be 0.49 per cent. and the CBR is expected to be 4 per cent. as at 31 December 2023.

#### **Minimum Requirement for own funds and Eligible Liabilities**

The Resolution College has revised the MREL requirement of the Guarantor and the OTP Group has revised its preferred resolution strategy from Single Point of Entry to Multiple Point of Entry, as it better suits the diversity and complexity of its operations. The Resolution College has identified two resolution groups within the OTP Group: (i) the first resolution group consists of the Guarantor as resolution entity and the entities in the prudential scope of consolidation of the Guarantor excluding Nova KBM d.d. and Ipoteka Bank (“**OTP Bank Resolution Group**”) and (ii) the second resolution group comprises Nova KBM d.d. as a resolution entity and its subsidiaries (“**NKBM Resolution Group**”).

The consolidated MREL requirement at the level of the OTP Bank Resolution Group has to be met by 1 January 2024. The determination of the MREL requirement has been revised to 18.94 per cent. of the OTP Bank Resolution Group’s total risk exposure amount (“**TREA**” or RWA) and 5.78 per cent. of the OTP Group’s TEM.

Pursuant to CRD V, the Guarantor has to meet the combined buffer requirement in addition to the RWA based MREL requirement from 1 January 2024 as institutions shall not use CET1 capital, that is maintained to meet the combined buffer requirement, to meet the risk-based component of the MREL requirement. The MREL requirement is to be reviewed at least once a year.

In line with BRRD II, the MNB determined a mandatory intermediate target for the MREL requirement that the OTP Bank Resolution Group has to comply with from 1 January 2022. The intermediate target level for the MREL requirement was determined as 14.45 per cent. of the OTP Bank Resolution Group’s RWA and 5.89 per cent. of the OTP Bank Resolution Group’s TEM. The MNB informed the Guarantor that a planned MREL requirement for 2023 is determined at 16.69 per cent. of the OTP Bank Resolution Group’s RWA and 5.74 per cent. of the OTP Bank Resolution Group’s TEM with a view to facilitating a gradual build-up of its loss-absorbing and recapitalisation capacity towards the final MREL requirement applicable from 1 January 2024.

As at 30 September 2023, the consolidated MREL ratio in terms of RWA at OTP Bank Resolution Group level stood at 23.51 per cent. This ratio, if including the effect of the bonds issued in October 2023 in the amount of EUR 650 million and RON 170 million, would have stood at 24.78 per cent. as at 30 September 2023.

The MNB informed the Guarantor that subordination requirements will also be applicable to the Guarantor. The minimum level of subordination for the Guarantor will be 13.5 per cent. of RWA, 5 per cent. of TEM and 8 per cent. of TLOF. Subordination requirements shall be met from 16 December 2024 by using own funds and subordinated eligible liabilities. The Guarantor has to meet the combined buffer requirement in addition to the RWA based MREL subordination requirement.

## FINANCIAL RISK MANAGEMENT OF THE GUARANTOR

The Risk Strategy of the OTP Group defines the risk related vision, mission and values of the OTP Group and sets out the main principles of risk management for all major risk types (credit, country and counterparty, operational, market, liquidity, interest rate risk in the banking book (IRRBB) and capital risks). The Risk Strategy also includes initiatives related to the improvement of the risk management framework in the forthcoming years. The Risk Appetite Statement constitutes part of the Risk Strategy which defines the risk tolerance and risk assumption principles for all major risk categories.

The Risk Strategy and the Risk Appetite Statement were approved by the Board of Directors on 7 December 2022 and they are both revised annually.

OTP Factoring Ltd. was established in 1998 in Hungary. The Guarantor's management believes that OTP Factoring Ltd. is one of the largest debt management companies in Hungary. As of date of this Base Prospectus, the OTP Group's new collection strategy (2023-2025) is under elaboration. The collection strategy has been discussed and approved by the Guarantor's Management Committee (the "**Management Committee**") in 1Q 2023.

The main focus of the new collection strategy is to maximise the efficiency of the debt management activity of the OTP Group and to provide digital (where possible) solutions adapted to the customer's life circumstances in order to prevent them from default. Debt management is operated as a professional Centre of Excellence by an organisation independent of business and risk units at the level of the entire OTP Group. In this way, the organisational separation of good and bad loans within the bank is achieved, taking into consideration the local size of the operation.

Rather than selling non-performing assets at distressed prices on a large scale, the OTP Group decided to manage non-performing clients itself which, in the long term, has created value to the OTP Group. Especially in recent years this approach has resulted in potentially higher non-performing loan ("**NPL**") levels as compared to its competitors who have taken the approach of selling non-performing loans on a large scale. Though primary objective of the OTP Group is to reduce the NPL portfolio (mostly with recovery but also with cleaning the "low-hope" portfolio via write-off or debt sale) and keep the NPL ratio stable. Nevertheless, the OTP Group believes that investing in in-house or intra-group collection capabilities results in value creation for its shareholders.

### **Credit risk**

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

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

### **Credit risk classification**

Before the introduction of IFRS 9 in 1 January 2018, the OTP Group classified risk into days-past-due ("**DPD**") categories. The OTP Group presented the non-performing loan portfolio as loans where there was an overdue payment of more than 90 days. When determining the impairment, other information available to the OTP Group was also taken into consideration beyond just the delay of payment. When the OTP Group determined the results of the respective year, foreseeable risks and expected losses were also considered. Impairments and provisions were accounted for notwithstanding whether the result recognised in the respective year was a gain or loss. When calculating the impairment of the loans, the OTP Group applied the requirement of IFRS and the principles defined in the impairment policy of the OTP Group.

According to the requirements of the IFRS 9 standard (effective for annual periods beginning on or after 1 January 2018), the OTP Group currently classifies the financial assets measured at their amortised cost, at fair value through other comprehensive income and loan commitments and financial guarantees into the following stages:

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

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

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

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

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

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

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

Default qualification is applicable to those exposures (on-balance and off-balance) that originate credit risk (so originated from loan commitments, risk-taking contracts).

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

- the payment delay exceeds 30 days;
- it has been classified as performing forborne;
- based on an individual decision, its currency suffered a significant “shock” since the disbursement of the loan;
- the transaction/client rating exceeds a predefined value or falls into a determined range, or compared to the historic value it deteriorates to a predefined degree;

- in the case of retail mortgage loans, the loan-to-value ratio exceeds a predefined rate;
- default on another loan of the retail customer, if no cross-default exists;
- monitoring classification of corporate and municipal clients above different thresholds defined at OTP Group level:
  - financial difficulties at the debtor (capital adequacy, liquidity, deterioration of the instrument quality);
  - significant decrease of the liquidity or the activity on the active market of the financial instrument can be observed;
  - the rating of the customer reflects high risk but is better than a default rating;
  - a significant decrease in the value of the recovery from which the debtor would disburse the loan; and
  - clients under liquidation.

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

- defaulted (based on the OTP Group level default definition);
- it is classified as non-performing forbore (based on the OTP Group level forbore definition);
- the monitoring classification of corporate and municipal customers above different thresholds defined at OTP Group level (including but not limited to):
  - breaches of contracts;
  - significant financial difficulties of the debtor (such as capital adequacy, liquidity, deterioration of the instrument quality);
  - bankruptcy, liquidation, debt settlement processes against the debtor;
  - forced strike-off is commenced against the debtor;
  - termination of a loan contract by the Guarantor;
  - occurrence of a fraud event; and
  - termination of the active market of the financial asset.

If the exposure is no longer considered as credit impaired, the OTP Group will allocate the exposure to Stage 2.

When loss allowance is calculated in respect of exposures categorised into stages the following process is followed by stages:

- Stage 1 (performing): loss allowance at an amount equal to 12-month expected credit loss is recognised;
- Stage 2 (significant increase in credit risk): loss allowance at an amount equal to lifetime expected credit loss is recognised; and
- Stage 3 (non-performing): loss allowance at an amount equal to lifetime expected credit loss is recognised.

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

An entity must measure expected credit losses of a financial asset in a way that reflects:



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

**The following table sets out the main risk indicators of the OTP Group:**

	31 December 2016	31 December 2017	31 December 2018	31 December 2019	31 December 2020	31 December 2021	31 December 2022	30 September 2023
Risk cost rate (Provision for impairment on loan and placement losses (adjusted)/Average gross customer loans)	1.14%	0.43%	0.23%	0.28%	1.15%	0.30%	0.73%	0.03%
90+ DPD loan volume (in HUF billion)	976	707	551	541	544	535	601	668
90+ DPD loans/Gross customer loans	14.7%	9.2%	6.3%	4.2%	3.8%	3.2%	3.1%	3.0%
Total provision/90+ DPD loans	96.8%	99.3%	118.4%	128.3%	153.5%	166.3%	166.8%	152.8%

	31 December 2019	31 December 2020	31 December 2021	31 December 2022	30 September 2023
Consolidated Stage 1 loans under IFRS 9/gross customer loans (%)	88.8%	80.4%	81.5%	83.4%	84.5%
Consolidated Stage 2 loans under IFRS 9/gross customer loans (%)	5.3%	13.9%	13.2%	11.6%	11.2%
Own coverage of consolidated Stage 1 + Stage 2 loans under IFRS 9 (%)	1.6%	2.4%	2.3%	2.2%	2.0%
Own coverage of consolidated Stage 1 + Stage 2 loans without OBRu and OBU under IFRS 9 (%)	-	-	-	1.8%	1.8%
Consolidated Stage 3 loans under IFRS 9/gross customer loans (%)	5.9%	5.7%	5.3%	4.9%	4.3%
Own coverage of consolidated Stage 3 loans under IFRS 9 (%)	65.2%	62.3%	60.5%	61.0%	60.2%
Own coverage of consolidated Stage 3 loans without OBRu and OBU under IFRS 9 (%)	-	-	-	53.9%	54.1%

## Asset-liability management

### Liquidity position

The primary objective of the OTP Group in terms of asset-liability management is to ensure that the OTP Group's liquidity is maintained at a safe level.

Refinancing sources of the European Central Bank are still available to the OTP Group (the ECB repo eligible security portfolio at Group level exceeded EUR 1.8 billion).

Total liquidity reserves of the OTP Group remained steadily and substantially above the required level. As of 31 December 2022, the net liquidity buffer (HQLA-Net Outflows) was around EUR 7.8 billion equivalent.

As of 31 December 2022, the OTP Group consolidated liquidity coverage ratio (LCR) was 172 per cent. while NSFR compliance has remained comfortable at 137 per cent.

**The following table sets out the key liquidity risk indicators and their limits as of the end of 2017, 2018, 2019, 2020, 2021 and 2022:**

	Requirement	2017	2018	2019	2020	2021	2022	3Q 2023
Net stable funding ratio	at least 100%	145%	144%	125%	139%	139%	137%	149%
Liquidity coverage ratio	at least 100%	208%	207%	169%	214%	180%	172%	224%
Net loan to deposit ratio	—	68%	72%	79%	76%	75%	74%	74%

### ***Interest rate risk***

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

Although the volume of variable interest rate assets decreased as a result of the interest rate cap measures introduced last year, they are still significant at group level (EUR, BGN and HUF) and quickly follow the rise in money market interest rates: the loans get repriced typically in three months, the interest rate swaps (IRS) in six months, and other liquid assets within one to three months. On the deposit side the repricing is not automatic, its extent and speed depends on the level of interest rates and the liquidity position of the Guarantor.

The already manifested HUF and EUR rate and yield increases in 2022 exerted a slightly positive effect on the net interest income.

### **Market risk exposure of the OTP Group**

The consolidated capital requirement of the trading book positions, the counterparty risk exposure and the foreign exchange risk exposure represented HUF 51 billion in total.

The OTP Group is an active participant in the international foreign exchange and derivative markets. Open foreign exchange 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 OTP Group outside Hungary, except for the Bulgarian DSK (the EUR/BGN exposure of DSK under the current exchange rate regime does not represent real risk), were negligible in comparison with either the balance sheet total or the regulatory capital. Therefore, the group-level foreign exchange risk exposure was concentrated at the Guarantor.

### **Operational risk management**

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. In many respects, operational risks are very diverse and different from conventional banking risks. Effective operational risk management requires participation and commitment of the entire organisation, and support from management is crucial in order to mobilise and involve the employees who are responsible for operational risk. As a result of strong management support, the OTP Group has a well-designed and trained internal expert network. The OTP Group places great importance on the training of this internal expert network.

The most important fundamental principles which the OTP Group follows with respect to operational risk management are summarised below:

- in order for operational risks to be adequately managed, a standardised, easily understood, and robust framework system must be put in place at OTP Group level, covering the definition of operational risks and the methods of identification, measurement, monitoring, management and mitigation of such operational risks;

- the operational risk management system must cover all risks inherent in the activities of the OTP Group, an operational risk toolset must be developed and updated according to changes and internal and external expectations;
- the review of this framework needs to be established and conducted;
- strong support of people within the OTP Group dealing with operational risk management;
- the Guarantor's management body and the Operational Risk Committee must be informed on a regular basis of the prevailing operational risk exposure of the OTP Group and any potential and incurred losses arising from operational risks;
- the OTP Group strives for a high level of risk-awareness and must articulate its operational risk appetite;
- the OTP Group must have guidelines, processes and procedures to mitigate operational risks, both for the Guarantor and for the subsidiaries as well; and
- independent operational risk management activities must be fully integrated into the OTP Group's risk management activities and its general management information system.

Due to the changing operational environment, including technological developments, and the ever increasing need to meet the challenges of the digital era, there are increased operational risks and reputational risks. The OTP Group maintains a comprehensive cyber-security programme with the necessary defence systems and solutions. The OTP Group is a prime target in terms of phishing attacks and partially DOS/DDOS attacks. The members of the OTP Group have the necessary capability to deal with these threats by contracting with relevant third-party providers and utilising IT solutions and organising periodical trainings for our employees and publishing awareness information on our website, while also complying with the regulations of the EU and Hungarian authorities.

The relevant department of the Guarantor annually conducts a phishing campaign to raise awareness. In order to comply with regulatory recommendations, the OTP Group has created a role-based cyber security awareness training, which is also available to the subsidiaries. The OTP Group has also introduced group-wide security solutions which enables faster deployment within the subsidiaries and more seamless daily operations. Knowledge sharing is also important and therefore a rotation programme has been initiated within the OTP Group, during which employees of the Guarantor's subsidiaries will be able to visit the Guarantor's relevant departments to have an insight into how processes work at the Guarantor level. This option will also be available for the Guarantor's employees. In 2022 OTP Group has signed a contract with Bluevoyant, a cybersecurity company which assists in assessing the security risks of its suppliers and enhances its brand protection capabilities. Additionally, it also gave its subsidiaries the option to use this service for their own suppliers from 2023 to boost the OTP Group's resilience. With the entry into force of the EU's DORA regulation, the OTP Group has initiated a tender process to be able to meet the requirements of this regulation. At the end of 2022, the OTP Group has contracted a supplier for a group wide penetration test that covers all the foreign subsidiaries of OTP Group. This test is still in progress at the date of this Base Prospectus.

The OTP Group has a major focus on money-laundering prevention and compliance with sanction regimes in order to manage reputational, legal and financial risks stemming from compliance failure. The top priority for the OTP Group has been building strong internal controls, policies and systems, and a sound risk culture.

The OTP Group's insurance coverage is also used to manage operational risk. Members of the OTP Group have the following insurance cover:

- property damage insurance;
- liability insurance; and
- motor insurance,

in the form of local policies concluded individually by each member of the OTP Group.

As most insurance is managed locally, a group-level insurance framework has not been implemented. Members of the OTP Group are allowed to purchase additional local insurance cover. Insurance policies are renewed

regularly. There is no current plan to terminate any of the existing insurance coverage. Current insurance policies are believed by the Guarantor's management to be appropriate based on prevailing regulations and management decisions. There is no indication that insurance will not be available to the OTP Group on commercially reasonable terms.

To comply with Regulation (EU) 2016/679 (the "**General Data Protection Regulation**" or "**GDPR**"), the Guarantor aims to establish the same privacy standards throughout the OTP Group in Hungary and in other EU member states as well. The Guarantor follows and takes into account the guidelines and opinions of the competent data protection authorities in order to comply with privacy requirements. All documents such as general terms and conditions and privacy notices and procedures are in line with the GDPR and the applicable national laws. A register of data protection activities was established and is kept up-to-date. Personal data breaches are recorded and classified concerning the risk they have to the rights of data subjects. A register of employees responsible for GDPR compliance ensures that from the planning phase of a new service or product, the principles of data protection and privacy requirements are taken into account. Employees of the OTP Group receive privacy training on a yearly basis to increase awareness of the OTP Group's responsibilities under the GDPR.

### **Compliance policies (Sanctions and sensitive transactions)**

The Guarantor and the Guarantor's subsidiaries which are subsidiary banks, credit institutions, investment firms, financial institutions, or financial undertakings (together referred in this paragraph as "**the OTP Banking Group**") enforce a sanctions policy which is designed to ensure compliance with economic, financial and trade sanctions laws and regulations and embargo provisions of the European Union, the United Nations and the United States as well as other sanctions laws and regulations, in each case as applicable to the OTP Banking Group.

The sanctions programme of OTP Banking Group sets out the minimum standards that the Guarantor and its subsidiaries must comply with to meet the applicable sanctions requirements including the following standards and procedures.

- Screening customers and transactions against the sanctions lists issued by the European Union, the United Nations, the United States and the local regulatory sanctions lists (as applicable) including the jurisdictions in which the Guarantor or its subsidiaries operate.
- Prohibiting or restricting business activities, the provision of financial and investment products or services or the facilitation of transactions that may violate the applicable sanctions laws. Prohibitions aim also to prevent transaction and business conduct that has the purpose of evading or avoiding directly or indirectly any applicable sanctions.
- OTP Banking Group may in its sole discretion refuse to provide financial and investment products or services or facilitate transactions even where permitted by applicable sanctions laws and regulations where these activities fall outside of OTP Banking Group's risk appetite.

In addition to the above, OTP Banking Group has compliance policies in place relating to sensitive transactions and/or clients from sensitive industries, including but not limited to dual-used technology, nuclear energy, extractive industries and gambling.

In respect of transactions related to the defence industry, OTP Banking Group applies additional controls in compliance with relevant embargo regulations and binding national legal provisions with additional verification requirements for financing agreements in connection with the defence industry.

### **Anti-Corruption policy**

OTP Group is committed to combatting corruption and declared zero tolerance towards all forms of bribery and gaining of unfair advantages. The provisions of OTP Group's Anti-Corruption Policy have been formulated in accordance with applicable Hungarian, European Union and international legislation and the Anti-Corruption Guidance of the Wolfsberg Group.<sup>16</sup>

In the course of and in connection with the OTP Group's activities, all staff members and any other contractual partners of the OTP Group members are strictly prohibited from performing any act of corruption and from

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<sup>16</sup> The Wolfsberg Group – Wolfsberg Anti-Bribery and Corruption (ABC) Compliance Programme Guidance (2017)

participating or being involved in corruption. A violation of the prohibition on corruption would give rise to consequences under labour, civil and criminal law. The OTP Group ensures full implementation of all applicable Hungarian, European Union and international anti-corruption regulations, and requires all of its staff members and contractual partners to comply with such regulations.

The Anti-Corruption Policy defines the principles of the OTP Group's anti-corruption activity and identifies the areas particularly exposed to the risk of corruption. The scope of the Anti-Corruption Policy extends to all staff members and contractual partners of the OTP Group members and to any other persons participating in the performance of their activities.

In order to enforce zero tolerance towards corruption, the OTP Group applies the following procedural and operational principles:

- in order to avoid the concentration of decision-making powers in one person's hands, members of the OTP Group strictly define staff members' roles and responsibilities by adequately and officially specifying the responsibilities and clearly designating decision-making levels;
- the OTP Group members formulate officially devised procedures for the performance of specific activities by individual staff members, and require the application thereof;
- in accordance with and to the extent permitted by legal provisions, the OTP Group members monitor the activity and transactions of individual staff members; and
- in all cases where required by relevant policies, the OTP Group members expects all staff members to make their decisions on the basis of pre-defined criteria.

All OTP Group members are required to adopt the anti-corruption rules and to implement and consistently adhere to the relevant procedures.

#### **Anti-money laundering ("AML") and counter-terrorism financing activities**

The employees of the Guarantor in areas having direct contact with clients and in other areas exposed to AML risks are required to take definite steps toward the prevention and combating of money laundering and terrorist financing and to obtain exhaustive information on their clients by applying the "Know Your Customer" principle. In the course of their work, employees are required to proceed in full compliance with the provisions of the Act on the Prevention and Combating of Money Laundering and Terrorist Financing, the Act on the Implementation of Financial and Property Restrictive Measures Prescribed by the European Union and the UN Security Council, as well as the implementing decrees of such Acts, the Criminal Code, the recommendations of the MNB, the FATF and the Basel Committee on Banking Supervision, the relevant regulations of the European Union and the Guarantor's internal regulatory documents.

#### **Basic principles of the Code of Ethics**

The Guarantor enforces a Code of Ethics regarding ethical business operations, which is implemented by certain OTP Group members including, among others, the foreign subsidiary banks.

To monitor compliance with the rules of ethics and observance of the requirements of ethical operations, the Guarantor has set up an Ethics Committee; a body that reviews the Guarantor's operations on a regular basis from the perspective of compliance with the basic principles and the adoption of the expected forms of conduct as defined in the Code of Ethics.

Violations of the Code of Ethics can be reported either in person, by telephone or e-mail. The Guarantor also does the utmost to protect employees who report infringements against discrimination and unfair treatment by prohibiting retaliatory measures or the application of negative consequences against any person who reports, in good faith, actual or suspected breaches of the values and principles of the Code of Ethics.

The Guarantor attaches particular importance to making sure that its employees familiarise themselves with and develop awareness of the norms of ethics. The Guarantor provides an e-learning programme for every employee, and reviews and monitors compliance with those norms on a regular basis.

The guidelines and requirements set forth in the Code of Ethics specify obligations for the Guarantor's executive officers, employees and agents. "Agents" include representatives, experts, intermediaries, consultants, agents per se, subcontractors and suppliers, along with enterprises and natural persons in other legal relationships with the Guarantor under the civil law. The provisions set forth in the Code of Ethics must be observed and complied with during the entire period of the employment or contractual relationships – both during and outside working hours.

As an ethical and compliant institution, the Guarantor and its management are fully committed to ensuring observance of all relevant legislation, including anti-corruption statutes. The Guarantor 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.

The Code of Ethics has also provisions on, among other things, anti-corruption including prohibited manipulation, rules on the acceptance of gifts, refusing payments facilitating business procedures, sponsorship, and donation.

The detailed procedural rules are set out in the administrative directive on the framework for reporting unethical conduct defining the rules concerning the operation of the whistleblowing system which complies with the statutory requirements and also facilitates whistleblowing on the potential violation of the values specified in the Code of Ethics as well as the rules pertaining to the procedure related to such whistleblowing reports.

The Guarantor places importance on compliance with ESG requirements. Based on these principles, the Code of Ethics have been supplemented to (i) emphasise group-level regulation; (ii) focus the attention of suppliers on implementing the provisions of the Code of Ethics; (iii) make donations transparent; (iv) declare the respect for human rights; and (v) implement rules about customer protection and proper customer information.

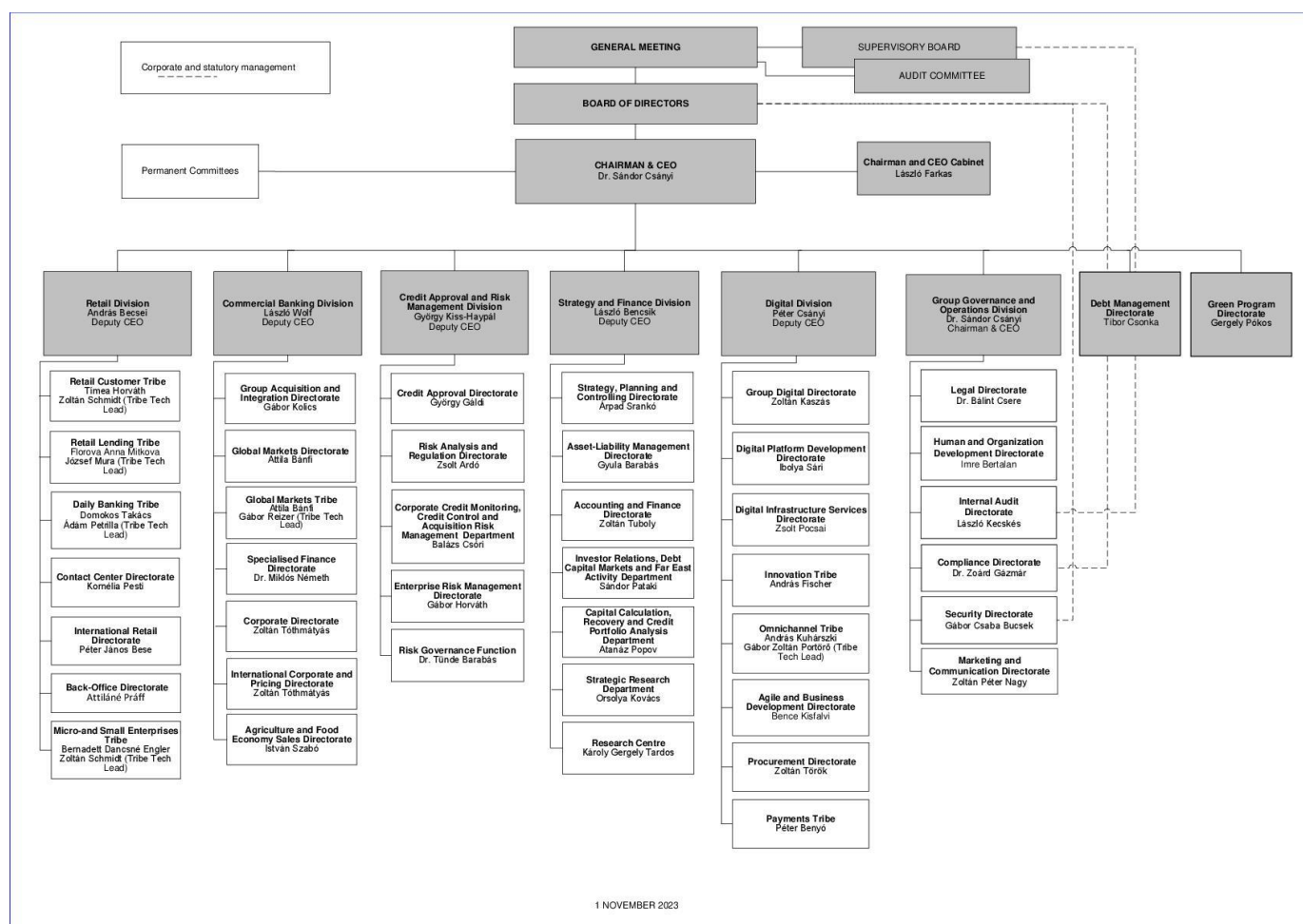
## ORGANISATION STRUCTURE AND MANAGEMENT OF THE GUARANTOR

### Organisational structure of the Guarantor

The Guarantor's operations are divided between the Guarantor's headquarters in Budapest and its branches throughout Hungary.

The Guarantor is composed of two core operational divisions, four functional divisions and two directorates. All divisions are headed by a Deputy Chief Executive Officer. The core operational divisions are the Retail Division and the Commercial Banking Division. The Retail Division is responsible for retail services such as savings and current account services and consumer loans. The Commercial Banking Division is responsible for the corporate, MSE, municipal, international, securities, treasury and structured finance business lines.

The following diagram illustrates the internal organisational structure of the Guarantor:



The dotted line represents the governance line through the various management bodies and, where applicable, is based on regulatory requirements.

The Guarantor believes that it is in compliance with the provisions of all applicable statutory regulations, orders of the supervisory authority and the regulations of the Budapest Stock Exchange. The structure and operating conditions of the Guarantor are contained in its Articles of Association, which are approved by the General Meeting of Shareholders.

Recently, there were the following changes in the managing bodies and in the Audit Committee of the Guarantor:

- Mr. András Becsei was appointed as Deputy CEO of the Retail Division is effective from 1 January 2023; and

- Mr. Antal György Kovács was elected by the AGM as member of the Board of Directors of the Guarantor until the AGM of the Guarantor closing the 2025 business year but not later than 30 April 2026;
- Mr. Antal Tibor Tolnay was elected by the AGM as member of the Supervisory Board of the Guarantor until the AGM of the Guarantor closing the 2025 business year but not later than 30 April 2026;
- Dr. József Gábor Horváth was elected by the AGM as member of the Supervisory Board of the Guarantor until the AGM of the Guarantor closing the 2025 business year but not later than 30 April 2026;
- Dr. Tamás Gudra was elected by the AGM as member of the Supervisory Board of the Guarantor until the AGM of the Guarantor closing the 2025 business year but not later than 30 April 2026;
- Mr. Olivier Péqueux was elected by the AGM as member of the Supervisory Board of the Guarantor until the AGM of the Guarantor closing the 2025 business year but not later than 30 April 2026;
- Mrs. Klára Bella was elected by the AGM as member of the Supervisory Board of the Guarantor until the AGM of the Guarantor closing the 2025 business year but not later than 30 April 2026;
- Mr. András Michnai was elected by the AGM as member of the Supervisory Board of the Guarantor until the AGM of the Guarantor closing the 2025 business year but not later than 30 April 2026;
- Mr. Antal Tibor Tolnay was elected by the AGM as member of the Audit Committee of the Guarantor until the AGM of the Guarantor closing the 2025 business year but not later than 30 April 2026;
- Dr. József Gábor Horváth was elected by the AGM as member of the Audit Committee of the Guarantor until the AGM of the Guarantor closing the 2025 business year but not later than 30 April 2026;
- Dr. Tamás Gudra was elected by the AGM as member of the Audit Committee of the Guarantor until the AGM of the Guarantor closing the 2025 business year but not later than 30 April 2026; and
- Mr. Olivier Péqueux was elected by the AGM as member of the Audit Committee of the Guarantor until the AGM of the Guarantor closing the 2025 business year but not later than 30 April 2026.

### **Board of Directors**

The Board of Directors is an executive body elected by the General Meeting of the Guarantor. The Board of Directors shall be entitled and obliged to make all decisions which are not within the competence of the General Meeting, the Supervisory Board or the Audit Committee as defined by law, the Articles of Association, or a resolution of the General Meeting.

The liability of the Board of Directors extends to the operation of the entire the Guarantor, as part of which the Board's main tasks include the approval of the Guarantor's strategy, annual report, major organisational restructurings and policies, as well as making other significant company law-related decisions. In its objectives and activities, particular emphasis is placed on increasing shareholder value, profitability and efficiency, and on managing risks and complying fully with external requirements – in other words on ensuring the most effective enforcement of business, ethical and internal control policies.

The scope of its authority is defined in the effective statutory provisions, the Guarantor's Articles of Association, General Meeting resolutions, and the Organisational and Operational Regulations. Its rules of procedure include the legal status and composition of the Board of Directors, as well as the regulations applicable to its operation and decision making.

All the obligations and prohibitions specified for executive officers under Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (Credit Institutions Act) apply to the members of the Board of Directors.

The Board of Directors has an executive role in the governance of the Guarantor, and this is reflected in its members' remuneration, an important element of which is the share-based honorarium, which serves to harmonise the interests of the board with those of the shareholders.

It oversees the Guarantor's operative management through the Chairman and CEO. The Chairman and CEO is authorised to decide in all matters that do not, pursuant to the Articles of Association, fall within the scope of authority of the General Meeting or the Board of Directors. The employer's rights related to the executive officers



of the Guarantor are in general exercised by the Board of Directors as a corporate body, with the proviso that in the case of the deputy CEOs, employer's rights are exercised through the Chairman and CEO, and the prior notification of the Board of Directors is required for their appointment and for the withdrawal of their appointment.

In view of the fact that the Board of Directors also has an important role to play in overseeing the work of the management, it is of substantive importance that the principle of a majority of external (non-executive) members be implemented in respect of the Board of Directors (four executive members, seven non-executive members). The makeup of the Board of Directors ensures that professional expertise, experience, and a degree of impartiality that goes beyond the above-mentioned independence requirement, are brought to bear in equal measure in the decision-making processes. The members of the Board of Directors are elected by the General Meeting for a term of five years.

The business address for the members of the Board of Directors is:

OTP Bank Plc.  
Budapest  
Nádor utca 16.  
1051 Hungary  
Tel: +36 1 473 5000

**Executive members and their principal activities outside the OTP Group are:**

**Dr. Sándor Csányi, Chairman and CEO**

He graduated from the College of Finance and Accounting in 1974 with a bachelor's degree in business administration and in 1980 from the Karl Marx University of Economic Sciences (now: Corvinus University) with a masters in economics and finance, where he also obtained his doctorate in finance between 1981-1983. He is a chartered auditor – certified in 1982 at the Ministry of Finance. After graduation he worked at the Revenue Directorate and then at the Secretariat (Bank Supervision Section) of the Ministry of Finance. Between 1983 and 1986, he was a departmental head at the Ministry of Agriculture and Food Industry. From 1986 to 1989 he worked as a senior head of department at Hungarian Credit Bank (MHB). He was Deputy CEO of K&H Bank from 1989 to 1992. He has been Chairman and CEO of the Guarantor since 1992. He is Vice Chairman of the Board of Directors of MOL Plc. and Co-Chairman of the Chinese-Hungarian Business Council. Owner of Bonitás 2002 Zrt. which is the holding company overlooking his investments in agriculture, food industry, real estate and asset management comprising of over 200 directly or indirectly owned companies. He is one of the largest investors in agriculture and food industry in the CEE region through Bonafarm Group and KITE generating aggregated annual revenue of EUR 2 billion with over 9,000 employees and with 40,000 hectares cultivated land in total. Bonafarm Group is vertically integrated whereby agriculture companies produce the raw materials for food processors. He has significant investments in real estate through his minority holding in Gránit Pólus (15 per cent.) and Limedale (18.2 per cent.) (portfolio of USD 1 billion), in VC (Bonitás Venture Capital Fund), in VC (Bonitás Venture Capital Fund) with EUR 20 million funds under management and asset management (CSAM in Singapore). He has been the President of the Hungarian Football Association (MLSZ) since 2010, and a member of the UEFA Executive Committee since March 2015 and the Vice President of the UEFA Executive Committee since 2019. Since 2017 he has been a member of the FIFA Council and the Vice President of the FIFA Council since 2018. Within UEFA, he is also the Chairman of the UEFA National Team Competition Committee, a member of the UEFA Finance Committee and the UEFA Professional Football Strategy Council. He has been the owner of Pick Szeged Handball Club since 2011. He has been the Honorary Vice President of the International Judo Federation since 2008.

Since 1995 he has been Vice President of the Board of Trustees of the International Children's Safety Service, and since 2003 he has been the Chairman of the Board of Trustees of the Prima Primissima Foundation. In 2005, he established the Csányi Foundation for Children from his own assets. Since 2009, he has been a member of the Board of Trustees of the Media Union for Social Awareness Formation Foundations. Since 2020, he has been the Chairman of the Board of Trustees of the Pro Sopron University Foundation. In 2021, he became Chairman of the Board of Trustees of the Foundation for the Hungarian Agricultural and Life Sciences University (MATE).

As of 31 December 2022 he held 325,047 ordinary OTP shares (while the total number of OTP shares held by him directly and indirectly was 4,602,174).

### **András Becsei, Deputy CEO, Retail Division**

In 2001, András Becsei graduated with a master's degree in Finance from the Budapest University of Economic Sciences and Public Administration. During his studies, he was awarded a scholarship at the University of Southern California in Los Angeles. Mr. Becsei holds a second master's degree in International Management from the University of Cologne (2002) and an MBA from INSEAD (2005-2006). His career started as a Mergers & Acquisitions analyst at MOL in 2000, before moving to Ruhrgas in Essen (2001-2002). Between 2002-2009, he worked as a Consultant and a Project Manager at McKinsey & Company.

Since 2009, Mr. Becsei has been working at OTP Bank in various roles including Managing Director of the Retail Subsidiary Management and Business Development Directorate (2009-2012), CEO of OTP Mortgage Bank and OTP Building Society (2014-), Director of Retail Product Development (2012-2016), and Managing Director of Budapest Region (2017-2022).

Alongside his primary role at OTP, Mr. Becsei has performed other duties as a member of the Supervisory Board of OTP Bank Ukraine – JSC OTP Bank (2010-2014) and as the Vice President of the Hungarian Banking Association since 2014. He temporarily served as President of the Hungarian Banking Association for nine months.

The appointment of András Becsei as Deputy CEO of the Retail Division is effective from 1 January 2023.

As of 31 December 2022, he held 6,199 ordinary OTP shares.

### **Péter Csányi, Deputy CEO, Digital Division**

He graduated from City University London in 2006 with a bachelor's degree in economics, then in 2007 with a master's degree in finance from the IE Business School in Madrid. In 2015, he received the Master of Business Administration (MBA) diploma from Kellogg School of Management in the U.S. He began his career in 2006 at Merrill Lynch's London office as an intern where he was working on corporate finance projects for financial institutions. From 2007 to 2011, he worked at Deutsche Bank's London office, first as an analyst and later as an associate in the field of corporate finance (for Central and Eastern European corporate customers). From 2011-2016, he worked for McKinsey & Company Inc. as an associate mostly working on banking related projects.

He joined the Guarantor in 2016 as Managing Director of the Digital Sales and Development Directorate. After the agile transformation at the Guarantor, he became responsible for the management of the Omnichannel Tribe from 2019. In addition, since January 2021, he has been the head of the Daily Banking Tribe. He was appointed as Deputy CEO of the Guarantor from March 2021 and is the head of the IT Division (as of 1 May 2021, the "Digital Division"). From 2020, he has been Chairman of the Supervisory Board of OTP banka d.d. in Croatia. He is also a member of the OTP Mobil Kft. Supervisory Board and the head of the Digitisation Working Group of the Hungarian Banking Association. He is member of the Mastercard European Advisory Board. He has been a member of the Board of Directors since 16 April 2021.

As of 31 December 2022 he held 9,648 ordinary OTP shares.

### **László Wolf, Deputy CEO, Commercial Banking Division**

He graduated from the Karl Marx University of Economic Sciences in 1983. After graduation, he worked at the Bank Relations Department of the MNB for eight years, and then served as head of Treasury at BNP-KH-Dresdner Bank between 1991 and 1993.

From April 1993 he was managing director of the Guarantor's Treasury Directorate, and since 1994 he has been Deputy CEO of the Commercial Banking Division. Since 2003 he has been a member of DSK Group's Supervisory Board. He has been Chairman of the Board of Directors of OTP banka Srbija since 10 December 2010. He has been a member of the Board of Directors since 15 April 2016.

As of 31 December 2022 he held 535,347 ordinary OTP shares.

## **Non-executive members:**

### **Antal György Kovács, Deputy CEO, Retail Division**

He graduated from the Karl Marx University of Economic Sciences with a degree in economics. He began his professional career in 1990 at the Nagyatád branch of K&H Bank, where he worked as a branch manager between 1993 and 1995. He has been working at the Guarantor since 1995, first as a county director and from 1998 as the executive director of OTP Bank's South Transdanubian Region. Since 1 July 2007 he has been OTP Bank's Deputy CEO, until 31 December 2022 he was the head of Retail Division. He has received additional training at the International Training Centre for Bankers and on various courses held by the World Trade Institute.

Between April 2007 and April 2012 he was Chairman of the Supervisory Board of OTP banka Hrvatska d.d. He has been Chairman of the Supervisory Board of OTP Bank Romania SA since 12 December 2012. He has been Chairman of the Board of Directors of OTP Mortgage Bank Ltd. and OTP Building Society Ltd. since 24 April 2014. He is Chairman of the Supervisory Board of OTP Fund Management and OTP Home Solutions Ltd. He was a member of the Supervisory Board from 2004 to 14 April 2016. He has been a member of the Board of Directors since 15 April 2016.

As of 31 December 2022 he held 114,759 ordinary OTP shares (while the total number of OTP shares held by him directly and indirectly was 119,059).

### **Tamás György Erdei, Deputy Chairman**

He graduated in 1978 with a degree from the College of Finance and Accounting. He began his professional career at the Guarantor, in a variety of administrative roles (his last position was branch manager), before going on to work at the Ministry of Finance in the area of bank supervision.

Since 1983 he has been employed by the Hungarian Foreign Trade Bank (today MKB), where he gradually worked his way up through the ranks. In 1985 he became managing director, in 1990 he was appointed Deputy CEO, then in 1994 he was made CEO, and from 1997 until the end of March 2012 he was chairman and CEO. Between 1997 and 2008, and between 2009 and 2011, he was the elected president of the Hungarian Banking Association. He is the chairman of the Supervisory Board of the International Children's Safety Service.

He has been a member of the Board of Directors since 27 April 2012. He has been the chairman of the Guarantor's Risk Assumption and Risk Management Committee, and he was a member of the Nomination Committee between 2014 and 2020. He has been the Deputy Chairman of the Board of Directors since April 2019 and the Deputy Chairman of the Work-out Committee since October 2019. He has been Chairman of the Board of Directors at OTP Factoring Ltd. between since December 2019.

As of 31 December 2022 he held 43,085 ordinary OTP shares.

### **Gabriella Balogh**

She graduated as organising chemical engineer from the University of Veszprém in 1993 and as marketing economist from the University of Economics, Budapest in 1997. She worked as a marketing associate between 1993 and 1998, as director of the Marketing Department from 1998 to 2005 and as managing director of the Marketing and Sales Directorate between 2005 and 2008 at the Guarantor. She has been managing director of GoodStep Consulting Kft. since 2008. She fulfilled group management tasks as a Board of Directors member at the Central European Media and Publishing Company between 2010 and 2017. She has been co-owner and member of the Board of Directors of Net Media Plc. since 2016. She is Presidium member and Chairwoman of the Marketing and Media Board of the Hungarian Football Association. She is the Chairwoman of the Supervisory Board of Művészetek Palotája Ltd.

She has been a member of the Board of Directors since 16 April 2021.

As of 31 December 2022 she held 8,193 ordinary OTP shares.

### **Mihály Baumstark**

He graduated with a degree in agricultural business administration at Gödöllő University of Agriculture (1973) and went on to do a masters in economics at the Karl Marx University of Economic Science (1981). He was

employed by the Ministry of Agriculture and Food Industry between 1978 and 1989. When he left the Ministry he was Deputy head of the Investment Policy Department. After this he was managing director of Hubertus Bt., and from 1999 to 2011 he was Deputy CEO and then Chairman and CEO of Villányi Winery Ltd. (now Csányi Winery Ltd.). He is currently retired. He was a member of the Supervisory Board from 1992 to 1999 and has been a non-executive member of the Board of Directors since 1999. He has been Chairman of the Guarantor's Ethics Committee since 2010, as well as a member of its Remuneration Committee since 2011. He was the member of the Nomination Committee between 2014 and 2020.

As of 31 December 2022 he held 53,600 ordinary OTP shares.

#### **Dr. István Gresá**

He graduated from the College of Finance and Accountancy in 1974 and received a degree in economics from the Karl Marx University of Economic Sciences in 1980. He earned a PhD from the University of Economic Sciences in 1983. He has worked in the banking sector since 1989. Between 1989 and 1993 he was branch manager of Budapest Bank's Zalaegerszeg branch.

From 1993 he was director of the Guarantor's Zala County Directorate, and from 1998 he served as the managing director of the bank's West Transdanubian Region. From 1 March 2006 until 14 April 2016 – when he retired – he was Deputy CEO of the Credit Approval and Risk Management Division. He was Chairman of the Board of Directors at OTP Factoring Ltd. between 2006 and 2017. He has been a member of the Board of Directors since 27 April 2012.

As of 31 December 2022 he held 182,858 ordinary OTP shares.

#### **György Nagy**

He graduated from the Department of International Foreign Economics of University of International Relations (Moscow) in 1989. He was a founding owner of Wallis Holding (founded in 1990) and he managed the Wallis Group as CEO until 2000. He founded Westbay Holding Kft. in 2004, whose portfolio includes several successful investments. He has been the chairman of the Hungarian Shooters Federation since 2012, Presidium member of the European Shooting Confederation (ESC) since 2013 and he was elected the Vice President of ESC in 2021.

He has been a member of the Board of Directors since 16 April 2021.

As of 31 December 2022 he held 34,800 ordinary OTP shares (while the total number of OTP shares held by him directly and indirectly was 1,118,955).

#### **Dr. Márton Gellért Vági**

He graduated in 1987 from the department of foreign economics at the Karl Marx University of Economic Science (today the Corvinus University of Budapest). From 1987 to 2000 he was a member of the university faculty, in the capacity of associate professor and head of department from 1994 onwards. He holds a university doctorate and a PhD in economics. He has authored or co-authored more than 80 research papers, essays and books. Between 2000 and 2006 he worked at the State Holding and Privatisation Co. (ÁPV Zrt.), as managing director, Deputy CEO and then CEO. Between 2006 and 2010 he was Chairman of the National Development Agency.

Since 2010 he has been general secretary of the Hungarian Football Association. In various periods between 2000 and 2010, he was the Chairman of the Board of Directors of Magyar Villamos Művek, Paks Nuclear Power Plant and the National Textbook Publishing House. Between 2002 and 2010, he was a member of the Board of Directors of Földhitel és Jelzálogbank Nyrt., and the Chairman of the Board of Directors for four years. He has been a member of UEFA's HatTrick Financial Assistance Committee since 2011. He has been a member of FIFA's Financial Committee since 2017.

He was a member of the Supervisory Board between 2011-2021. He was a member of the Guarantor's Audit Committee between 2014-2021. He was a member of the Guarantor's Nomination Committee between 2020-2021. He has been a member of the Board of Directors since 16 April 2021.

As of 31 December 2022 he held 8,500 ordinary OTP shares.

### **Dr. József Zoltán Vörös**

He earned a degree in economics from the Karl Marx University of Economic Science in 1974. In 1984 he earned a PhD in economics from the Hungarian Academy of Sciences, and a Doctor of Science degree in 1993. He has been a member of the Hungarian Academy of Sciences since 2013. Between 1990 and 1993 he was the dean of the Faculty of Business and Economics, Janus Pannonius University (JPTE) in Pécs. In 1993 he attended a course in management for senior executives at Harvard University. From 1994 he was a professor at JPTE, from 2021 he has been professor emeritus. He was the senior Vice Rector of the University from 2004-2007, between 2007 and 2011 he was Chairman of the Economic Council of the University of Pécs.

He has been a non-executive member of the Board of Directors since 1992. He has been Chairman of the Guarantor's Remuneration Committee since 2009, and of its Risk Assumption and Risk Management Committee since 2014.

As of 31 December 2022 he held 186,714 ordinary OTP shares.

### **Supervisory Board**

In line with the two-tier governance structure of the Guarantor, the Supervisory Board – as a body elected by the General Meeting – performs the oversight of the Guarantor's management, business activities and legal operation and fulfils the responsibilities assigned to it by the Credit Institutions Act.

In accordance with the regulatory requirements – the principle of a majority of independent (non-executive) members is fully enforced in respect of the composition of the Supervisory Board. The ratio of independent (non-executive) Supervisory Board members (four members) to the total number of Supervisory Board members (six members) is 67 per cent.

The rules applicable to the appointment and recall of the employee delegate of the Supervisory Board are defined by the Works Council operating at the Guarantor, and the Guarantor does not consider such a member to be independent.

In order to avoid conflicts of interest, the General Meeting may not appoint the members of the Board of Directors and their close relatives to the Supervisory Board.

The Supervisory Board determines and approves its own rules of procedure.

The responsibility of the Supervisory Board extends to the supervision of the lawfulness of the Guarantor's operations, its business practices and management, including the control of the Guarantor's internal audit unit. The Supervisory Board exercises a preliminary right of consent in respect of decisions relating to the establishment and termination by the employer of the employment of, as well as the determination of the remuneration of, the head of the internal audit unit, and the prior consent of the Supervisory Board is required for the removal of the head of the unit performing the compliance assurance function and the head responsible for risk control functions.

It is the task of the Supervisory Board to accept and regularly review – within the limits defined by the General Meeting of Shareholders – the principles of the Guarantor's Remuneration Policy.

### **Members of the Supervisory Board:**

The Supervisory Board members are elected by the General Meeting of Shareholders for a term of three years.

### **Independent members:**

#### **Tibor Tolnay, Chairman of the Supervisory Board**

He graduated from the Budapest University of Technology with a degree in civil engineering in 1978 and then in economic engineering in 1983. In 1993, he finished his studies as a specialised economist at Budapest University of Economics. From 1989 to 1994, he was Director of State Construction Company No. 21. From 1994 to 2015 he was Chairman and CEO of the already privatised Magyar Építő Joint Stock Company. He has been the managing director of Érték Ltd. since 1994. Since 2020 he has been the managing director of Fenyves Garden Ltd.

From 2018 to 2021, he was President of the National Association of Entrepreneurs and Employers; since 2021, he has been the co-president. Since 1992 he has been a member of the Supervisory Board, and Chairman of the Supervisory Board since 1999. He was a member and Deputy Chairman of the Guarantor's Audit Committee between 2007 and 2011, and has been again since 2014. He has been the Chairman of the Guarantor's Nomination Committee since 2020.

As of 31 December 2022 he held 54 ordinary OTP shares.

#### **Dr. József Gábor Horváth, Deputy Chairman of the Supervisory Board**

He earned a degree in law from Eötvös Loránd University in Budapest in 1980. From 1983 he worked for the Hungarian State Development Bank. He has been a lawyer since 1986, and since 1990 has run his own law firm, which specialises in corporate finance and corporate governance. He has been a member of the Supervisory Board since 1995, and was a member of MOL Plc's Board of Directors between 1999 and 2014.

He has been Deputy Chairman of the Supervisory Board since 2007. He was a member of the Guarantor's Audit Committee between 2007 and 2011, and has been again since 2014. He has been a member of the Guarantor's Nomination Committee since 2020. He was a member of the Board of Directors of INA Industrija Nafta d.d. from 2014 to 2018.

As of 31 December 2022 he held no ordinary OTP shares.

#### **Dr. Tamás Gudra**

He graduated as business administrator in 1993 in the College of Commerce and Catering. He is a Hungarian chartered accountant since 1997. He also acquired a university degree in 2010 as a lawyer at the Faculty of law of Janus Pannonius University in Pécs. He worked as an auditor from 1993 to 2001 at Deloitte & Touche. Between 2001 and 2003 he was an accounting expert of subsidiaries at the Accounting and Tax Directorate of the Hungarian Oil and Gas Public Limited Company (MOL Rt). Then he took a managing director role at the Auditor, Financial and Accounting Directorate of the National Privatisation and Asset Manager Plc. (ÁPV Zrt.) between 2003 and 2007 and subsequently became the director of Controlling Directorate at the Hungarian National Asset Manager Plc. (MNV Zrt.) from 2008 to 2010. Following these assignments, he worked as the CFO of the Hungarian Football Association from 2011 until June of 2020. As of July 2020, he became the group-level CFO of Bonafarm Zrt. He is a member of the Supervisory Board of OTP Lakástakarék Zrt. between 2012 and 2021 and he is the Chairman of the Hungarian Paralympic Committee's Supervisory Board since 2016. Since 2021 he has been property inspector of Hungarian University of Agriculture and Life Sciences, member of the Executive Committee of Pick Szeged Zrt., SOLE-Mizo Zrt and MCS Vágóhíd Zrt.

He has been a member of the Supervisory Board and Audit Committee of the Guarantor since 16 April 2021.

As of 31 December 2022 he held no ordinary OTP shares.

#### **Olivier Péqueux**

He graduated from the Institute of Actuaries of France and Polytechnique School and ENSAE Paris Tech. He started work in 1998 as an insurance commissioner for the French Insurance Supervisory Authority. In 2003, he joined the French Ministry of Finance to take part in the reform of the pension laws and the establishment of a pension fund for French civil servants. He then became technical adviser to the French Minister of Health and Pensions. In 2005, he joined Groupama Group, first in charge of the actuary and accounting department of Gan Patrimoine, a life insurance company, and then in 2007 as Chief Financial Officer of Groupama Paris Val de Loire. He moved to China in March 2011 as Deputy General Manager of Groupama China, where he was in charge of finance, actuary matters and investments in the joint venture between Groupama and AVIC. From 2015 to 2017, he was the General Manager of Groupama AVIC. Since March 2018, he has been the Chief International Officer of Groupama Assurances Mutuelles. Since September 2020, he has been Deputy CEO of Groupama Assurances Mutuelles.

He has been a member of the Supervisory Board and Audit Committee of the Guarantor since 2018.

As of 31 December 2022 he held no ordinary OTP shares.

## **Employee delegates**

### **Klára Bella**

She graduated from the College of Finance and Accountancy and later received a degree from the Budapest University of Economic Sciences. From 1992 to 1994 she worked as a clerk at the Fertőszentmiklós branch of the Guarantor. From 1994 to 1995 she was a lending consultant at Polgári Bank. From 1995 to 1996 she worked as a risk manager at the Central Branch of the Guarantor. From 1996 to 1997 she was a credit authoriser in the Credit Approval and Risk Management Division. From 1997 to 2010 she was Deputy Managing Director at the Central Branch. From 2010 to 2016 she was Director at the Central Branch. Between 2017 and 2020, she was Director of the Corporate Directorate. Since 1 July 2020, she has been the Director of the Large Corporate Department of the Special Financing Directorate.

She has been a member of the Supervisory Board, and representative of the Guarantor's employees since 12 April 2019.

As of 31 December 2022 she held 408 ordinary OTP shares.

### **András Michnai**

He graduated in 1981 from the College of Finance and Accounting with a degree in business administration. He has been an employee of the Guarantor since 1974, and until 1981 held a variety of posts in the branch network. Following this he held a management position in the central network coordination department before returning to work in the branch network. From 1994, as deputy management director, he participated in the central coordination of the branch network. Between 2005 and 2014 he was the managing director of the Guarantor's Compliance Department. He further expanded his professional skills, earning a master's degree at the Budapest Business School, and is a registered tax advisor.

He has been a member of the Guarantor's Supervisory Board, and representative of the Guarantor's employees, since 2008. He has been Secretary of the Guarantor's Employees' Trade Union since December 2011.

As of 31 December 2022 he held 100 ordinary OTP shares.

## **Audit Committee**

The Audit Committee, consisting of independent members of the Guarantor's Supervisory Board elected by the General Meeting, is a body that assists the work of the Supervisory Board in relation to the monitoring of the financial reporting system, selection of the auditors, and cooperation with the auditor. Under its powers, the Audit Committee monitors the internal audit, risk management and reporting systems, as well as the auditors' activities. The Audit Committee reviews and monitors – in respect of the entire OTP Group – the auditors' independence, with special regard to the performance of any non-prohibited non-audit services to be provided by the auditors in addition to its audit activity. Furthermore, it fulfils the audit committee tasks of several domestic subsidiaries.

### **Members of the Audit Committee:**

The Audit Committee consists of four members, and its members are elected by the General Meeting from among the non-executive members of the Supervisory Board. They are elected for a term of three years. The Audit Committee elects a chairperson from among its own members.

*Dr. József Gábor Horváth, Chairman of the Audit Committee*

*Tibor Tolnay, Deputy Chairman of the Audit Committee*

*Dr. Tamás Gudra*

*Olivier Pégueux*

## **Members of Senior Management:**

*Dr. Sándor Csányi, Chairman and CEO*

*László Bencsik, Deputy CEO, Strategy and Finance Division*

In 1996, he graduated from the Faculty of Business Administration at the Budapest University of Economic Sciences, and in 1999 he obtained a master's degree in Business Administration (MBA) from INSEAD Business School in France. Between 1996 and 2000 he worked as a consultant at Andersen Consulting (now Accenture). From 2000 to 2003 he was a project manager at consulting firm McKinsey & Company.

He joined the Guarantor in 2003, when he became managing director of the Bank Operations Management Directorate, and the manager with overall responsibility for controlling and planning. He has been Deputy CEO of the Guarantor, and head of the Strategy and Finance Division since August 2009. Since 13 March 2012 he has been Chairman of the Supervisory Board of DSK Group.

As of 31 December 2022 he held 12,744 ordinary OTP shares.

*Péter Csányi, Deputy CEO, IT Division*

*György Kiss-Haypál, Deputy CEO, Credit Approval and Risk Management Division*

He is a qualified economist. He graduated from the Budapest University of Economic Sciences in 1996. He started his career as a project finance analyst for Budapest Bank Plc., and by 2007 he had been appointed head of the Guarantor's risk management department. Between 2002 and 2006 he also worked in Ireland as corporate credit risk portfolio manager for GE Consumer Finance, and in Austria as GE Money Bank's consumer loans portfolio manager. Between 2008 and 2015 he was member of the Board of Directors of Budapest Bank.

From 2015 he was Deputy head of the Credit Approval and Risk Management Division of the Guarantor, and was then appointed acting head of the Division. Since 3 May 2017, he has been Deputy CEO of the Credit Approval and Risk Management Division.

As of 31 December 2022 he held 10,905 ordinary OTP shares.

*László Wolf, Deputy CEO, Commercial Banking Division*

### ***Permanent Committees of the Guarantor***

The permanent committee established by the Board of Directors in support of management functions is the Management Committee. The Management Committee is a forum that directly supports the work of the Chairman and CEO and is the supreme management body of the Guarantor. It coordinates the preparation of strategic decisions and has decision-making powers in matters referred to its competence by the OTP Group's Organisational and Operational Regulations. It takes a preliminary position and prepares decisions in the majority of issues that are discussed by the General Meeting, the Board of Directors and the Supervisory Board, and plays a coordinating role in the senior management of the Guarantor. The Management Committee also ensures that the Guarantor can respond flexibly and effectively to market and regulatory factors and that the OTP Group as a whole can act in a coordinated fashion. The Management Committee performs its work on the basis of a six-month work schedule approved by the committee itself, and meets once a month (and on an ad-hoc basis as and when necessary). Its order of business is determined by its rules of procedure.

The following additional permanent committees operate within the Guarantor for the performance of specific tasks:

- Asset-Liability Committee, which makes decisions on separately non-regulated affairs relating to the Guarantor's highest-level asset-liability management
- Product Development, Sales and Pricing Committee
- International Product Development, Sales and Pricing Committee
- Work-Out Committee
- Credit and Limits Committee



- IT and Operations Board
- Group Operational Risk Management Committee
- Group Impairment Committee
- Committee on the Prevention of Money Laundering
- Group Investment Committee
- ESG Committee

Permanent committees are the Guarantor's bodies in charge of preparing and making decisions as well as conducting consultations. The task of permanent committees is to prepare and make decisions needed for the performance of the Guarantor's business activities, for minimising the Guarantor's risks and for ensuring its operation. Decisions to establish permanent committees are made by the Board of Directors. The members of the committees are persons in charge of the professional areas concerned, who have exceptional expertise and all-round competence in the given matter. The chairpersons of the committees are nominated by the Chairman and CEO, and their rules of procedure, with the exception of the Management Committee, are approved by the head of the Legal Directorate. The Management Committee approves its own rules of procedure. In respect of resolutions, the Asset-Liability Committee, the Credit and Limits Committee, the Group Operational Risk Management Committee, the International Product Development, Sales and Pricing Committee, the Work-Out Committee, Committee on the Prevention of Money Laundering, Group Investment, Committee, ESG Committee and the Group Impairment Committee operate on the principle of simple majority, while in the case of the Management Committee, the Product Development, Sales and Pricing Committee and the IT and Operations Committee decisions are made by a simple majority of votes but the chairperson has a right of veto.

**Potential conflicts of interest**

There are no actual or potential conflicts of interest between the private interests or duties of the members of the Board of Directors, the Supervisory Board or the senior management of the Guarantor and their duties to the Guarantor.

## BUSINESS ENVIRONMENT

*Forecasts for different macroeconomic indicators and trends are based on research carried out by OTP Research Centre.*

### Macroeconomic environment in Hungary

Hungary's annual gross domestic product (GDP) growth fell to 4.6 per cent. in 2022 from 7.1 per cent. in 2021, but the high average masks a negative intra-year pattern. In the first half of the year, despite all the difficulties, GDP growth was still above 7 per cent. (1Q: +8.2 per cent.; 2Q: +6.5 per cent. year-on-year). In the second half of the year, external shocks, tightening economic policy measures, the negative real wage dynamics, as well as the historically weak agricultural season, turned the economy into a technical recession, with GDP falling in both 3Q and 4Q 2022 compared to the previous quarter. As a result, the annual growth momentum slowed to near zero by the end of the fourth quarter (3Q: +4.0 per cent.; 4Q: +0.4 per cent. year-on-year).

Though high and rising inflation has been a challenge for most economies across Europe in 2022 and into 2023, it has accelerated in Hungary to the highest level in Europe. While inflation peaked at around 10 per cent. in Europe and around 15-17 per cent. in the CEE region, it jumped around 10 percentage points higher in Hungary and did not peak at the end of 2022. Inflationary pressures are driven by pre-election fiscal spending, a significant minimum wage increase at the beginning of the year, the significant weakening of the Hungarian Forint against stable currencies in the region, and various government measures (including among others price caps on certain food items, extra profit taxes levied on various sectors, revision of small business tax) that have increased costs for the corporate sector.

Hungary, as a significant net energy importer was strongly affected by the high energy prices which results significant deterioration of the external balance and increased the depreciation pressure on the Forint. In addition, the MNB raised its key rate by a cumulative 10.6pp to 13.0 per cent. in 2022. After pressure on the currency, the MNB introduced a one-day deposit facility with 18 per cent. interest, which became the effective interest rate and has been kept flat since its introduction. The EUR/HUF exchange rate set a historic low above 430 on 12 October 2022, with the Hungarian Forint strengthening to the 400 level by the end of 2022 due to the MNB's measures and the agreement on EU funds.

Uncertainty over the drawdown of EU funds continues, despite the approval of Hungary's National Recovery and Resilience Plan, which prevented the premature loss of 70 per cent. of EUR5.8 billion (3.2 per cent. of GDP) in grants, the first disbursement is conditional on Hungary fulfilling certain condition many of which related to rule of law. There is the possibility that the implementation of these conditions will raise further questions due to interpretations and political considerations and this will further delay distribution of the funds.

Hungary's European System of Accounts (ESA) based fiscal deficit declined to 6.3 per cent. of GDP in 2022, from 6.8 per cent. in the previous year. By the second half of 2022, signs of a negative turnaround were already evident in the housing market and in lending, but also in employment. On the housing market there was a sharp fall in the number of transactions, while household lending slowed down substantially due to high interest rates. Corporate lending remained relatively strong, as the FX adjusted growth rate of the non-financial corporate loans almost reached 14 per cent.

To the best of the knowledge of the Guarantor's management, the net loan to deposit ratio in the Hungarian credit institution system was 168 per cent. as at 1Q 2009 and 95 per cent. at 4Q 2022. To the best of the knowledge of the Guarantor's management, the net loan to deposit ratio in the Hungarian credit institution system was 118 per cent. as at 1Q 2009 and 81 per cent. as at 2Q 2023

### Competitive environment in Hungary

The Guarantor's management believes that by the end of 3Q 2023, the OTP Group in Hungary had a 29 per cent. market share of total assets, 34 per cent. of retail loans, 40 per cent. of retail deposits, 19 per cent. of corporate loans and 23 per cent. of corporate deposits, respectively, and in the asset management segment, OTP Fund Management had a 31 per cent. market share.

Most of the OTP Group's local competitors in Hungary are foreign-owned banks, including K&H Bank (part of the KBC Group), UniCredit, Erste Bank, Raiffeisen Bank and CIB (part of the Intesa Sanpaolo Group). In recent

years, Hungarian ownership within the banking sector exceeded 50 per cent. (including the Guarantor with a diverse ownership structure but having its headquarters in Budapest) and the Hungarian Government has also played an important role in consolidating the banking sector. In 2014, the Hungarian Government purchased MKB (in English, the Hungarian Foreign Trade Bank) from Bayerische Landesbank and, in 2015, it purchased Budapest Bank from GE Capital. MKB was re-privatised in 2016 and sold to financial investors. In June 2019, the shares of MKB were listed on the Budapest Stock Exchange.

Hungarian Bankholding Ltd. commenced its effective operation on 15 December 2020, after MNB approved the merger of Budapest Bank Group and Takaréék Group into MKB Bank Plc., and the shares of the key owners were transferred to the joint holding company. By transferring the in-kind contributions, the second largest banking group in Hungary was established, with the Hungarian State owning 30.35 per cent. of the shares through Corvinus International Investment Ltd., the previous direct owners of MKB Bank Plc. acquiring 31.96 per cent. of the shares and the previous direct owners of MTB Bank Ltd., the controller of Takaréék Group, acquiring 37.69 per cent. of the shares. The new banking group serves 1.4 million active retail customers and 208,000 active corporate customers. On 31 March 2022, Budapest Bank Ltd. merged into MKB Bank Plc. and on 30 April 2023, Takarékbank Plc merged into MKB Bank Plc. as the last step of the triple merger. The merged banks continued their operations under the name of MBH Bank which became the second largest universal major bank of Hungary by total assets after the OTP Group.

During the 2007/2009 global financial crisis, several banking sector participants had to significantly deleverage and close significant parts of their physical network. The Guarantor maintained the same branch network which currently helps it to maintain and improve market share amid intensifying competition.

During the 2007/2009 global financial crisis, loan volumes in the sector decreased substantially. For years, there was a net volume decrease both in corporate and retail loans. However, from 2016, there has been a gradual recovery, first in corporate loans and later in consumer loans and housing loans.

**The following table shows the evolution of total Hungarian housing loan volumes, total Hungarian consumer loans volumes (including home equity loans) and total Hungarian corporate loans volumes as per cent. of GDP:**

	2007	2008	2009	2010	2011	2012	2013	2014
Housing loans/ GDP%	12.2	14.4	15.0	16.0	14.9	12.2	11.0	10.2
Consumer loans (incl. home equity loans)/GDP (%)	10.8	14.0	14.6	15.3	14.9	12.8	11.6	10.3
Corporate loans/GDP (%)	28.3	29.4	28.9	27.7	27.1	23.9	22.1	20.7
Cont.	2015	2016	2017	2018	2019	2020	2021	2022
Housing loans/ GDP%	8.6	8.1	7.7	7.7	7.6	8.3	8.3	7.4
Consumer loans (incl. home equity loans)/GDP (%)	8.2	7.7	7.1	6.5	7.3	8.5	8.6	7.4
Corporate loans/GDP (%)	17.0	16.4	16.5	17.2	17.4	19.3	18.8	18.0
Cont.	2Q 2023							
Housing loans/ GDP%	7.1							
Consumer loans (incl. home equity loans)/GDP (%)	7.2							
Corporate loans/GDP (%)	17.2							

Despite the reviving lending activity, Hungarian loan penetration levels are still low by regional standards and compared to their historic levels, implying good loan volume growth potential. In the period between 2006 and 2021, the ratio of housing loan volumes to GDP was 16.0 per cent. at its peak in 2010, but in 2Q 2023 this ratio was 7.1 per cent. 7.1 per cent. is much lower than loan penetration levels in the region (Slovakia at 34.1 per cent., Montenegro at 26.3 per cent., Czech Republic at 25.3 per cent., Serbia at 19.7 per cent., Poland at 16.2 per cent., Croatia at 14.9 per cent., Slovenia at 13.3 per cent., Bulgaria at 10.3 per cent., Russia at 10.1 per cent., and Albania at 7.7 per cent.), close to the Romanian level (7.0 per cent.), although it is higher than in respect of Uzbek (5.4 per cent.), Moldavian (4.2 per cent.) and Ukrainian levels (0.3 per cent.). In Hungary, the consumer loan volumes (including home equity loans) to GDP ratio was 15.3 per cent. at its peak in 2010, but in 2Q 2023 this ratio was 7.2 per cent. 7.2 per cent. is lower than the loan penetration levels in the region (Croatia at 14.8 per cent., Serbia at 11.8 per cent., Slovakia at 10.3 per cent., Bulgaria at 10.2 per cent., Russia at 9.5 per cent. and Poland at 9.2 per cent.), and above the Czech (6.2 per cent.), Uzbek (5.9 per cent.), Romanian (4.4 per cent.), Slovenian (4.3 per cent.), Albanian (3.9 per cent.), Moldavian (3.5 per cent.) and Ukrainian (3.2 per cent.) levels. The corporate loan volumes to GDP ratio was 29.4 per cent. at its peak in 2008, whereas in 2016 this ratio was 16.4 per cent. and grew to 17.2 per cent. in 2Q 2023 in Hungary. 17.2 per cent. is lower than the loan penetration levels in the region (Russia at 41.7 per cent., Uzbekistan at 33.4 per cent., Bulgaria at 24.6 per cent., Montenegro at 23.5 per cent., Serbia at 22.1 per cent., Slovakia at 21.3 per cent., Croatia at 20.9 per cent., Albania at 19.0 per cent., Czech Republic at 18.5 per cent. and Slovenia at 17.3 per cent.) and exceeds the Polish (12.9 per cent.), Romanian (12.5 per cent.), Moldavian (12.4 per cent.) and Ukrainian (11.3 per cent.) levels.

## **MATERIAL CONTRACTS**

Neither the Issuer nor the Guarantor has entered into any material contracts outside of its ordinary course of business which could result in any Group member being under an obligation or having any entitlement that is material to the Issuer's or, as the case may be, the Guarantor's ability to perform its obligations.

## FORM OF IRREVOCABLE PAYMENT UNDERTAKING

### IRREVOCABLE PAYMENT UNDERTAKING

dated 7 July 2010

#### WHEREAS

- (A) OTP JELZÁLOGBANK ZÁRTKÖRŰEN MŰKÖDŐ RÉSZVÉNYTÁRSASÁG (Short name in English: OTP Mortgage Bank Ltd.), a legal entity existing under the laws of Hungary, registered with the Court of Registry, under registration number 01-10-044659, having its seat at Hungary, H-1051 Budapest, Nádor utca 21., (hereinafter **OTP Mortgage Bank**) has issued and will issue various domestic and international mortgage bonds (defined as “*jelzáloglevél*” in Hungarian) in Part III. of the Act no. XXX. of 1997 on Mortgage Banks and Mortgage Bonds. OTP Mortgage Bank is also entitled to use unsubordinated debt instruments to finance its lending activity (unsubordinated debt instruments, including domestic and international mortgage bonds, senior unsecured notes of OTP Mortgage Bank, as well as interbank deposits will be referred jointly hereinafter **Unsubordinated Debt Instruments**).
- (B) In order to warrant the full and timely payment of all payment obligations – whether in respect of principal or interest – deriving from the Unsubordinated Debt Instruments, OTP Mortgage Bank has agreed with **OTP Bank Plc.**, a legal entity existing under the laws of the Republic of Hungary, registered with the Court of Registry, under registration number 01-10-041585, having its seat at Hungary, H-1051 Budapest, Nádor utca 16., (hereinafter **OTP Bank Plc.**), that OTP Bank Plc. issues a Payment Undertaking (hereinafter referred to as the **Payment Undertaking**) in relation to the Unsubordinated Debt Instruments.

#### NOW THEREFORE

1. We, OTP Bank Plc. hereby unconditionally and irrevocably undertake the obligation to pay on the written demand of any holder of any of the Unsubordinated Debt Instrument (**Holder**) any amount (whether principal, interest, or any other amounts payable pursuant to the documentation of the Unsubordinated Debt Instrument) which is due but remains unpaid by OTP Mortgage Bank on the due date as set out in the respective terms and conditions of the relevant Unsubordinated Debt Instrument. OTP Bank Plc.'s obligations under this Payment Undertaking shall continue to be effective or will be re-instated, as the case may be, if, at any time, any payment amount, or any part thereof, of any of the Unsubordinated Debt Instruments is rescinded or must otherwise be returned by the Holder as a result of OTP Mortgage Bank's bankruptcy, insolvency, dissolution or reorganisation. OTP Bank Plc. hereby waives any and all defences based upon this Payment Undertaking.
2. A demand under this Payment Undertaking may be made by submitting a duly signed notice, together with all documents duly evidencing ownership of the relevant Unsubordinated Debt Instrument pursuant to its respective documentation in English, in the form as set out in Annex I hereto, to the Loan Execution and Special Transactions Department of OTP Bank Plc. following the expiry of the relevant due date under the Unsubordinated Debt Instrument (**Payment Notice**).
3. The payment by OTP Bank Plc. shall be effected within two business days from the receipt of the Payment Notice. Holders of the Unsubordinated Debt Instruments shall not be required to exhaust any right or remedy or take any action against OTP Mortgage Bank prior to submitting the Payment Notice.
4. OTP Bank Plc. may withdraw its obligation under this Payment Undertaking by publishing an adequate notification in accordance with the relevant provisions of the documentations of the different Unsubordinated Debt Instruments. OTP Bank Plc. will not have any obligation under this Payment Undertaking in respect of the Unsubordinated Debt Instruments issued two weeks after the publication of this withdrawal notice. However, notwithstanding the expiry of the Payment Undertaking pursuant to this Paragraph 4, this Payment Undertaking shall be in full force and effect with respect to all Unsubordinated Debt Instruments outstanding at the time of such expiry, and may not be terminated until all amounts which may be or become payable by OTP Bank Plc. under or in connection with such Unsubordinated Debt Instruments have been irrevocably paid in full.

5. The present Payment Undertaking and any non-contractual obligations arising out of or in connection with the present Payment Undertaking shall be governed by the prevailing and effective laws of Hungary.
6. This Payment Undertaking shall be construed as a “**Joint and Several Guarantee**” (“*készfizető kezesség*” in Hungarian) and shall not be construed as a “**Bank Guarantee**” (“*bankgarancia*” in Hungarian), as OTP Bank Plc. will be entitled to prove whether the claim is due and valid in any case.
7. This Payment Undertaking has been issued in English and in Hungarian languages. In case of contradiction between the English and the Hungarian version, the English version shall prevail.

***Annex 1***

Payment Notice

**OTP Bank Plc.**

Name:

Name:

Title:

Title:

**PAYMENT NOTICE**

To: OTP Bank Plc.  
Loan Execution and Special Transactions Department  
Dóra Sziládi-Losteiner Director  
7 Babér street H-1131 Budapest, Hungary  
Tel: +36 (1) 298 43 51; Fax: +36 (1) 298 41 79

From: </>

Date: \_\_\_\_\_

Pursuant to the Payment Undertaking issued by OTP Bank Plc. (**OTP Bank Plc.**) on 7 July 2010 (the **Payment Undertaking**), </> (<please insert data regarding address/seat; registry number if applicable; representatives if applicable; ID number, if applicable>) hereby requests OTP Bank Plc. to pay the amount of <insert amount and currency> pursuant to the terms of the above-mentioned Payment Undertaking.

It is hereby stated and confirmed that OTP Mortgage Bank has failed to fulfil the following payment obligation following the due date:

1. <please specify the relevant Unsubordinated Debt Instrument >
2. <please specify the due amount with number and type (whether principal, interest, or any other amounts) >
3. <please specify the due date >

I hereby attach the original certificate of ownership issued for the name of mine in respect of the above Unsubordinated Debt Instrument from the relevant custody service provider.

Terms used or defined in the Payment Undertaking shall have the same meaning when used in this Payment Notice.

< Signature/For >

< Name>:< Name>:

< Title >:< Title >:

<In witness whereof>:

< Name>:< Name>:

< Address >:< Address >:

< ID number>:< ID number>:



## OVERVIEW OF THE HUNGARIAN MORTGAGE BOND REGULATION

### *The coverage system for mortgage bonds*

#### *Coverage requirement*

The coverage requirements applicable to mortgage bonds are set out in Sections 14 to 14/C of the Mortgage Credit Institutions Act. Mortgage credit institutions must, at all times, have ‘coverage’ (*fedezet*) available at a value which is higher than the equivalent of the outstanding principal and interest in respect of all outstanding mortgage bonds. In order to achieve this, mortgage credit institutions must ensure that: (a) the total amortised value of those principal claims which are taken into consideration as coverage exceeds 100 per cent. of the aggregate amount of outstanding principal on all outstanding mortgage bonds; and (b) the total amount of interest payable on the amortised value of those principal claims which are taken into consideration as coverage exceeds 100 per cent. of the interest payable on the aggregate amount of outstanding principal on all outstanding mortgage bonds. Mortgage credit institutions must ensure that the above coverage requirements are also met on a present value basis (for a more detailed discussion see “*Detailed Rules of the Coverage System Relating to the Mortgage Notes*” below).

#### *The role of the Cover Pool Monitor*

##### *Monitoring the availability of coverage assets*

Sections 16 and 17 of the Mortgage Credit Institutions Act contain the provisions on the appointment and responsibilities of the Cover Pool Monitor (*vagyonellenőr*).

The Cover Pool Monitor:

- (a) monitors and certifies the continuous availability of sufficient coverage for mortgage bonds as required by the Mortgage Credit Institutions Act; and
- (b) is responsible for the due registration of the (1) properties subject to the mortgages and other liens included in the ordinary coverage for mortgage bonds together with their land registry details and mortgage lending values; and (2) coverages in the coverage register.

The appointment of the Cover Pool Monitor is valid only with the approval of the MNB. The appointed Cover Pool Monitor of the Issuer is KPMG Hungária Kft. (31 Váci Road, Budapest, H-1134, Hungary).

A security has to meet certain formal requirements to qualify as a mortgage bond. One of these requirements is the certification by the Cover Pool Monitor on the mortgage bonds of the existence of the prescribed coverage and the registration thereof in the coverage register.

#### *Registration of coverage assets*

Pursuant to applicable legal requirements, the Issuer maintains a coverage register for the registration of: (i) the mortgaged properties securing the mortgage assets included in the ordinary coverage for mortgage bonds; and (ii) the value of the ordinary and supplementary coverage. The coverage registration rules of the Issuer were approved by the Board of Directors (Resolution No 91/2022), and by the MNB (Resolution No H-EN-I-554/2022) with effect from 2022 and have been reviewed by the Cover Pool Monitor. Statements of the Issuer’s coverage register record, both at the portfolio level and on an individual basis, the updated data of assets included in the coverage for all outstanding mortgage bonds issued by the Issuer. The aim of the portfolio level statements is to monitor compliance with (i) the requirement of proportionality set out in the Mortgage Credit Institutions Act and (ii) the requirement to match the maturities of mortgage bonds and mortgage loans to comply with the credit institution’s obligation to match the maturities of its assets and liabilities.

#### *Valuation of coverage assets*

The Mortgage Credit Institutions Act and the Credit Institutions Act impose stringent requirements on the valuation of coverage assets. The requirements are elaborated *in extenso* in No 25/1997 (VIII.1.) order of the Minister of Finance on the principles of the methodology applicable to the establishment of the mortgage lending value of real estate not qualifying as agricultural land and No 54/1997. (VIII.1.) order of the Minister of

Agriculture on the principles of the methodology applicable to the establishment of the mortgage lending value of agricultural land. Accordingly, the key elements of the valuation of coverage assets are as follows:

- preliminary assessment of the acceptability and effectiveness of coverage assets under the relevant legal requirements (as a general rule, the Issuer accepts only unencumbered real estate);
- assessment of the long-term permanent nature of the value of the real estate serving as collateral for mortgage loans;
- estimation of the time required for the sale of such real estate; and
- the establishment of the mortgage lending value of such real estate.

### ***Special status of the mortgage bonds***

As a summary of the provisions laid out in this section, the following is a list of the six basic pillars on which the security of mortgage bonds rely:

#### ***1.1 Coverage system***

The ordinary coverage for mortgage bonds is provided for by mortgage loans adjusted according to mortgage lending values of their respective collateral, established on the basis of detailed and strict statutory regulations. Each mortgage loan may only be taken into account as coverage to the extent permitted by the Mortgage Credit Institutions Act. Where there is no sufficient ordinary coverage, supplementary coverage must be added on a mandatory basis.

For further information, see the section entitled “*Detailed Rules of the Coverage System Relating to the Mortgage Notes*” below.

#### ***1.2 Strictly defined coverage proportions***

Of the coverage assets, supplementary coverage may only account for a maximum of 20 per cent. from the third year of operation of the respective mortgage credit institution. Further, strict limitations apply to the recognition of mortgage loan assets as ordinary coverage (see “*Detailed Rules of the Coverage System Relating to the Mortgage Notes*” below).

#### ***1.3 Independent Cover Pool Monitor***

The registration of the current mortgage loan portfolio and the mortgaged real estate underlying the mortgage loan assets constituting the coverage for mortgage bond issues is supervised and controlled by an independent Cover Pool Monitor appointed in order to safeguard the interests of investors.

#### ***1.4 Special status of the holders of mortgage bonds in a liquidation proceeding against a mortgage credit institution***

The Mortgage Credit Institutions Act grants a privileged position in the liquidation of a mortgage credit institution, as compared with other creditors, to the holders of mortgage bonds and counterparties to derivative transactions included in the coverage in respect of the coverage and certain other liquid assets.

For a more detailed discussion see “*Detailed Rules of the Coverage System Relating to the Mortgage Notes*” below.

#### ***1.5 Special supervision by the MNB***

Pursuant to the Mortgage Credit Institutions Act, the MNB is obliged to carry out comprehensive on-site audits at mortgage credit institutions at least every three years.

#### ***1.6 Increased publicity***

A mortgage credit institution is obliged to disclose quarterly information to the MNB and to the public on its website periodically, on, among others the value of the cover pool and outstanding mortgage bonds, details in relation to market risk, including interest rate risk and currency risk, and credit and liquidity risks, the maturity structure of cover assets and mortgage bonds, including an overview of the maturity extension triggers if applicable.

### **1.7 Specialised credit institution**

Mortgage bonds can be issued exclusively by mortgage credit institutions with certain formal requirements as set out in the Mortgage Credit Institutions Act. If any of the mandatory elements of such statutory content is missing, a bond will not qualify as a mortgage bond.

#### **Mortgage Notes created in an OECD member state other than Hungary**

Pursuant to the Mortgage Credit Institutions Act, certain provisions of Hungarian law are not applicable to the formal requirements for a security to qualify as a mortgage bond in respect of mortgage bonds created in an OECD member state other than Hungary and to the issuance thereof. Such securities will still qualify as mortgage bonds even if the global note representing the relevant mortgage bonds, which is deposited with a common safekeeper or common depository, is exchanged for definitive securities in accordance with the specified denomination of the mortgage bonds. The form of such securities is governed by the law of the jurisdiction where they have been created.

Consequently, in the event that mortgage bonds are created in an OECD member state other than Hungary section 6(3) of Act CXX of 2001 on capital markets (the “**Capital Markets Act**”), which provides that publicly issued securities must be in a dematerialised and registered form, will not be applicable. Further, such mortgage bonds do not need to specify the name of the owner thereof, and will qualify as a registered security provided that the name of the owner of the account in which it is registered can be clearly identified. Finally, section 12(2) of the Mortgage Credit Institutions Act, which states that coupons shall be issued in respect of interest and principal instalment payments to be made on mortgage bonds created in a physical form, will not apply.

#### **Implementation of the new EU Covered Bond Legislation**

The European Union’s covered bond directive (EU) 2019/2162 and regulation (EU) 2019/2160 came into effect on 7 January 2020 (jointly, the “**New EU Covered Bond Legislation**”). Among other things, the New EU Covered Bond Legislation lays down the conditions that covered bonds have to meet in order to be recognised under European Union law, aiming to strengthen investor protection in the European Union by imposing specific supervisory duties. In Hungary, the revised Mortgage Credit Institutions Act implemented the New EU Covered Bond Legislation.

Act No. LVIII of 2021 on the amendments of the Mortgage Credit Institutions Act in relation to the implementation of the Directive was passed by the Hungarian Parliament on 18 May 2021, and the relevant amendments become effective as of 8 July 2022. According to Article 19/A of the amended Mortgage Credit Institution Act, in order to use the “*European Covered Bond*” label and the “*European Covered Bond (premium) label*”, issuers need to comply with certain requirements under the Mortgage Credit Institutions Act and regarding the “*European Covered Bond (premium) label*”, under article 129 of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms as well. On 28 October 2022, the MNB permitted the use of these labels for the Issuer in accordance with the Mortgage Credit Institutions Act.

## DETAILED RULES OF THE COVERAGE SYSTEM RELATING TO THE MORTGAGE NOTES

Mortgage bonds (*jelzáloglevél*) are transferable debt securities issued exclusively by mortgage credit institutions pursuant to the Mortgage Credit Institutions Act.

Mortgage credit institutions grant loans secured by mortgages on real estate properties located in the territory of Hungary or another member state of the EEA, for which they procure funds primarily by way of issuing mortgage bonds.

Mortgage credit institutions must at all times have ‘coverage’ (*fedezet*) available at a value which is higher than the equivalent of the outstanding principal and interest in respect of all outstanding mortgage bonds. In order to achieve this, mortgage credit institutions must ensure that: (a) the total amortised value of those principal claims which are taken into consideration as coverage exceeds 100 per cent. of the aggregate amount of outstanding principal on all outstanding mortgage bonds; and (b) the total amount of interest payable on the amortised value of those principal claims which are taken into consideration as coverage exceeds 100 per cent. of the interest payable on the aggregate amount of outstanding principal on all outstanding mortgage bonds. Mortgage credit institutions must ensure that the above coverage requirements are also met on a present value basis. Such coverage may consist of ordinary coverage and supplementary coverage.

The ordinary coverage for mortgage bonds consists primarily of mortgage loans adjusted for the lending value of the respective mortgaged properties, established on the basis of detailed and strict statutory regulations. The repurchase price of so-called independent liens (as defined in Act V of 2013 on the Civil Code of Hungary) may also serve as ordinary coverage. Refinancing mortgage loans (which are granted to credit institutions and where the mortgage interest created to secure the refinanced mortgage loan (the “**Transfer Mortgage Interest**”) is transferred to the refinancing mortgage credit institution (without the underlying loan) as security in respect of the refinancing mortgage loan) also qualify for inclusion in the ordinary coverage, subject to certain conditions. Each mortgage loan or refinancing mortgage loan or the repurchase price of each independent lien, as applicable, may only be taken into account as coverage up to 60 per cent. of the established mortgage lending value of the relevant mortgaged property, except in respect of residential real estate, where the relevant mortgage loan, refinancing mortgage loan or repurchase price may only be taken into account as ordinary coverage for up to 70 per cent. of the mortgage lending value of such residential mortgaged property. Principal and interest claims arising from mortgage loans and management fees received regularly by a mortgage credit institution may serve as ordinary coverage, if the mortgage securing the respective loan is registered on the land register. Refinancing mortgage loans and the repurchase price of independent liens may be included in the ordinary coverage only on condition that the relevant Transfer Mortgage Interest or, as the case may be, independent lien has been validly created and transferred to the refinancing mortgage credit institution and provided that the refinancing mortgage credit institution has an unconditional right to initiate the registration of such transfer on the land register. In the case of mortgage loans secured by mortgages on real estate situated in another member state of the EEA, further prudential requirements need to be met in order for such loans to be included in the ordinary coverage.

In addition, the adjusted value of certain derivative transactions concluded in relation to mortgage bonds issued by the respective mortgage credit institution and/or the coverage thereof may be included as coverage, provided that the relevant counterparty consents to the inclusion of the respective derivative transaction into the coverage and certain other conditions are met, and the balance of the liabilities arising from such derivative transactions on a present value basis does not exceed 12 per cent. of the present value of the liabilities arising under the outstanding mortgage bonds issued by the relevant mortgage credit institution. Furthermore, claims for principal and interest as well as management fees arising from the so-called “connected loan” (that part of the credit facility which is secured by state guarantee and not covered by the mortgage) may also constitute ordinary coverage.

The supplementary coverage, which may be up to 20 per cent. of the total coverage, may consist of the following instruments: (a) cash held in a separate blocked account with the MNB; (b) securities issued by the central banks of the member states of the EEA, the Organisation for the OECD or the European Central Bank (the “**ECB**”); (c) securities issued by member states or full members of the EEA or the OECD; (d) securities issued by the European Investment Bank, the International Bank for Reconstruction and Development, the Council of Europe Development Bank or the European Bank for Reconstruction and Development, provided that the issuer is the obligor; (e) securities issued by the Hungarian State or issued with first demand suretyship (*állami készfizető*

*kezeségvállalás*) provided by the Hungarian State; (f) securities which have the principal and interest payment guaranteed by any of the issuers listed in (c) and (d) above; (g) certain loans granted with first demand suretyship provided by the Hungarian State; and (h) covered bonds (as defined in Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms) which are recognised as eligible collateral by the central bank of a member state or the ECB, except for mortgage bonds issued by the relevant mortgage credit institution and covered bonds issued by a credit institution or investment firm closely linked to that mortgage credit institution. The total amount of claims towards any of the obligors listed in (c), (d), (f) and (h) and not denominated in Hungarian forints above may not at any time exceed 2% of the aggregate principal amount of all outstanding mortgage bonds issued by the relevant mortgage credit institution.

The inclusion of covered bonds referred to in (h) above in the supplementary coverage is subject to further strict statutory thresholds as follows: (i) the total amount of such covered bonds is capped at 25 per cent. of the aggregate amount of the supplementary coverage; and (ii) the total amount of such covered bonds may not exceed 5 per cent. of the aggregate nominal value of the mortgage bonds outstanding.

If the mortgage bonds and their respective coverage are denominated in different currencies, mortgage credit institutions are required to hedge their foreign exchange risk by derivative transactions. These derivative transactions may, subject to further rules as referred to above, also be included in the ordinary coverage.

In the event of the transformation or liquidation of a mortgage credit institution, the respective mortgage credit institution may transfer wholly or partially its rights and obligations arising under mortgage bonds and derivative transactions to another mortgage credit institution. This transfer is subject to the permission of the MNB, but does not require the prior consent of the holders of the mortgage bonds or the counterparties to the relevant derivative transactions. The obligations arising from mortgage bonds may only be transferred together with the related coverage. The mortgage credit institution, taking over the portfolio concerned, must issue new mortgage bonds on the original terms and conditions.

Liquidation proceedings against mortgage credit institutions are governed by the rules applicable to the liquidation of credit institutions, subject to the following specific provisions.

Upon ordering the liquidation, the competent court also appoints a coverage administrator (the “**Coverage Administrator**”, *fedezeti gondnok*), whose main responsibility is to ensure the satisfaction of all claims of the holders of mortgage bonds in due course. From its appointment, only the Coverage Administrator is entitled to dispose of those assets of the relevant mortgage credit institution which constitute the coverage for mortgage bonds.

In the event of the liquidation of a mortgage credit institution, claims arising under mortgage bonds and derivative transactions included in the coverage will not become due and payable at the time of the commencement of the liquidation. The Coverage Administrator acts outside the ordinary liquidation proceedings. The Coverage Administrator will satisfy the claims of the holders of mortgage bonds and the counterparties to those derivative transactions which have been registered in the coverage register. The claims of these counterparties will rank *pari passu* with those of the holders of mortgage bonds in right of satisfaction. The rules on satisfying claims arising under mortgage bonds must be applied appropriately to the satisfaction of claims arising from such derivative transactions.

Following the settlement of the Coverage Administrator’s fees, the fees relating to the administration and enforcement of certain claims in relation to the liquidation, and the costs associated with the activities of the Cover Pool Monitor, the following assets (the “**Restricted Assets**”) may be used exclusively for the satisfaction of obligations owed to holders of mortgage bonds and counterparties to derivative transactions included in the coverage: (a) the coverage registered in the coverage register at the time of the commencement of the liquidation; (b) (i) that proportion of the ordinary coverage which could not be taken into account as ordinary coverage for the reason that it exceeds the 60 per cent. or 70 per cent. of the mortgage lending value statutory limits to which extent a receivable may account for ordinary coverage; and (ii) those liquid assets of the mortgage credit institution which (A) exist at the time of the commencement of the liquidation, (B) are not included in the coverage but (C) satisfy the criteria set out in the Mortgage Credit Institutions Act for supplementary coverage.

The Restricted Assets defined in (a) and (b) above do not constitute part of the liquidation assets. The Coverage Administrator will satisfy the claims arising from mortgage bonds on the dates for interest payment and redemption indicated on the mortgage bond.

Restricted Assets only become part of the liquidation assets of the mortgage credit institution if all the claims of the holders of mortgage bonds and counterparties to derivative transactions included in the coverage are satisfied or transferred to another mortgage credit institution.

When claims arising under mortgage bonds and derivative transactions included in the coverage become due and the Restricted Assets are not sufficient to cover these claims, the holders of mortgage bonds and the relevant counterparties to the derivative transactions included in the coverage will be satisfied *pro rata* to their claims. In this case, proceeds generated by Restricted Assets at a later stage must be paid to settle such unsatisfied claims as they fall due and *pro rata* in respect of claims falling due at the same time. In the case of late payment of principal or interest, the holders of mortgage bonds may claim the default interest specified in the terms and conditions of the mortgage bonds (the default interest accrued from the original maturity is payable after the satisfaction of claims for principal and interest claims arising under the mortgage bonds).

From the commencement of the liquidation, only the Coverage Administrator may act exclusively with respect to the Restricted Assets on behalf of the mortgage credit institution. The Coverage Administrator may initiate the transfer of obligations arising under mortgage bonds and the repurchase of outstanding mortgage bonds. The Coverage Administrator may also conclude derivative transactions for hedging purposes and it must enforce claims serving as coverage on behalf of the mortgage credit institution. From the commencement of the liquidation, the proportion of the ordinary coverage of the total coverage may fall below 80 per cent. of all mortgage bonds with remaining maturity of more than 180 days. The purchase price from the sale of Restricted Assets may be used solely for satisfying obligations owed to the holders of mortgage bonds and the counterparties to the derivative transactions included in the ordinary coverage. The Coverage Administrator must take all actions necessary to maintain the continuous solvency of the mortgage credit institution (i.e. that all claims are fully satisfied from the Restricted Assets at the time when they fall due). If continuous solvency is not fully achievable, then the Coverage Administrator must satisfy the relevant claims, irrespective of their maturity, *pro rata* to their principal amounts.

Within the two years following the commencement of the liquidation, the Coverage Administrator or any holder of mortgage bonds may request the court to supplement the Restricted Assets from the liquidation assets of the mortgage credit institution. This is subject to proving that the Restricted Assets are not sufficient to cover the claims of holders of the mortgage bonds. After two years this right elapses. The court may only resolve on the conclusion of the liquidation proceedings and the dissolution of the relevant mortgage credit institution, if (i) all the claims arising under the mortgage bonds and the derivative transactions included in the coverage have been satisfied or transferred to another mortgage credit institution, or (ii) all the assets serving as coverage for such claims have been exhausted.

Pursuant to Section 21 of the Mortgage Credit Institutions Act, only the holders of mortgage bonds and the counterparties to the derivative transactions included in the coverage (to the extent of their claims arising under the mortgage bonds and such derivative transactions) may commence enforcement proceedings with respect to Restricted Assets. Payment to such persons in the enforcement proceedings falls after the payment of statutory enforcement costs.

## THE HUNGARIAN BANKING SYSTEM

### The history of the Hungarian banking system

The first phase of the modernisation of the banking sector commenced in the early 1980s by loosening the centralised capital allocation regime that characterised the one-tier banking system. After two years of preparations and a year of impact assessment, the two-tier banking system was introduced in early 1987, when banks performing their operations on a commercial basis were institutionally separated from the MNB, which only retained its central bank activities.

From mid-1996, the balance sheet positions of banks started to improve gradually, their balance sheet totals rose, decision-making became more efficient and, consequently, the quality of their lending portfolios also improved. The privatisation of banks also accelerated in the same year, and the largest Hungarian banks were taken over by foreign owners. The development and evolution of the Hungarian banking sector has followed international trends, namely, the universal banking model, preferred by the EU directives which aim to create a single European market in financial services.

Following a phase of intensive development which started in 2000, the increase in branch establishment slowed down. However, competition between banks for retail customers intensified. Cost cutting and staff reduction became essential for credit institutions with declining profitability. The introduction and rapid spread of electronic banking services played an important role in this process.

The structure of the Hungarian banking system comprises a vast array of financial service providers, including banks, specialised credit institutions, savings and credit co-operatives and financial enterprises. The past few years have seen further diversification on the supply side, in particular in the payments segment, through the emergence of payment institutions (“*pénzforgalmi intézmény*”) and electronic money institutions (“*elektronikuspénz-kibocsátó intézmény*”) as new types of service providers introduced by recent EU legislation. Out of the three types of credit institutions (banks, specialised credit institutions or co-operative credit institutions), only banks are entitled to provide the full range of banking and investment services.

### The effects of EU accession

Hungary became a member of the European Union (the “EU”) on 1 May 2004. Membership of the EU has resulted in Hungary adopting and implementing various EU directives. Changes have therefore been made to Hungarian banking law and accounting rules in order to harmonise them with the relevant EU directives. EU accession has greatly enhanced the international integration of the domestic money market and it has strengthened the close relationship between credit institutions and their foreign parent banks.

The amendment to the regulation on the Hungarian central credit information system has enlarged the scope of persons that are subject to registration therein, thereby enhancing the safety of investments, credit, securities lending activities and financial stability.

In the course of harmonising the national law with EU law, Hungary has also implemented Directive 2004/39/EC on markets in financial instruments (as amended, “**MIFID**”) and Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (the “**Transparency Directive**”), together with Directive 2007/14/EC on detailed rules for the implementation of certain provisions of the Transparency Directive.

Further, Hungary has implemented (a) Directive 2006/73/EC implementing Directive 2004/39/EC of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive and (b) Directive 2007/16/EC implementing Council Directive 85/611/EEC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities as regards the clarification of certain definitions. In order to implement the above-mentioned Directives, the Hungarian Parliament passed the Investment Firms Act, which came into force on 1 December 2007 and was accompanied by various amendments to the Capital Markets Act.

In light of the 2007/2009 global financial crisis, which exposed important failures in financial supervision, legislative proposals were made by the European Commission on the adoption of the so-called Omnibus Directive which aimed at:

- (a) establishing a European System of Financial Supervisors (“**ESFS**”) that would consist of a network of national financial supervisors working in tandem with new European Supervisory Authorities (“**ESAs**”) to be created by transforming the existing European supervisory committees into the European Banking Authority (“**EBA**”), the European Insurance and Occupational Pensions Authority (“**EIOPA**”), and ESMA, thereby combining the advantages of an overarching European framework for financial supervision with the expertise of local micro prudential supervisory bodies that are closest to the institutions operating in their jurisdictions; and
- (b) establishing an ESRB to monitor and assess potential threats to financial stability that arise from macro-economic developments and from developments within the financial system as a whole. To this end, the ESRB would provide an early warning of system-wide risks that may be building up and, where necessary, issue recommendations for action to deal with these risks.

Regulations (EU) No 1092/2010, No 1093/2010, No 1094/2010, No 1095/2010 and the Directive 2010/78/EU of 24 November 2010 are the elements of the so-called Financial Supervision Package.

The Financial Supervision Package confers important powers on the ESAs, including, inter alia, to:

- draw up specific rules for national supervisory authorities (“**NSAs**”) and financial institutions;
- develop technical standards, guidelines and recommendations;
- monitor how rules are being enforced by NSAs;
- take action in emergencies, including the banning of certain products;
- mediate and settle disputes between NSAs;
- ensure the consistent application of EU law; and
- mediate in certain situations and settle disagreements between NSAs, in particular in areas that require cooperation, coordination or joint decision-making by supervisory authorities from more than one member state of the EU.

The ESAs are also entitled to address individual decisions directly to the relevant NSAs:

- (a) in the course of the settlement of a disagreement between the relevant NSAs which has arisen in relation to cross-border situations, where those NSAs have failed to reach an agreement within the time limit set by the respective ESA for conciliation; and
- (b) in emergency situations declared by the European Council. In addition, in circumstances where an NSA fails to apply the relevant directly applicable provisions of EU law or has applied such provisions in a way that appears to amount to a breach thereof, the ESAs are empowered to issue a recommendation directly to the NSA concerned as to the actions necessary for compliance. In exceptional circumstances and subject to further conditions, where the relevant NSA fails to take the actions required by the respective ESA, the ESA concerned may adopt decisions directly addressed to individual financial institutions as a last resort to ensure compliance with the requirements of the relevant EU legislation.

Furthermore, the Financial Supervision Package conferred direct supervisory powers on ESMA over credit rating agencies established and registered in the EU, including powers to request information, launch investigations, and perform on-site inspections.

The ESRB is responsible for monitoring and assessing potential threats to financial stability that arise from macro-economic developments and from developments within the financial system as a whole. To this end, the ESRB provides an early warning of system-wide risks that may be building up and, where necessary, issues recommendations for action to deal with these risks.



The Joint Committee of the ESAs serves as a forum in which the ESAs co-operate regularly and closely to ensure cross-sector consistency, in particular with respect to financial conglomerates, accounting and auditing issues, micro-prudential analyses of cross-sectoral developments, risks to, and vulnerabilities of, financial stability and retail investment products.

### **Legal changes and implementation of EU legislation**

From 2014, the previous banking act was replaced by the Credit Institutions Act. Its major objectives were to recast the previous banking act and to facilitate the adaptation of the Hungarian banking system to the unified banking standards of the EU (including the implementation of the CRD IV).

The implementation of other recent EU legislation includes:

- (a) the CRD IV;
- (b) Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes;
- (c) Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation;
- (d) Directive 2014/17/EU of the European Parliament and of the Council of 4 February 2014 on credit agreements for consumers relating to residential immovable property;
- (e) Commission Delegated Directive (EU) 2017/593 of 7 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits;
- (f) Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended, the “**BRRD**”) and Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC;
- (g) Directive (EU) 2017/2399 of the European Parliament and of the Council of 12 December 2017 amending Directive 2014/59/EU as regards the ranking of unsecured debt instruments in insolvency hierarchy;
- (h) Directive 2015/849/EU of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purpose of money laundering and terrorism financing, and Directive 2018/843/EU of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU.

For further developments in respect of the continuing implementation of the respective EU legislation, please see the relevant subsections below.

### **Supervision and regulation of the banking system**

The legal framework of the present banking system is based on the Credit Institutions Act, the Investment Firms Act and the Capital Markets Act and orders of the Hungarian Government and the Minister responsible for the regulation of the financial markets issued in relation to the respective fields. Regulation of the Hungarian banking system is fully compliant with the relevant EU regulations, and in some cases it imposes even stricter national requirements.

In the Hungarian banking system, the MNB performs the supervisory functions. The MNB oversees all legal entities engaged in providing banking services in Hungary.

## **National Bank of Hungary as the central bank of Hungary**

Act CXXXIX of 2013 on the National Bank of Hungary (the “**MNB Act**”) regulates the MNB and its current status in the system of European Central Bank. The MNB controls the volume of money in circulation and foreign exchange management and it adopts decisions and resolutions on the governance of the money market, interest rates, foreign exchange transactions and the supply of statistics. The MNB requires all lending institutions to create reserve funds amounting to a specified portion of their adjusted liabilities. The MNB is also responsible for the creation and management of the official reserves in gold and foreign exchange for the purpose of maintaining the external stability of the Hungarian economy.

The MNB designates the payment and securities settlement systems for the purposes of Directive 98/26/EC on settlement finality in payment and securities settlement systems and supervises their operation.

In order to enhance the secure operation of the financial system, the MNB supports the adoption and maintenance of an efficient policy on financial stability and the prudential supervision of credit institutions, in particular, by identifying those economic risks which endanger the stability of the financial system as a whole. The MNB also monitors the operation and liquidity position of, *inter alia*, systemically important financial institutions. To the extent that these are not set out in acts of Parliament or orders of the Government, the MNB may determine measures to prevent or mitigate systemic risks, including, *inter alia*, measures to limit excessive credit growth, liquidity requirements aimed at preventing systemic risks from building up, detailed rules on countercyclical capital buffers and additional requirements with a view to reducing the probability of default by systemically important financial institutions.

The MNB may, at its discretion, act as a lender of last resort to assist credit institutions facing transitional liquidity problems, where such difficulties endanger the stability and smooth operation of the financial system, particularly in respect of payment functions. Any loan granted by the MNB to a commercial bank in its lender-of-last-resort capacity constitutes an unguaranteed obligation on the part of that bank. Furthermore, the MNB may also provide liquidity to credit institutions in accordance with the current monetary policy through repo transactions. In addition, the MNB has ongoing consultations with banks, and holds on-site audits in its capacity as a supervisory organisation.

Further, the MNB has been designated as an “*agency*” for the purposes of the functions as set out in Section 1 of Article V of the Agreement of the International Monetary Fund (the “**IMF Agreement**”).

From 2010, the MNB has supported the adoption and maintenance of an efficient policy on the stability of the financial system and the prudential supervision of credit institutions, in particular through the identification of economic risks which endanger the stability of the financial system as a whole.

The MNB reviews reports filed by banks and maintains a publicly available database on the Hungarian banking system. Furthermore, it continuously evaluates the status and publishes all information regarding the financial position and condition of Hungarian credit institutions, as well as with regard to the Hungarian economy. The MNB also monitors the compliance of credit institutions with the provisions of the Credit Institutions Act and the orders issued by the Governor of the MNB (the “**MNB Orders**”).

## **The European Central Bank and the National Bank of Hungary**

There is no official date indicated by the Hungarian Government for Hungary to become a member of the Economic and Monetary Union (“**EMU**”). Prior to joining the EMU, Hungary needs to accede to the ERM-II system.

Hungary is presently at the second stage of its monetary integration, therefore it still retains the discretion to set its own monetary policy. Nevertheless, pursuant to the Treaty of Maastricht, it is bound to follow a strategy of convergence. The Governor of the MNB is a member of the Governing Council of the European Central Bank.

## **National Bank of Hungary as supervisory authority of the financial intermediary system**

Since 1 October 2013, supervision of the banking sector has been carried out by the MNB as well, as the successor of the Hungarian Financial Supervisory Authority. The regulation of the status and organisation of the MNB is set out in the MNB Act. Further statutory powers are also conferred on it by other acts regulating the different sectors of the Hungarian financial industry. The MNB is a member of the European System of Financial Supervisors.

The MNB has been designated a “competent authority” for the purposes of Regulation (EC) No 1060/2009 on credit rating agencies laying down conditions for issuing credit ratings and rules on the organisation and conduct of credit rating agencies to promote their independence and the avoidance of conflicts of interest.

The MNB is headed by the Governor with the assistance of two or three Deputy-Governors. The Governor and the Deputy-Governors of the MNB are appointed by the President of Hungary on the nomination of the Prime Minister. The Financial Stability Council supports the efficient operation of the MNB. The Financial Stability Council consists of the Governor of the MNB, the Deputy-Governor(s) of the MNB responsible for the regulation of the financial, capital and insurance markets and other members appointed by the Governor of the MNB.

The MNB holds wide-ranging powers under the Credit Institutions Act, the Investment Firms Act, the MNB Act and the Capital Markets Act to licence and supervise the operation of credit institutions. Supervision of banking activities in Hungary has strengthened as the banking system has developed.

The MNB is entitled to launch site audits, to take action in the interest of ensuring compliance with the Credit Institutions Act, and to initiate proceedings where non-compliance or, in the case of minimum liquidity requirements and the requirement to match asset and liability maturities, the danger of non-compliance has been detected. The MNB must conduct comprehensive inspections once every three years including on-site audits at banks, specialised credit institutions, insurance companies and reinsurers.

The MNB can implement a variety of measures to eliminate deficiencies and irregularities detected at lending institutions: from notification and enforcement of mandatory decisions, restrictions or bans on certain functions of the institution in breach of the regulatory requirements, delegation of administrator, to the ultimate measure of withdrawing the operation licence of the credit institution. Apart from the above administrative powers, as an exceptional measure, the MNB may also impose a fine for any of the following: infringement of legal regulations or MNB Orders pertaining to financial services and supplementary financial services; failure to comply with the Credit Institutions Act, MNB decisions, internal rules and regulations of the supervised institutions; or late or insufficient compliance with the above. The maximum limit for such fines is specified as the higher of a fixed amount not exceeding two billion forints, twice of the amount of the gains or prevented losses resulting from breach of law or 10 per cent. of the annual income calculated in the latest consolidated financial report determined for the institution concerned.

In certain cases specified by the Credit Institutions Act, the MNB must employ the exceptional measure of delegating an administrator to a credit institution upon the occurrence of the following events:

- (a) the solvency capital of the credit institution does not reach 80 per cent. of the mandatory level prescribed by law and the owner or the third-country credit institution is unable, or not willing, to restore the solvency capital or the own equity of the credit institution to the mandatory level prescribed by law or to the level imposed by the MNB; or
- (b) the competent authority, supervising the parent company of the credit institution, notifies the MNB of the occurrence of a crisis situation which jeopardises or endangers the financial stability of the parent company.

Further, the MNB is empowered to impose a ban or restriction on the undertaking of commitments by the credit institution involved for maximum one year (which can be extended by a half year) or the repayment of deposits for a maximum 90-day period.

The MNB Act confers a power on the Governor of the MNB to make delegated legislation exercisable by order. Such power, however, is strictly limited to the subject matters set out in the MNB Act and in the sectoral acts, such as detailed rules on the disclosure and reporting obligations of regulated entities, internal controlling procedures, etc. Further, orders foreseen to be issued by the Governor of the MNB may not be in contradiction to, and may not derogate from, acts of Parliament or orders of the Government.

The Credit Institutions Act also sets out the cooperation of the supervisory authorities of the relevant EU member states in relation to the supervision of cross-border banking groups on a consolidated basis, and regulates the functions to be performed by the MNB in its capacity as consolidating supervisor.

## **Principles of the National Bank of Hungary**

In order to prevent insolvency and minimise the negative consequences of such after the 2007/2009 global financial crisis, it is necessary for the financial institution to continuously maintain their functions in the financial system. In order to ensure that, the EU introduced the BRRD implemented in Hungary by the Resolution Act on the development of the system of institutions strengthening the security of the individual players of the financial intermediary system.

In order to further strengthen the Hungarian banking system and the stability of the Hungarian financial intermediary system, on 14 November 2018, the MNB published (and later annually updated) its principles for setting minimum requirement for own funds and eligible liabilities (the “**MREL Principles**”) to provide guidance on how the MNB approaches the interpretation of certain regulatory provisions governing the determination of minimum requirement for own funds and eligible liabilities within the legislative framework of the BRRD and the Resolution Act. Credit institutions and investment firms are obliged to continuously comply with the requirements, which require the institutions holding of liabilities of adequate quantity and quality to allow their partial or complete write-off or conversion to equity in case of a situation that makes such action necessary, therefore ensuring the bearing of losses by owners and creditors as well as the efficiency of the resolution actions. The authority which sets such requirements in Hungary is the MNB and the MREL Principles covers the following topics: the assumptions based on which MNB determines the size of the requirement; the quality of liabilities eligible to meet the requirement; and the lengths of the transitional period justified and necessary to comply with the final target. The MNB issued an order in relation to the MREL requirements applicable to the Guarantor on 5 September 2019.

The MNB, in its role as the resolution authority, exempted the Issuer from complying with the MREL Principles, since the Issuer demonstrated that it met the joint conditions set out in Article 68/B of the Resolution Act for subsidiaries that are not subject to resolution.

## **Main elements of the Hungarian banking regulations**

The current regulatory framework for the Hungarian banking system is primarily set out in the Credit Institutions Act, the Capital Markets Act and the Investment Firms Act, which transposed the relevant EU legislation into Hungarian law, including, inter alia, Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, Directive 2014/65/EU on markets in financial instruments (as amended, “**MiFID II**”), the provisions of Directive 2015/2366/EU on payment services in the internal market (the “**PSD2**”) and Directive 2009/110/EC of 16 September 2009 on the taking up, pursuit and prudential supervision of the Business of Electronic Money Institutions (the “**Electronic Money Institutions Directive**”). Particular provisions applicable to specialised credit institutions, such as mortgage credit institutions, are set out in specific acts, including the Mortgage Credit Institutions Act. In addition, specific rules not regulated in detail under these acts are elaborated in Government orders, MNB Orders or orders issued by the minister responsible for the regulation of the financial markets.

## **Capital Adequacy**

### ***Basel III***

On 16 December 2010, the Basel Committee on Banking Supervision (the “**BCBS**”) published the text of its reform package (commonly referred to as **Basel III**, revised in June 2011), which presents the details of global regulatory standards on bank capital adequacy and liquidity agreed by the Governors and Heads of Supervision, and endorsed by the G20 Leaders at their Seoul summit held in November 2010. Basel III promotes two frameworks regarding capital: a global regulatory framework for more resilient banks and banking systems (the “**Capital Guidelines**”) and an international framework for liquidity risk measurement, standards and monitoring (the “**Liquidity Guidelines**”).

The Capital Guidelines comprise new standards on minimum Tier 1 capital, the composition of the capital base, rules on counterparty risk, a leverage ratio and concepts for countercyclical capital buffers. Basically, the reforms raise both the quality and quantity of the regulatory capital base of banks and enhance the risk coverage of the capital framework. These reforms are underpinned by the introduction of a simple, transparent, non-risk-based leverage ratio in relation to banks that serves as a backstop to the risk-based capital measures, which is intended

to constrain excess leverage in the banking system and to provide an extra layer of protection against model risk and measurement error.

Pursuant to the Capital Guidelines, the predominant form of Tier 1 capital (“Common Equity Tier 1” capital) is common shares and retained earnings. The remainder of the Tier 1 capital (“Additional Tier 1” capital) consists of instruments that are subordinated, have fully discretionary non-cumulative dividends or coupons and have neither a maturity nor an incentive to redeem. Furthermore, the Common Equity Tier 1 ratio is 4.5 per cent. of risk-weighted assets. Additionally, a capital conservation buffer of 2.5 per cent., comprising Common Equity Tier 1, is to be established by the banks above the regulatory minimum capital requirement. Therefore, practically, the total common equity requirement of banks is to be 7 per cent. Banks are also subject to a countercyclical buffer regime which allows national regulators to require up to another 2.5 per cent. of capital during periods of high credit growth.

Furthermore, under the Capital Guidelines, in addition to the default risk capital requirements for counterparty credit risk, the banks are required to add a capital charge to cover the risk of mark-to-market losses on the expected counterparty risk (such losses being known as credit value adjustments: **CVA**) to OTC derivatives. This strengthens the capital requirements for counterparty credit exposures arising from banks’ OTC transactions, provides additional incentives to move OTC derivative contracts to central counterparties and generally raises counterparty credit risk management standards.

Under the Liquidity Guidelines, the BCBS strengthened its liquidity framework by developing two minimum standards for funding liquidity. These standards have been developed to achieve two separate but complementary objectives. The first objective is to promote short-term resilience of a bank’s liquidity risk profile by ensuring that it has sufficient high-quality liquid assets to survive a significant stress scenario lasting for one month. The Committee developed the Liquidity Coverage Ratio (“**LCR**”) to achieve this objective. The second objective is to promote resilience over a longer time horizon by creating additional incentives for banks to fund their activities with more stable sources of funding on an ongoing basis. The Net Stable Funding Ratio (“**NSFR**”) has a time horizon of one year and has been developed to provide a sustainable maturity structure of assets and liabilities. The LCR, including any revisions, was introduced on 1 January 2015. The NSFR, including any revisions, moved to a minimum standard by 1 January 2018.

### ***EU legislation***

As regards the European Union, the current EU framework for regulatory capital is primarily set out in the CRR and CRD IV. The CRD IV aims to ensure the soundness and stability of credit institutions and certain investment firms, on the basis of the three-pillar structure of the Basel II (Revised) Capital Framework.

CRD IV was implemented in Hungary by the Credit Institutions Act which applied from 1 January 2014.

The CRR provides a single rule book, directly applicable in all EU member states, and sets out a single set of prudential requirements for credit institutions and investment firms with uniform application throughout the EU. CRR requires banks to have set aside enough capital to cover unexpected losses and keep themselves solvent in a crisis. As a main principle, the amount of capital required depends on the risk attached to the assets of a particular bank. This is referred to as the “*own funds requirement*” and is expressed as a percentage of risk-weighted assets. In other words, the riskier the assets, the more capital the bank has to set aside.

The own funds consist of the following:

- (i) Tier 1 capital which consists of the sum of the following:
  - Common Equity Tier 1 (CET1) capital made up of capital instruments, share premium accounts, retained earnings, accumulated other comprehensive income, other reserves, funds for general banking risk after application of some adjustments and deductions; and
  - Additional Tier 1 capital which consists of capital instruments, under the conditions laid down in Article 52(1) of CRR and share premium accounts related to the instruments referred to in this bullet after application of adjustments.

- (ii) Tier 2 capital, which includes capital instruments and subordinated loans under the conditions laid down in Article 63 of CRR, the share premium accounts related to instruments referred to in this bullet and some adjustments depending on the method of calculating risk-weighted exposure amounts.

A total amount of capital that banks and investment firms are required to hold should be equal to at least 8 per cent. of the total risk exposure amount. The share that has to be of the highest quality capital - common equity tier 1 should make up 4.5 per cent. of the institution's own funds.

Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012 (the "CRR II") covers, among others things, the leverage ratio, requirements for own funds and eligible liabilities, credit risk, exposures and reporting requirements. While the CRR II entered into force on 27 June 2019, the majority of its provisions were applied only from 28 June 2021.

Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending the Capital Requirements Directive IV as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures (the "CRD V") governs exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures. Hungary implemented the provisions of the CRD V by way of an amendment to Act CCXXXVII of 2013 on Credit Institutions and Financial Undertakings.

The amendment to the BRRD, i.e. Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC (the "BRRD II"), addresses the need for proportionality of bail-in related rules to ensure the effectiveness of the bail-in tool in a cross-border resolution and to promote equal treatment between EU and third-country creditors. The provisions of the BRRD II have been implemented in Hungary by the Resolution Act.

### **Implementation of the relevant EU legislation by Hungary**

The capital adequacy requirements set out in the CRD IV have been transposed into Hungarian law through the Credit Institutions Act and its various amendments, as well as orders issued by the Hungarian Government and the minister responsible for the regulation of the financial markets.

Pursuant to the Credit Institutions Act, banks must maintain a registered capital of at least HUF 4 billion (approximately EUR 11 million). The minimum registered capital requirement amounts to at least HUF 3 billion (approximately EUR 8.2 million) for mortgage credit institutions as a type of specialised credit institution. The amount of a credit institution's equity may not be less than the statutory minimum amount of its registered capital. In the event of the amount of a credit institution's equity falling below the registered capital, the MNB may afford the credit institution a maximum 18-month deadline to bring its equity to the required level.

In order to maintain its solvency and ability to satisfy its liabilities, a credit institution must at all times maintain own funds adequate to cover the risk of the financial and investment activities it engages in.

The institution's own funds must at all times be equal to, or exceed, the sum of:

- (a) 8 per cent. of its total risk-weighted exposure, calculated in accordance with the relevant provisions of the CRR, for its credit risk;
- (b) the capital requirement for its dilution risk;
- (c) the capital requirement for counterparty credit risk in relation to items booked in, and out of, its trading book;
- (d) the capital charge for position risk and large exposures in its trading book;
- (e) the capital charge for foreign exchange and commodities risk throughout all of its business activities; and
- (f) the capital requirement for operational risk inherent in all of its business lines,

which may not in any event be less than the minimum amount of its registered capital.

The CRR provides for two broad methodologies to quantify a bank's risk-weighted exposure: the Standardised Method and the Internal Ratings Based Approach. The Standardised Method enables the credit institution to measure its risks in a standardised manner on the basis of the principles laid down in the CRR. Pursuant to this method, each exposure must be categorised into an exposure class, linked to the respective risk category. Alternatively, the Internal Ratings Based Approach, subject to the explicit approval of MNB, allows banks to use their internal rating systems.

### **Trading Book**

A trading book consists of positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book. Positions held with trading intent are those held intentionally for short-term resale and/or with the intention of benefiting from actual or expected short-term price movements or to lock in arbitrage profits, including proprietary positions, positions arising from client servicing and market making. To be eligible for trading book capital treatment, financial instruments must either be free of any restrictive covenants on their tradability or be able to be hedged completely. In addition, positions should be frequently and accurately valued, and the portfolio should be actively managed.

In order to ascertain a credit institution's capital requirements in respect of positions booked in the trading book, there must be clearly defined policies and procedures in place in order to determine which exposures to include in, and to exclude from, the trading book. Systems and control mechanisms must be sufficient to provide prudent and reliable valuation estimates.

The regulation of credit institutions' trading activities and the trading book are set out in the Investment Firms Act and the related Government orders (implementing MiFID II and the relevant provisions of CRD IV).

### **General Reserves**

A credit institution must create general reserves against the possibility of losses not yet identified by setting aside 10 per cent. of its Profit After Tax prior to paying dividends. The funds so set aside may be used only to offset the losses incurred by the credit institution from its business activities. (Upon request, a credit institution may be exempted by the MNB from the obligation to create general reserves, provided that the amount of the credit institution's own funds are at least equal to 150 per cent. of the minimal amount of own funds as set out in CRR and any additional capital required by the regulator and if it has no negative profit reserves.)

### **Minimum liquidity requirements**

The LCR are monitored by the MNB from the beginning of 2012 on a quarterly basis but since 2013, the LCR have been switched to monthly monitoring. Based on the EU legislation, the MNB ensures that a bank maintains an adequate level of high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30-calendar-day time horizon under a significantly severe liquidity pre-specified stress scenario. The liquidity coverage ratio - unencumbered high-quality assets against net cash outflows over a 30-day stress period – has been phased-in gradually, starting at 60 per cent. in 2015 and reached 100 per cent. in 2016.

For a stable financing market, it is essential for credit institutions to apply stable and long-term foreign currency resources. MNB Order No. 14/2014. (V. 19.) (the “**MNB Order I**”) establishes that, from 1 January 2016, the foreign currency ratio shall at all times reach 100 per cent., calculated according to the MNB Order I based on quarterly reporting to the MNB. Furthermore, according to MNB Order No. 25/2015. (VII. 30.), the absolute value of a credit institution's foreign currency indicator must not exceed 0.1 from 24 March 2020.

MNB Order No. 20/2021. (VI. 23.) (the “**MNB Order II**”) deals with retail mortgage loans financed by the issuance of mortgage-backed securities. Mortgage bonds and other similar instruments are considered to be stable, long-term resources with relatively low funding costs due to their favourable risk rating. Financings with longer term securities also reduce the interest rate risks. The scope of the MNB Order II covers credit institutions and credit institution groups, with some exceptions. Pursuant to MNB Order II, the mortgage-backed financing compliance indicator at all times shall be 0.25 from 1 July 2021 and 0.3 from 1 October 2022 based on quarterly reporting to the MNB.

## **Capital Buffers**

In addition to the mandatory CET1 capital requirement set out in CRR, pursuant to the Credit Institutions Act implementing CRD IV, all banks are required to hold certain capital buffers to ensure that they accumulate a sufficient capital base in prosperous times to enable them to absorb losses in the event of a crisis.

### ***Capital conservation buffer***

Banks have to hold a capital conservation buffer in order to preserve a bank's capital. If a bank does not comply with this buffer, it will have to limit or stop payments of dividends or bonuses. The capital conservation buffer for Hungarian credit institutions is 2.5 per cent. of total risk exposure.

### ***Countercyclical capital buffer***

The countercyclical capital buffer is a prudential tool to counteract the effects of the economic cycle on banks' lending activity. It requires a bank to have an additional amount of capital (CET 1) in good times, when credit growth is strong, so that when the economic cycle turns, and economic activity slows down or even contracts, this buffer can be released to allow the bank to keep lending to the real economy. The countercyclical capital buffer for credit institutions that have exposures from loans granted in Hungary may extend to 2.5 per cent. of the total risk exposure. This could be increased by the MNB if the loans to deposits ratio is high or there are material adverse tendencies in the macroeconomic environment.

### ***Other systemically important institutions (O-SII) buffer***

This buffer applies to domestically important institutions as well as institutions of EU importance. Hungarian credit institutions identified as O-SII by the MNB must maintain at individual, sub-consolidated or consolidated level, as the case may be, an O-SII capital buffer of 1 per cent. to 3.5 per cent. of total risk exposure (depending on the categorisation of the relevant credit institution). The O-SII buffer applies to the Guarantor.

### ***Systemic risk buffer***

The MNB is entitled to instruct credit institutions to maintain a systemic risk buffer of CET 1 capital to prevent and mitigate long-term non-cyclical systemic or macro-prudential risks, which may have serious negative effects on the economy. The minimum rate of the systemic risk buffer is 1 per cent.

## **Large Exposures**

The so-called "large exposures" are the exposures of an institution to a single client or a group of connected clients, representing more than 10 per cent. of its eligible capital (therefore "large" compared to an institution's overall sources of capital). Pursuant to CRR, a large exposure cannot exceed 25 per cent. of the institution's eligible capital (or EUR 150 million, whichever is higher). The purpose of this limit is to protect institutions from significant losses caused by the sudden default of an individual counterparty or a group of connected counterparties.

## **Regulation on Transactions**

In addition to the provisions on capital adequacy, the Credit Institutions Act imposes other requirements and restrictions on credit institutions, including reporting obligations and liquidity requirements, and contains limitations on exposures related to the acquisition of ownership in companies and real estate, as well as other forms of investment restrictions. The Credit Institutions Act also sets out requirements as to the fitness, probity and competence of the credit institutions' personnel.

## **Implementation of the Payment Services Directive**

The PSD2 provides the legal framework for payments in the EEA and a single market for Euro payments, known as the Single Euro Payment Area ("SEPA"). SEPA aims to create an integrated market for payment services in EUR, with a common set of business rules and technical standards for non-cash payments (i.e. credit transfers and direct debits), where all EUR payments are treated equally, and the differentiation between domestic and cross-border transactions disappears. PSD2 also seeks to improve competition by providing access to new players, thus fostering greater efficiency and cost reduction.



The PSD2 was implemented into Hungarian law as from 13 January 2018, when Act CXLVI of 2017 amending Act LXXXV of 2009 on the Provision of Payment Services (the “**Payment Services Act**”) and Act CCXXXV of 2013 on Certain Payment Service Providers (the “**Payment Service Providers Act**”) came into force.

The Payment Services Act lays down the requirements set out in the PSD2 in order for the Hungarian payment system to be compatible with SEPA. The Payment Services Act has established a comprehensive set of rules applicable to payment services provided within the territory of Hungary in relation to both domestic and cross-border payments within the EEA, with enhanced transparency as regards the conditions of payment services. The Payment Services Act imposes various disclosure obligations on payment service providers, which may not be derogated from by contract where the customer is a consumer or a micro enterprise (within the meaning defined therein). Effective from 13 January 2018, the MNB has adopted further rules in connection with the regime of payment services established by the Payment Services Act in its No 35/2017 (XII. 14.) Order on the execution of payments. Based on this regulation, the instant payment system (“*azonnali fizetési rendszer*”) has been available from 2 March 2020 for customers. The system is operated by the state-owned Hungarian financial services provider, GIRO Zrt. The instant payment system processes credit transfers and other payments within a maximum of five seconds with a maximum of 24 hours of system maintenance per year. Payments may be initiated up to HUF 10,000,000 (approx. EUR 27,430) via the instant payment system.

In addition to the already existing category of payment institutions, the amendment to the Payment Service Providers Act has introduced new categories of payment service providers, being the electronic money issuance institution and the voucher issuer.

In the instant payment system, all domestic transfers of money for individuals (unless the order was issued in a paper format or the order was issued with a value date different from the issue date) sending up to HUF 10,000,000 take place within five seconds at any time of the day, seven days a week. Service providers have only 24 hours during a period when the volume of business is the lowest for down time during every calendar year, of which clients must be notified in advance. Transfers by legal entities will fall under the new obligatory rules if they transfer up to HUF 10,000,000 in individual transfers that are not submitted in bundles. The system was launched successfully on 2 March 2020. The system is intended to be a competition of traditional payment cards (such as Visa, MasterCard), cash and the so-called yellow cheques (used to pay utilities at post offices).

## **Consumer protection legislation in the financial sector**

### **EU legislation on consumer protection in respect of financial services**

Directive 2008/48/EC of the European Parliament and the Council of 23 April 2008 on credit agreements for consumers (the **Consumer Credit Directive**) sets out additional obligations on any natural or legal person who grants credit to consumers in the course of his trade, business or profession, including credit institutions. Certain types of credit agreements, such as loans secured by a mortgage on real estate, are excluded from the scope of the Consumer Credit Directive. By focusing on transparency and consumer rights, the Consumer Credit Directive ensures that comprehensive information is given to consumers in good time and before the contract is concluded and also as part of the credit agreement.

In order to enhance the comparability of different offers and to make the information more understandable, the pre-contractual information needs to be supplied in a standardised form (Standard European Consumer Credit Information), which must be used by every creditor (as defined in the Consumer Credit Directive) when marketing consumer credit in any Member State. Further, the Consumer Credit Directive imposes significantly more stringent obligations on creditors in respect of both the disclosure and calculation of the Annual Percentage Rate of Charge (as harmonised at the EU level, hereinafter referred to as **APR**), representing the total costs of the credit.

Moreover, the Consumer Credit Directive tightens the requirements for assessing the creditworthiness of consumers. In addition, the Consumer Credit Directive introduces two essential rights for consumers:

- (a) they are allowed to withdraw from the credit agreement without giving any reason within a period of 14 days after the conclusion of the contract; and
- (b) they are entitled to make early repayment at any time, with limitations on creditors’ rights to compensation for the losses incurred because of the prepayment by the consumer.

## **Laws on consumer protection in Hungary**

The recent Hungarian legislation, aimed at enhancing the protection of consumers in financial markets, implemented the Consumer Credit Directive, further narrowed the scope for unilateral amendments by credit institutions in respect of consumer credit agreements, and imposed other restrictions with a view to protecting the weaker party.

The Consumer Credit Directive has been implemented into Hungarian law by Consumer Credit Act and Government Order No. 361/2009 (XII. 30.) on the Requirements of Prudent Retail Lending and on the Assessment of Creditworthiness (the “**Consumer Credit Order**”).

As the Consumer Credit Act implements Directive 2014/17/EU on credit agreements for consumers relating to residential immovable property (the “**Mortgage Credit Directive**”), its provisions also apply to mortgage-backed loans and financial lease agreements. Both the Consumer Credit Act and the Consumer Credit Order have been amended a number of times to reflect policy changes, as well as to make certain clarifications.

The most important implications concern prepayments and the assessment of creditworthiness and, after the entering into of Act V of 2013 on the Civil Code (the “**Civil Code**”), the obligation of credit institutions to provide the required information to the borrower. Furthermore, there are newly introduced limits in respect of the amount of the APR and any unilateral amendment of the credit agreement by the credit institution.

As regards prepayments, the Consumer Credit Act imposes significant limitations on, and conditions for, a credit institution recovering its losses, stemming from the consumer borrower repaying the loan, in whole or in part, earlier than its scheduled maturity.

In the event of a prepayment made by a relevant borrower in respect of a consumer mortgage-backed loan, the credit institution is entitled to compensation for the costs deriving from the borrower’s prepayment. Such compensation however is capped at (a) 1.5 per cent. of the prepaid amount; or (b) 2 per cent. of the same in the case of consumer loans funded by mortgage bonds, including loans refinanced by mortgage credit institutions, where the prepayment falls within a period during which the interest rate is a fixed rate, or within the respective interest rate period in respect of loans with a floating rate.

In addition, the Consumer Credit Act gives consumers that are over 90 days in default on payments under their mortgage-backed loans the right to apply for an extension of the relevant housing mortgage loan term by a maximum period of five years. Such applications may be made one time only during the term of the relevant mortgage-backed loan and may not be refused by the respective creditors without good reason.

### ***New requirements on credit rating***

The provisions set out in the Consumer Credit Order apply to credit agreements, loan agreements, and financial lease agreements concluded with natural persons in the territory of Hungary by financial or payment institutions (as also defined in the Credit Institutions Act respectively) in the course of their lending activity.

Some types of credit and loan agreements are excluded from the scope of the Consumer Credit Order, such as:

- amendments to, or the rescheduling of, existing credit agreements (where the creditor will not charge any fees), stemming from the default or solvency problems on the part of natural person borrowers, provided that the total amount of the borrower’s existing debt does not increase as a result of such alterations and the modified credit is (a) denominated in HUF or EUR, or made as a EUR-based loan, where the credit was originally disbursed as a EUR-denominated or EUR-based loan, or a loan denominated in a currency other than HUF or EUR; (b) denominated in HUF if the credit was initially denominated in HUF; or (c) denominated in Swiss Francs if the credit was initially denominated in Swiss Francs;
- certain refinancing credits (where the creditor will not charge any fees), granted by the same creditor as the one providing the original credit or loan on which the natural person borrower is in default, provided that the refinancing transaction does not lead to such further indebtedness of the natural person borrower which exceeds the amount reasonable to restore their solvency; and
- certain other credit agreements with specific purposes or collaterals as determined therein.

The provisions of the Consumer Credit Order do not apply to those credits which are provided to refinance a natural person borrower's debts, existing at the time of the Consumer Credit Order coming into force, by a creditor other than the one providing the original credit or loan being refinanced, insofar as such a transaction does not lead to an increase in the total amount of the natural person borrower's indebtedness, existing at the time of the refinancing credit under the original credit, and the new credit is: (a) denominated in HUF or EUR, or provided as a EUR-based credit, where the credit was originally provided as a EUR-denominated or EUR-based credit, or a credit denominated in a currency other than HUF or EUR; (b) denominated in HUF if the credit was initially denominated in HUF; or (c) denominated in Swiss Francs, or provided as a Swiss Francs based credit, if the original credit was denominated in Swiss Francs or provided as a Swiss Francs based credit. Limitations set out in the Consumer Credit Order on the amount of repayment instalments under foreign currency denominated loans and the requirements on the internal credit rating policies of creditors, however, will be applicable also to such transactions.

#### ***Provisions on internal credit rating procedures***

The Consumer Credit Order sets out tightened requirements on the internal credit rating procedures of creditors. The new provisions, inter alia, impose an obligation on them to assess the creditworthiness of the natural person borrower in each and every case.

Creditors falling within the scope of the Consumer Credit Order are obliged to adopt internal rules and regulations on credit rating, especially in relation to determining procedures and methods for the establishment of credit limits for natural person borrowers, and should also determine what information the borrower shall provide in order to determine its credit rating. The calculation of such limits has to be based on the income of the natural person borrowers and the credit limits must be based on such income. In case of mortgage-backed loans, the creditor must take into account the necessary, sufficient and proportionate information in relation to the borrower's financial and economic circumstances and its expenditures.

Further, creditors must provide natural person borrowers, before the assessment of their creditworthiness, with the guidance published on the website of the MNB on the risks associated with excessive indebtedness.

#### ***Tightened regime for the calculation and disclosure of the APR***

As regards the calculation and disclosure of the APR, Government Order No. 83/2010 (III. 25.) on the determination, calculation and disclosure of the annual percentage rate of charge (the "APR Order") implements the relevant provisions of the Consumer Credit Directive. The APR Order also covers mortgage credit and financial lease arrangements provided to natural person borrowers. The APR Order, inter alia, significantly broadens the scope of those expenses which must be included when calculating all costs related to a credit. These expenses include, but are not limited to:

- (a) fees and commissions payable to credit intermediaries (if applicable);
- (b) charges for ancillary services, especially fees for account maintenance and transfers, known by the creditor and the costs of those services tied to the consumer credit by contract (where applicable); and
- (c) costs of proceedings before the land registry office (where applicable).

When calculating the APR, it should also be taken into account if the loan was repaid in compliance with the terms of the loan agreement.

#### **APR cap on retail credits and pricing restrictions in respect of retail mortgage loans**

The Consumer Credit Act, inter alia:

- (a) prohibits financial institutions from granting any loan (except for Household Credits (as defined below)) to consumers the APR of which exceeds the base rate (published by the MNB and prevailing on the day immediately preceding the relevant half calendar year) plus 24 per cent.; and
- (b) imposes a cap on APRs, whereby the APR in respect of current account overdrafts, credit lines attached to credit cards or loans provided to finance the purchase of common household equipment items (except for cars), durable consumer goods or everyday household services and loans secured by a pledge on assets, which are in each case granted to consumers (the "Household Credits") may not exceed the base

rate (published by the MNB and prevailing on the day immediately preceding the relevant half calendar year) plus 39 per cent.

In addition, the Consumer Credit Act introduces further restrictions on the ability of financial institutions to set their prices and recoup their costs in respect of loans granted to consumers by, inter alia, limiting:

- (a) the manner in which financial institutions may set and modify interest rates on loans by setting out that credit institutions must, unless otherwise provided by legislative instruments, (i) apply publicly available reference rates or reference yields specified in the Consumer Credit Act, or (ii) apply fixed interest rates for three-year periods;
- (b) the grounds on which financial institutions may modify margins applied over statutory reference rates to the detriment of borrowers under such loans;
- (c) the rights of financial institutions charging regular costs, fees and other interest-like charges to borrowers under such loans and the extent to which irregular charges or costs on such loans may be increased; and
- (d) any modifications in the prices (which is only permitted if the Consumer Credit Act so permits or the parties expressly specified the right of such modifications in the relevant loan agreement).

If the conditions for a unilateral amendment of the loan agreement allow for a reduction of the interest rate, the margin, the cost or the fee, the creditor must apply it as part of its contractual obligations towards the consumer.

If a loan with a maturity of up to three years bears, for its entire term, either a fixed interest rate or a floating interest rate, then the term of the credit and the interest rate may not be modified unilaterally by the financial institution.

If a reference interest rate is applied in a credit agreement, the reference interest rate must be periodically adjusted to the reference rate effective on the second day prior to the last business day of the month preceding the next interest payment date. A financial institution may change the reference rate (as published on the website of the MNB) up to five times.

A financial institution may only amend the rate of interest, the interest rate margin, costs and fees unilaterally to the disadvantage of the consumer, if such amendment was expressly stipulated in the credit agreement. Other conditions, including the clause for unilateral amendment, may not be amended unilaterally to the disadvantage of the consumer.

In the event the consumer fails to make a payment when it is due, the default interest charged by the financial institution must not, for the duration of the delay, exceed 1.5 times the interest rate applicable to the original transaction plus 3 per cent., and must not exceed the maximum amount of the APR set out in the loan agreement.

### ***EU Directive on retail residential lending***

On 4 February 2014, the European Parliament and the Council published Mortgage Credit Directive, which covers credit agreements secured by a mortgage or another security interest, loans to purchase a property and certain credits for financing the renovation of a property.

The Mortgage Credit Directive introduces strict requirements for the provision of pre-contractual information to consumers on available mortgage products, in particular with respect to foreign currency loans, and an obligation on the part of creditors to appropriately assess the retail borrowers' ability to repay the relevant loan, taking into account their personal circumstances, on the basis of sufficient information. It also imposes a duty on creditors to assess the creditworthiness of consumers so as to ensure that borrowers can meet their repayment obligations. The Mortgage Credit Directive also establishes conduct of business principles that ensure that lenders and credit intermediaries act honestly and transparently in the consumer's interests. The Mortgage Credit Directive was implemented into Hungarian law by various laws, including the Consumer Credit Act, the Civil Code and the Credit Institutions Act.

### ***Income-based repayment instalments***

To further enhance the protection of the consumers and to increase the confidence in the lending industry, another recent legislation imposed restrictions on the amount of loan and repayment instalments by adopting MNB Order

No. 32/2014. (IX. 10.), effective from 1 January 2015. Such order establishes that in case of a HUF-denominated mortgage-backed loan, the total amount of the loan must not exceed 80 per cent. of the value of the real estate at the time of the credit application. In respect of EUR-denominated mortgage-backed loans, such amount must not exceed 50 per cent. of the value of the real estate and, in case of other currencies, 35 per cent. is the applicable rate.

The income-based repayment instalment is a ratio defined as being the monthly debt service to the net monthly income of the consumer. If the net monthly income is less than HUF 500.000, the income based repayment instalment shall not be more than 50 per cent. in case of a HUF-denominated loan, 25 per cent. in case of a EUR-denominated loan and 10 per cent. in respect of other currencies. If the net monthly income is equal to or more than HUF 500,000, the income-based repayment instalment shall not be more than 60 per cent. in case of a HUF-denominated loan, 30 per cent. in case of a EUR-denominated loan and 15 per cent. in respect of other currencies.

#### ***Other protective measures***

The scope of Act XXXVIII of 2014 on the decision of the Supreme Court on the settlement of certain issues related to consumer loan agreements of financial institutions (the “**Curia Act**”) are consumer loan agreements entered into between 1 May 2004 and the date of entry into force of the Curia Act. Pursuant to the Curia Act, a contractual condition in a consumer loan agreement that stipulates that a different exchange rate will be applied at the time of the disbursement and repayment is null and void (except if such terms were individually negotiated). Furthermore, in case the loan agreement contains a unilateral right of amendment in relation to the increase of interest rate, costs and expenses, then it is presumed that such clause is unfair.

The Ministry of National Economy also introduced a couple of orders important in respect of the protection of the consumers’ position. Order No. 56/2014. (XII. 31.) regulates the rules concerning the provision of information to consumers, while Order No. 3/2016. (I. 7.) establishes such rules in relation to mortgage-backed loans.

The most popular initiative aimed to consumers was introduced by Government Order No. 16/2016. (II. 10.) and 17/2016. (II. 10.) (the so-called “*CSOK*” in Hungarian), a special discount and support for families for purchasing real estate, involving certain obligations in childbearing.

In order to encourage married couples for bearing and upbringing children, the State offers them from 1 July 2019 a loan on favourable terms with an interest subsidy and a child-bearing support. Based on the Government Order No. 44/2019. (III.112.), the maximum amount of the loan is HUF 10 million for a maximum duration of 20 years. For those taking the loan, a prepayment fee or cost must not be charged. In certain cases, the supported persons may request the repayment to be suspended for a period of time. The supported persons do not pay an interest or costs for the loan during the interest subsidy period as the Treasury will pay such amounts to the credit institutions instead of them. The amount of support will be cleared between the relevant credit institution and the Treasury and the credit institution will receive an amount of 0.3 per cent. to 0.8 per cent. of the duly disbursed loan to compensate for its expenses. From 1 January 2024, the CSOK will only apply for real estates purchased in villages, but not in cities. In addition, from 1 January 2024, a new scheme called “*CSOK Plusz*” will offer low interest loans to first-time home buyers with one to three or more children.

#### ***Other restrictions***

The Consumer Credit Act, the Civil Code and the Credit Institutions Act give rights to financial institutions to effect unilateral amendments to existing loan agreements and financial lease agreements entered into between credit institutions and retail customers.

The Credit Institutions Act imposes certain restrictions on the provision of small-amount credits with significantly high APRs, as well as on the way of taking security interests in relation to agreements concluded with consumers. For instance, agreements concluded with consumers which provide the financial institution with a call option for security purposes in respect of a residential property are null and void in-so-far as the consumer obligor habitually lives in the property so pledged.

#### ***Measures related to the COVID-19 outbreak***

In response to the COVID-19, pandemic the Hungarian Government adopted several measures related to the enforcement of loan obligations, a payment moratorium and a special tax. For further detail on these measures,

please refer to the “*Description of the Issuer – Recent developments – Impact of COVID.19*” section of this Base Prospectus.

## **Legislative and Financial Measures Intended to Stabilise the Markets as a Response to the 2007/2009 Global Financial Crisis**

### **Financial Measures**

#### *New monetary policy instruments*

In response to the 2007/2009 global financial crisis, the MNB introduced several monetary policy instruments, such as swap and credit facility tenders aiming to enhance EUR and HUF liquidity in the Hungarian banking sector.

#### *Enhanced Deposit Insurance and other funds*

In response to the 2007/2009 global financial crisis, with effect from 1 January 2011, the guarantee provided by the National Deposit Insurance Fund (in Hungarian: “*Országos Betétbiztosítási Alap*”) (the “**Fund I**”) on the so-called “registered” (in Hungarian: “*névre szóló*”) bank account deposits (as defined in the Credit Institutions Act) placed with domestic credit institutions (being members of the Fund I) was extended to an aggregate amount of EUR 100,000 per person.

The Investor Protection Fund (the “**Fund II**”) was established on 14 April 1997 with a membership of every entity that is authorised to conduct activities under the National Money and Capital Markets Supervisory Authority, as the then competent supervisory authority. The operation of the Fund II is regulated by the Capital Markets Act and is responsible for paying the amount of compensation for investors specified by the Capital Markets Act as being such secured liabilities which are based on agreements concluded with the member of the Fund II and the investor after 1 July 1997 in relation to assets (securities, money) registered under the name of the investor but in the possession of the member of the Fund II.

The Resolution Fund (the “**Fund III**”) is financed by credit institutions and investment firms and was founded in order to further strengthen the financial stability in Hungary. With such institution, the costs of the crisis in the financial sector are no longer financed by the taxpayers, but the market participants. Its main task is to bear the costs of the recovery and the institutional crisis management pursuant to the Resolution Act.

The Damage Settlement Fund (the “**Fund IV**”) was established by Act CCXIV of 2015 for maintaining the capital market stability and the trust in the investment service providers. The purpose of the Fund IV is to settle claims as defined in Act CCXIV of 2015 and to enforce claims in relation to claims transferred to it.

### **Legislative Measures**

#### *Financial Stabilisation Act*

The main legislative step in respect of financial stabilisation was the enactment of Act CIV of 2008 on Enhancing the Stability of the Financial Intermediary System (the “**Financial Stabilisation Act**”). The Financial Stabilisation Act introduced certain stabilisation measures which may be applied to credit institutions having their registered seat in Hungary.

The main measure under the Financial Stabilisation Act is recapitalisation, which may be applied on the recommendation of the Governor of the MNB to inject new capital in the credit institution (a) upon the request, or with the approval, of the credit institution or (b) without the request and approval of the credit institution. If the recapitalisation is carried out upon the request, or with the approval, of the credit institution, then it must (i) issue “dividend preference share(s)” and “voting preference share(s) with special veto right” (for details see description below) to the Hungarian State and (ii) conclude an agreement with the Hungarian State which must provide for, among other things, the nominal value and the issue value of the two classes of preferential shares, the right of the Hungarian State to delegate board members, limitations on the remuneration of the senior officers of the credit institution until the ownership of the Hungarian State terminates and the detailed rules on exercising the put option and the call option by the respective parties (as indicated below). The dividend preference share(s): (A) entitle the Hungarian State to a priority payment of a higher amount of dividend compared to other shareholders; (B) are non-voting; (C) include a call option for the credit institution; and (D) include a put option for the Hungarian State

towards the credit institution after five years from the issue date of those shares. The Hungarian State cannot otherwise sell these shares. The voting preference share with special veto right may only be issued to the Hungarian State. It does not entitle the holder to dividends; but it provides for a veto right at the shareholders' meeting with respect to resolutions: (I) on the payment of dividends; (II) which are subject to the approval of the majority of holders of the voting preference share class(es); and (III) which may only be passed with 75 per cent. majority vote. Veto rights may not be exercised against certain types of resolutions detailed in the Financial Stabilisation Act.

### ***Special bank tax***

Legislative measures, aimed at enhancing financial stability, imposed a special extra tax on certain financial institutions, including credit institutions (the “**Extra Tax**”). Although the original intention was to introduce the Extra Tax for a temporary period between 2010 and 2012, the tax has become a permanent additional charge for financial institutions. In the case of credit institutions, the tax base is the adjusted balance sheet total, calculated according to IFRS or Hungarian accounting rules, of the second financial year prior to the actual tax year (the “**Tax Base**”). The Extra Tax is currently set as 0.15 per cent. of the Tax Base up to HUF 50 billion, while a 0.2 per cent. tax rate applies to that part of the Tax Base which exceeds HUF 50 billion.

### ***Transaction duty on the payment services sector***

A transaction duty under Act CXVI of 2012 on Financial Transaction Duty (the “**Payment Transaction Duty**”) applies to most payment transactions (e.g. transfers, direct debits, most card payments, money remittances, cash withdrawals from payment accounts, letters of credit, cheque remittances, currency exchange, repayment of loans, etc.) with certain exceptions, such as transfers between the payment accounts of an account holder managed by the same payment service provider (including credit institutions), interbank payments (payments through a payment service provider from a payment account held by another payment service provider, financial institution, investment firm, investment fund or investment fund manager). As of 1 January 2019, in case of transfers initiated by private individuals, only the amount in excess of HUF 20,000 is subject to Payment Transaction Duty. The charging of fees and commissions by financial service providers is also subject to Payment Transaction Duty.

The Payment Transaction Duty is, in most cases, payable by the payor's relevant payment service provider (in the case of letters of credit, the Payment Transaction Duty is imposed on the issuing bank; in the case of money remittances, it is payable by the payment service provider used; and, as to cheque remittances, by the issuer's relevant payment service provider). The general tax rate is 0.3 per cent. of the amount by which the payment account of the paying party is charged with the maximum of HUF 6,000 payable per transaction. For cash withdrawals, an increased rate of 0.6 per cent. applies without an upper cap. With respect to payments by card, a flat rate of HUF 800 (HUF 500 for contactless cards) applies per card and per annum.

### ***Limitations in respect of foreign currency credits***

The extensive foreign currency mortgage lending, which was prevalent in the years preceding the 2007/2009 global financial crisis, has led to large stocks of foreign currency denominated loans to borrowers without matching foreign currency income. The global financial crisis and the consequential significant depreciation of HUF against foreign currencies (especially in respect of the Swiss Franc) in the period of the global financial crisis have led to materially heavier and excessive debt servicing burdens on the part of households on foreign currency denominated residential mortgage loans, which, in turn, has resulted in increased delinquency rates on such loans, particularly in respect of those denominated in Swiss Francs.

Act LXXV of 2011 introduced certain restrictions on the conversion rates that may be applied by financial institutions in relation to housing loans granted to, and financial lease agreements where a residential home is leased are concluded with, consumers, where such loans or the financing provided under such financial lease agreements are accounted, or have been disbursed, in a foreign currency with repayments denominated, and to be fulfilled, in HUF. Further limitations were imposed on the manner in which costs of credit may be charged to borrowers in relation to foreign currency denominated loans granted to consumers and to be serviced in HUF.

Under Act LXXV of 2011, the transitional statutory ban on foreign currency denominated retail mortgage lending was lifted with effect from 1 July 2011; nevertheless, foreign currency denominated mortgage lending is still subject to strict conditions.

In addition, an early repayment scheme was introduced in respect of mortgage loans and housing financial lease agreements that were secured by real estate located in Hungary, which were granted to consumers and denominated in, or linked to, Swiss Francs, EUR or JPY irrespective of whether the relevant loan was to be serviced in HUF or in the currency in which it is denominated.

#### ***Mortgage relief programme***

The blanket ban on foreign currency mortgage lending and the statutory moratorium on evictions and enforcement sales outside court enforcement have been replaced by a comprehensive package of measures, which aimed to alleviate increased borrower default on foreign currency denominated residential mortgage loans in a more sustainable manner and to mitigate significant potential distortions in the real estate market, which could have resulted from a large number of simultaneous enforcement actions following the expiry of the statutory moratorium on evictions and enforcement sales outside court enforcement.

#### ***Regime for foreclosure proceedings***

Various measures were implemented following 2011 with the aim of assisting a large number of distressed borrowers and mitigating the material adverse effects, resulting primarily from the significant volatility of the HUF, on the residential mortgage market. For instance, a statutory blanket moratorium was introduced on evictions and forced sales outside court enforcement in respect of properties where the relevant obligor had his habitual residence. Currently, a general moratorium applies in each year in the period between 15 November and 30 April, during which no court enforcement or non-judicial forced sales may be initiated in respect of residential properties.



## TAXATION

### ***Hungarian Taxation***

*The following is a general discussion of certain Hungarian tax consequences relating to the acquisition and ownership of Mortgage Notes. It does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase Mortgage Notes, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. It is based on laws currently in force in Hungary and applicable on the date of this Prospectus, but subject to change, possibly with retrospective effect. The acquisition of the Mortgage Notes by non-Hungarian Holders, or the payment of interest under the Mortgage Notes may trigger additional tax payments in the country of residence of the Holder, which is not covered by this summary, but where the provisions of the treaties on the avoidance of double taxation should be taken into consideration. Prospective purchasers of Mortgage Notes are advised to consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of Mortgage Notes, including the effect of any state or local taxes, under the tax laws of Hungary and each country of which they are residents.*

### ***Taxation of individual non-Hungarian tax-resident Holders***

Individual non-Hungarian tax-resident holders of the Mortgage Notes are subject to tax in Hungary only with respect to their Hungarian source income or income that is otherwise taxable in Hungary if as a result of the application of the relevant treaty on the avoidance of double taxation, reciprocity or the absence of a tax treaty/reciprocity, Act CXVII of 1995 on Personal Income Tax (the “**Personal Income Tax Act**”) so requires.

Payments received with respect to publicly offered debt securities (including interest and yield realised upon the redemption or sale thereof) are treated as income under Hungarian law, subject to personal income tax (at 15 per cent.). However, provided that Hungary has an applicable treaty on the avoidance of double taxation in place with the country of tax-residence of the Holder, such treaty may fully exempt the Holder from personal income tax or may reduce the applicable personal income tax rate, with the right to credit any Hungarian tax against the income tax payable in the country of the Holder’s tax residence.

During the state of emergency (expected to be in force until 23 May 2024 that may be extended), taxable payments received with respect to publicly offered and traded debt securities acquired from 1 July 2023 (including interest and gains realised upon the redemption or sale of the debt security) in Hungary are subject to social contribution tax (at 13 per cent) from 1 July 2023.

Holders who qualify as “foreigner” pursuant to Act CXXII of 2019 on persons entitled to social security benefits and on the coverage of these benefits (Social Security Contribution Act) and those who are secured for social security purposes in an EU member state or by an EU institution pursuant to Regulation (EC) No 883/2004 of the European Parliament and of the Council of 29 April 2004 on the coordination of social security systems are not subject to social contribution tax in respect of the above-mentioned payments. A non-Hungarian tax resident individual for personal income tax purposes does not necessarily qualify as “foreigner” for social contribution tax purposes.

The tax on interest income is to be withheld by the “Payor” (in Hungarian: *kifizető*) (as defined below), if any entity qualifies as such.

Pursuant to Act CL of 2017 on the Rules of Taxation (**ART**), a “**Payor**” means a Hungarian resident legal person, other organisation, or private entrepreneur that provides taxable income, irrespective of whether such payment is made directly or through an intermediary (post office, credit institution). In respect of interest, Payor means the borrower of a loan or, the issuer of a note, including the investment service provider or credit institution providing the interest instead of the borrower/issuer. In respect of revenues originating from a transaction concluded with the involvement of a licensed stockbroker, Payor means such stockbroker. The Hungarian permanent establishment of a foreign resident entity is also considered as a Payor.

### **Withholding tax (foreign resident corporate Holders)**

Interest on Mortgage Notes paid to foreign resident corporate Holders, who do not have a permanent establishment in Hungary, by resident legal entities or other persons and any capital gains realised by such foreign resident Holders on the sale of the Mortgage Notes is not subject to tax in Hungary. The tax liability of a foreign resident

corporate Holder, which has a permanent establishment in Hungary is limited, in general, to the income from business activities realised through its Hungarian permanent establishment.

### **Taxation of Hungarian resident individual Holders**

Individual Hungarian tax-resident Holders are subject to tax on their worldwide income. Interest received with respect to publicly offered debt securities, such as the Mortgage Notes as well as capital gains, are treated as income. The tax withheld is personal income tax (at 15 per cent.) and, during the state of emergency (expected to be in force until 23 May 2024 that may be extended), social contribution tax (at 13 per cent.) pursuant to Government Decree 205/2023. (V.31) unless the Holder qualifies as “foreigner” according to the Social Security Contribution Act or is secured for social security purposes in an EU member state or by an EU institution pursuant to Regulation (EC) No 883/2004 of the European Parliament and of the Council of 29 April 2004 on the coordination of social security systems.

According to the Personal Income Tax Act, individual Hungarian tax residents are:

- (a) any citizen of Hungary (with the exception of dual citizens without a permanent home or habitual abode in Hungary);
- (b) any individual whose stay in Hungary exceeds 183 days, including the day of entry and the day of exit;
- (c) any individual who has permanent resident status, or is a stateless person; and
- (d) any individual, other than those mentioned in paragraphs (a) to (c) above:
  - (i) whose only permanent home is in Hungary;
  - (ii) whose centre of vital interests (in Hungarian *léteérdekek központja*) is in Hungary if they have no permanent home in Hungary or if Hungary is not the only country where they have a permanent home; or
  - (iii) whose habitual abode is in Hungary if there is no permanent home in Hungary or if Hungary is not the only country where they have a permanent home, and if their centre of vital interests is unknown,

where “**centre of vital interests**” means the country to which the individual is most closely connected due to family ties and business relations.

Note, that an applicable treaty on the avoidance of double taxation may define tax residence prevailing over the domestic definition of tax residence.

### **Taxation of Hungarian resident corporate Holders**

Under Act LXXXI of 1996 on Corporate Tax and Dividend Tax (the “**Corporation Tax Act**”), Hungarian resident taxpayers are subject to tax on their worldwide income. In general, resident taxpayers are entities established under the laws of Hungary (i.e. having a Hungarian registered seat). Foreign persons having their place of management in Hungary are also considered as Hungarian resident taxpayers. Taxable income is based on the pre-tax profit as shown in the financial statements calculated under Hungarian GAAP or IFRS Standards and adjusted by certain increasing and decreasing items set forth by tax legislation.

In general, interest and capital gains realised by Hungarian resident corporate Holders on the Mortgage Notes will be taxable in the same way as the regular income of the Holders. The general corporation tax rate in Hungary is 9 per cent.

Pursuant to Act C of 1990 on Local Taxes (the “**Local Taxes Act**”), financial institutions, financial enterprises, insurance companies and investment enterprises may be subject to local business tax on the basis of the proceeds realised on the Mortgage Notes.

### **Luxembourg Taxation**

The following information is of a general nature only and is included herein. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice.

Prospective investors in the Mortgage Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only.

### **Withholding Tax**

Under Luxembourg tax law currently in effect and subject to the exception below, no Luxembourg withholding tax is due on payments of interest (including accrued but unpaid interest) or repayments of principal under the Mortgage Notes.

In accordance with the Luxembourg law of 23 December 2005, interest payments made by Luxembourg paying agents to individual beneficial owners resident in Luxembourg are currently subject to a 20 per cent. withholding tax. Responsibility for withholding such tax will be assumed by the Luxembourg paying agent.

In accordance with the above-mentioned law, Luxembourg resident individuals, acting in the framework of their private wealth, can opt to self-declare and pay a 20 per cent. tax on interest payments made by paying agents located in an EU Member State other than Luxembourg or a Member State of the EEA other than an EU Member State.

The withholding tax or self-applied tax are the final tax liability for the Luxembourg individual resident taxpayers receiving the interest payment in the framework of their private wealth.

### **Foreign Account Tax Compliance Act**

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (“**FATCA**”) impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a “foreign financial institution”, or **FFI** (as defined by FATCA)) that does not become a **Participating FFI** by entering into an agreement with the U.S. Internal Revenue Service (“**IRS**”) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a “United States account” of the Issuer (a “**Recalcitrant Holder**”). The Issuer will be classified as an FFI.

The new withholding regime is in effect for payments from sources within the United States and will apply to **foreign passthru payments** (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Mortgage Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after the **grandfathering date**, which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign pass-through payment are filed with the Federal Register, or which are materially modified after the grandfathering date and (ii) any Mortgage Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Mortgage Notes are issued on or before the grandfathering date, and additional Mortgage Notes of the same series are issued after that date, the additional Mortgage Notes may not be treated as grandfathered, which may have negative consequences for the existing Mortgage Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an “**IGA**”). Pursuant to FATCA and the “Model 1” and “Model 2” IGAs released by the United States, an FFI in an IGA signatory country could be treated as a **Reporting FI** not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction would not generally be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being “**FATCA Withholding**”) from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and Hungary have entered into an agreement (the “**US-Hungary IGA**”) based largely on the Model 1 IGA.

The Issuer expects to be treated as a Reporting FI pursuant to the US-Hungary IGA and does not anticipate being generally obliged to deduct FATCA Withholding on payments it makes. There can be no assurance, however, that the Issuer will be treated as a Reporting FI, or that it would in the future not be required to deduct FATCA Withholding from payments it makes. Accordingly, the Issuer and financial institutions through which payments on the Mortgage Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Mortgage Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

While the Mortgage Notes are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Mortgage Notes by the Issuer, any paying agent and the common depository or common safekeeper, as the case may be, given that each of the entities in the payment chain between the Issuer and participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Mortgage Notes. The documentation expressly contemplates the possibility that the Mortgage Notes may go into definitive form and therefore that they may be taken out ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive Mortgage Notes will only be printed in remote circumstances.

**FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Mortgage Notes.**

## SUBSCRIPTION AND SALE

The Dealers have, in a Programme Agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 12 December 2023, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Mortgage Notes. Any such agreement will extend to those matters stated under “*Form of the Mortgage Notes*” and “*Terms and Conditions of the Mortgage Notes*”. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with any future update of the Programme and the issue of Mortgage Notes under the Programme and each of the Issuer and the Guarantor has agreed as to itself to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### *United States*

The Mortgage Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except in certain transactions exempt from the registration requirements of the Securities Act.

The Mortgage Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and U.S. Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Mortgage Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined by the relevant Dealer or, in the case of an issue of Mortgage Notes on a syndicated basis, the relevant lead manager, of all Mortgage Notes of the Tranche of which such Mortgage Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Mortgage Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Mortgage Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Mortgage Notes, an offer or sale of such Mortgage Notes within the United States by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

### *Japan*

The Mortgage Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the **Financial Instruments and Exchange Act**). Accordingly, each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not, directly or indirectly, offer or sell any Mortgage Notes in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other applicable laws, regulations and ministerial guidelines of Japan.

### *Prohibition of Sales to EEA Retail Investors*

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Mortgage Notes which are the subject of the offering contemplated by this Base Prospectus

as completed by the Final Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

#### ***Prohibition of Sales to UK Retail Investors***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Mortgage Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the UK. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of:

- (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or
- (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR.

#### ***United Kingdom***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) ***Financial promotion:*** it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Mortgage Notes in circumstances in which Section 21(1) of the FSMA would not apply to the Issuer or the Guarantor; and
- (b) ***General compliance:*** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Mortgage Notes in, from or otherwise involving the UK.

#### ***Hungary***

No approval of this Base Prospectus has been sought or obtained from the National Bank of Hungary in respect of the Mortgage Notes. No application has been filed nor has any permission been obtained for accepting, nor has any other arrangement for trading the Mortgage Notes on any regulated market in Hungary been made. Accordingly, any person making or intending to make any offer of Mortgage Notes within Hungary which are the subject of the placement contemplated in this Base Prospectus should only do so in circumstances in which no obligation arises for the Issuer or any of the Dealers to have a prospectus for such offer approved by the National Bank of Hungary. Further to the above, in the event the Mortgage Notes were to be offered in Hungary, this Base Prospectus and relevant Final Terms must be made available to the potential investors at least seven days before the relevant issue date and the Issuer agrees to notify the National Bank of Hungary within 15 days following the completion of any such offering.

#### ***Republic of Italy***

Each Dealer acknowledges that the offering of the Mortgage Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* (“CONSOB”) pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed that, save as set out below, it has not offered, sold or distributed, and will not offer, sell or distribute any Mortgage Notes or any copy of this Base Prospectus or any other offer document in the Republic of Italy (**Italy**) in an offer to the public and that sales of any Mortgage Notes in Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or distribute any Mortgage Notes or distribute any copy of this Base Prospectus or any other offer document in Italy, except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of the Prospectus Regulation; or
- (b) in any other circumstances which are exempted from the rules on offers to the public pursuant to Article 1 of the Prospectus Regulation and/or, to the extent applicable, Article 100 of Legislative Decree No. 58 of 24 February 1998 (the “**Consolidated Financial Services Act**”), Article 34-ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended (“**CONSOB Regulation No. 11971**”) and the Italian laws.

Any offer, sale or delivery of the Mortgage Notes or distribution of copies of this Base Prospectus, any Final Terms or any other document relating to the Mortgage Notes in the Republic of Italy under paragraph (a) or (b) above must be made:

- (i) by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Consolidated Financial Services Act, Legislative Decree No. 385 of 1 September 1993, as amended (the “**Italian Banking Act**”) and CONSOB Regulation No. 20307 of 15 February 2018, as amended and any other applicable laws and regulations;
- (ii) in compliance with Article 129 of the Italian Banking Act, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in Italy and the relevant implementing guidelines of the Bank of Italy issued on 25 August 2015 (as amended on 10 August 2016 and 2 November 2020); and
- (iii) in compliance with any other applicable laws and regulations, as well as with any regulations or requirements imposed by CONSOB, the Bank of Italy or other Italian authority.

### **Singapore**

Unless the Final Terms in respect of any Mortgage Notes specifies “Singapore Sales to Institutional Investors and Accredited Investors only” as “Not Applicable”, each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Mortgage Notes or caused the Mortgage Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Mortgage Notes or cause the Mortgage Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Mortgage Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

If the Final Terms in respect of any Mortgage Notes specifies “Singapore Sales to Institutional Investors and Accredited Investors only” as “Not Applicable”, each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Mortgage Notes or caused the Mortgage Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Mortgage Notes or cause the Mortgage Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus, any Final Terms or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Mortgage Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA), (ii) to a relevant person (as defined in Section 275(2) of the

SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

***General***

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Mortgage Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Mortgage Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Guarantor nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Guarantor and the Dealers represents that Mortgage Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

Any issue of Mortgage Notes under this Programme is purported to be made to institutional investors or, as the case may be, other legal entities only and it is not anticipated that private individuals will purchase the Mortgage Notes either at issue or subsequently on any regulated or other secondary market or through an over-the-counter transaction.



## GENERAL INFORMATION

### 1. Authorisation

The establishment of the Programme and the issue of Mortgage Notes have been duly authorised by resolution 35/2004 of the Board of Directors of the Issuer dated 30 September 2004. The update of the Programme was authorised by resolution No 37/2023 of the Board of Directors of the Issuer dated 11 April 2023 and resolution no. 2023/54/1 of the Asset-Liability Committee of the Guarantor dated 27 March 2023.

### 2. Listing and admission to trading of Mortgage Notes

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Mortgage Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of MiFID II.

### 3. Documents Available

Electronic copies of the following documents will be available on the website of the Issuer at <https://www.otpbank.hu/otpjelzalogbank/english-contents> for 12 months from the date of this Base Prospectus:

- (a) the Articles of Association (with English translations thereof) of the Issuer and the Guarantor;
- (b) the annual audited financial statements of the Issuer in respect of the financial years ended 31 December 2021 and 31 December 2022 (with English translations thereof), together with the audit reports prepared in connection therewith;
- (c) the unaudited interim financial statements for the first nine months ended 30 September 2023 of the Issuer;
- (d) the audited consolidated financial statements of the Guarantor in respect of the financial years ended 31 December 2021 and 31 December 2022 (with an English translation thereof), together with the independent auditors' report prepared in connection therewith;
- (e) the unaudited consolidated interim financial statements for the first nine months ended 30 September 2023 of the Guarantor;
- (f) the Agency Agreement;
- (g) the Irrevocable Payment Undertaking;
- (h) this Base Prospectus; and
- (i) any future base prospectuses, offering circulars, prospectuses, information memoranda, supplements and Final Terms (save that the Final Terms relating to a Mortgage Note which is neither admitted for trading on a regulated market in the EEA nor offered in the EEA in circumstances where a prospectus is required to be published under the Prospectus Regulation will only be available for inspection by a Holder of such Mortgage Note and such Holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Mortgage Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference.

### 4. Clearing Systems

The Mortgage Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping records). The appropriate Common Code and ISIN for each Tranche of Mortgage Notes allocated by Clearstream, Luxembourg and/or Euroclear will be specified in the applicable Final Terms. If the Mortgage Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue J.F. Kennedy, L-1855 Luxembourg, Luxembourg and the address of Euroclear is Euroclear Bank SA/NV 1 Boulevard du Roi Albert II, 1210 Brussels, Belgium.

**5. Conditions for determining price**

The price and amount of Mortgage Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

**6. Significant or Material Change**

There has been no significant change in the financial performance or position of the Issuer since 30 September 2023 and there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2022.

There has been no significant change in the financial performance or position of the Guarantor or the Guarantor together with its subsidiaries taken as a whole (the **OTP Group**) since 30 September 2023 and there has been no material adverse change in the financial position or prospects of the Guarantor or the OTP Group since 31 December 2022.

**7. Litigation**

Neither the Issuer nor the Guarantor or any other member of the OTP Group is or has been involved in any governmental, legal or arbitration proceedings relating to claims or amounts that are material in the context of the issue of the Mortgage Notes (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position, operations or profitability of the Issuer, the Guarantor or the OTP Group.

**8. Independent Auditors**

The consolidated financial statements of the Issuer as of 31 December 2022 and 2021 and for the years then ended, incorporated by reference in this Base Prospectus, have been audited by Ernst & Young Audit Limited, independent auditors, as stated in their reports incorporated by reference herein.

The consolidated financial statements of the Guarantor as of 31 December 2022 and 2021 and for the years then ended, incorporated by reference in this Base Prospectus, have been audited by Ernst & Young Audit Limited, independent auditors, as stated in their reports incorporated by reference herein.

As at the date of this Base Prospectus, the independent auditors of the Issuer and the Guarantor are Ernst & Young Audit Limited (001165; Váci út 20., 1132, Budapest, Hungary), who were appointed as the statutory auditor of the Guarantor on 28 April 2023 and of the Issuer on 11 April 2023. Ernst & Young Audit Limited have audited the Guarantor's and the Issuer's consolidated and separate financial statements, which have been prepared in accordance with IFRS (as adopted by the EU) for the years ended 31 December 2021 and 31 December 2022. Ernst & Young Audit Limited, independent auditors, has no material interest in the Issuer. Ernst & Young Audit Limited, independent auditors, is a member of the Chamber of Hungarian Auditors.

**9. Yield**

In relation to any Tranche of Fixed Rate Mortgage Notes, an indication of the yield in respect of such Mortgage Notes, as the case may be, will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Mortgage Notes, as the case may be, on the basis of the relevant Issue Price. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Mortgage Notes, as the case may be, and will not be an indication of future yield.

**10. Post-issuance information**

The Issuer does not intend to provide any post-issuance information in relation to any issue of Mortgage Notes, except as required by any applicable laws and regulations.

## **11. Dealers transacting with the Issuer and the Guarantor**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer, the Guarantor and/or their affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Mortgage Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer the Guarantor and/or their affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantor and/or their affiliates. Certain of the Dealers or their affiliates routinely hedge their credit exposures to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Mortgage Notes issued under the Programme. Any such positions could adversely affect future trading prices of Mortgage Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

**REGISTERED OFFICE OF THE ISSUER**

**OTP Mortgage Bank Ltd.**  
(OTP Jelzálogbank Zártkörűen Működő Részvénytársaság)  
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Hungary

**REGISTERED OFFICE OF THE GUARANTOR**

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*To the Issuer as to English Law*

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*To the Issuer as to Hungarian law*

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*To the Dealers as to Hungarian law*

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**INDEPENDENT AUDITORS**

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**OTP Bank Nyrt.**  
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**PRINCIPAL PAYING AGENT**

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United Kingdom

**LISTING AGENT**

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