

# DISCLOSURES OF OTP LUXEMBOURG GROUP JUNE 2023 (under Pillar 3)

## Content

|                   |   |                  |
|-------------------|---|------------------|
| <b><u>1</u></b>   | <b><u>INTRODUCTION</u></b>              | <b><u>3</u></b>  |
| <b><u>2</u></b>   | <b><u>DISCLOSURE OF KEY METRICS</u></b> | <b><u>5</u></b>  |
| <b><u>2.1</u></b> | <b><u>CAPITAL RATIOS</u></b>            | <b><u>6</u></b>  |
| <b><u>2.2</u></b> | <b><u>LEVERAGE RATIO</u></b>            | <b><u>9</u></b>  |
| <b><u>2.3</u></b> | <b><u>LIQUIDITY RATIOS</u></b>          | <b><u>10</u></b> |

# 1 INTRODUCTION

The OTP Luxembourg Group's disclosures for June 2023 under Pillar 3 of the Basel standards (hereinafter: the disclosures) have been prepared in accordance with the provisions of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (CRR), amended by Regulation (EU) 2019/876 (CRR II) and Regulation (EU) No 2020/873 (CRR QF) (all three documents are hereinafter referred to collectively as the CRR), Directive 2013/36/EU, amended by Directive 2019/878/EU (both documents are hereinafter referred to collectively as the CRD), Commission Implementing Regulation (EU) 2021/637 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 (hereinafter: Implementing Regulation 2021/637), the Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07) and other guidelines that lay down disclosure requirements (i.e. regarding materiality, proprietary information and confidentiality and disclosure frequency, regarding remuneration policies, etc.).

The disclosures have been prepared by Nova KBM, as the largest financial institution in the OTP Luxembourg Group as of 30 June 2023. The data in this document are disclosed at the level of the OTP Luxembourg Group (the highest level of consolidation) and at the level of the Nova KBM Group (sub-consolidated level of consolidation) where relevant.

Nova KBM has the status of other systemically important institution (O-SII), which means that it is treated as a large institution in accordance with Article 4(146)(b) of the CRR and as an institution that is not listed on the stock exchange in accordance with Article 4(148) of the CRR. The Bank is thus bound to the frequency and scope of disclosures set out in Article 433a(2) of the CRR.

Following the receipt of all necessary consents from the regulatory bodies, the takeover of Nova KBM Group was completed on 6 February 2023, based on the sale and purchase agreement concluded between OTP Bank Nyrt. and Biser Topco S.à r.l. Indirectly, OTP Bank became the official owner of Nova KBM Group, which comprises Nova KBM d.d. and Aleja finance d.o.o. On the day the aforementioned transaction was concluded, Nova KBM's 100% participating interest in Summit Leasing Slovenija d.o.o. was sold based on the agreement of 29 June 2022 on the sale and purchase of all of the company's issued capital, due to certain competition law concerns expressed by the Competition Protection Agency regarding the leasing activity within Nova KBM Group following the conclusion of the sale and purchase agreement between OTP Bank Nyrt. and Biser Topco S.à r.l. Summit Leasing Slovenija d.o.o. and its related company Mobil Leasing are consequently excluded from the compilation of the financial statements of Nova KBM Group from 1 February 2023 onwards. The name of Biser Bidco S.à r.l., the sole shareholder of Nova KBM d.d., was changed to OTP Luxembourg S.à r.l. on 6 February 2023.

## **Estimated impacts of August floods in Slovenia**

Slovenia has been affected by extensive flooding at the beginning of August, mainly in the northern part of the country. There has been extensive damage to the infrastructure and housing, with current estimates of the direct damage being over € 2,7 billion.

The government already adopted a proposal for an intervention law for aid after floods, which plans the most urgent reconstruction of infrastructure and allocates aid to the most affected. The first and second sets of the four accepted sections of law represent assistance to households and companies. The intervention law includes a temporary measure for bank loans to grant a loan moratorium of up to 12 months to borrowers who have suffered damage due to floods or landslides. During the deferment period, interest may be charged on the deferred part of the principal in a maximum amount of 12-month Euribor plus zero percent or at the regular interest rate agreed upon when the contract was concluded, if it is more favorable for the borrower.

In addition, there are some indications that an extraordinary levy/tax would be imposed on banks besides already adopted intervention law. The latest publicly available information is that additional taxes of 0,2% of total assets for the next 5 years (i.e. cumulative 1% of total assets) are to be imposed by the government.

Therefore, in addition to the above-mentioned extraordinary tax and obligatory moratoria/debt forgiveness, floods will have other negative direct impacts on the bank, such as additional impairments due to deterioration of creditworthiness of certain clients, drop in collateral values, and mandatory solidarity contribution to SOS - bank (0,8% of CIT tax base).

Based on the available information and internal analysis, Nova KBM estimates that the total impact of all of the above factors (extraordinary tax, solidarity contributions, additional impairments, donations) on the P&L of the Group would amount to € -33 million in 2023 and the cumulative 5-year impact between 2023 and 2027 would amount to € -124 million.

### **Obligation to disclose information**

The Group is obliged to disclose material information that, if omitted or misstated, would change or affect the assessment or decision of persons who use that information to make business decisions. The law allows for the possibility of the non-disclosure of information that is deemed confidential or a trade secret.

Nova KBM has included the method, frequency and verification of the disclosure of material information in the Disclosure Policy of Nova KBM Group. All disclosures are prepared on a consolidated basis in thousands of euros, except where otherwise stated.

In accordance with Article 432 of the CRR, the Group has omitted disclosures (an entire template or certain rows or columns in a specific template) that are not relevant. The Group's disclosures are not audited. The Group's disclosures were approved by the Bank's Management Board. The Group publishes disclosures on the website [www.nkbm.si](http://www.nkbm.si) in Slovene and English, in the section intended for investors.

## 2 DISCLOSURE OF KEY METRICS

(Article 447 of the Regulation CRR)

The template EU KM1 provides a high-level presentation of the key metrics, referred to in Article 447 of the Regulation CRR, of OTP Luxembourg Group as at the end of June 2023 in comparison to the end of December 2022 and to the end of June 2022.

Liquidity and capital adequacy remain at adequate levels. The Group continues to operate normally, while closely monitoring the global developments.

### Template EU KM1 - Key metrics template of OTP Luxembourg Group

€000, %

|  |  | a          | c          | e          |
|--|--|------------|------------|------------|
|  |  | 30.06.2023 | 31.12.2022 | 30.06.2022 |
| <b>Available own funds (amounts)</b>   |  |            |            |            |
| 1  | Common Equity Tier 1 (CET1) capital  | 862.508    | 853.831    | 824.885    |
| 2  | Tier 1 capital   | 862.508    | 853.831    | 824.885    |
| 3  | Total capital  | 931.389    | 931.545    | 907.577    |
| <b>Risk-weighted exposure amounts</b>  |  |            |            |            |
| 4  | Total risk exposure amount   | 4.826.458  | 5.466.054  | 5.604.127  |
| <b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>   |  |            |            |            |
| 5  | Common Equity Tier 1 ratio (%)   | 17,87%     | 15,62%     | 14,72%     |
| 6  | Tier 1 ratio (%)   | 17,87%     | 15,62%     | 14,72%     |
| 7  | Total capital ratio (%)  | 19,30%     | 17,04%     | 16,19%     |
| <b>Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)</b> |  |            |            |            |
| EU 7a  | Additional own funds requirements to address risks other than the risk of excessive leverage (%)           | 2,25%      | 2,30%      | 2,30%      |
| EU 7b  | of which: to be made up of CET1 capital (%)  | 1,27%      | 1,29%      | 1,29%      |
| EU 7c  | of which: to be made up of Tier 1 capital (%)  | 1,69%      | 1,73%      | 1,73%      |
| EU 7d  | Total SREP own funds requirements (%)  | 10,25%     | 10,30%     | 10,30%     |
| <b>Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)</b>  |  |            |            |            |
| 8  | Capital conservation buffer (%)  | 2,50%      | 2,50%      | 2,50%      |
| EU 8a  | Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%) | 0,00%      | 0,00%      | 0,00%      |
| 9  | Institution specific countercyclical capital buffer (%)  | 0,16%      | 0,05%      | 0,02%      |
| EU 9a  | Systemic risk buffer (%)   | 0,00%      | 0,00%      | 0,00%      |
| 10   | Global Systemically Important Institution buffer (%)   | 0,00%      | 0,00%      | 0,00%      |
| EU 10a   | Other Systemically Important Institution buffer (%)  | 0,00%      | 0,00%      | 0,00%      |
| 11   | Combined buffer requirement (%)  | 2,66%      | 2,55%      | 2,52%      |
| EU 11a   | Overall capital requirements (%)   | 12,91%     | 12,85%     | 12,82%     |

|  |   | a          | c          | e          |
|--|---|------------|------------|------------|
|  |   | 30.06.2023 | 31.12.2022 | 30.06.2022 |
| 12   | CET1 available after meeting the total SREP own funds requirements              | 436.794    | 368.412    | 500.406    |
| <b>Leverage ratio</b>  |   |            |            |            |
| 13   | Total exposure measure  | 11.046.836 | 10.835.484 | 10.630.956 |
| 14   | Leverage ratio (%)  | 7,81%      | 7,88%      | 7,76%      |
| <b>Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)</b> |   |            |            |            |
| EU 14a   | Additional own funds requirements to address the risk of excessive leverage (%) | 0,00%      | 0,00%      | 0,00%      |
| EU 14b   | of which: to be made up of CET1 capital (%)                                     | 0,00%      | 0,00%      | 0,00%      |
| EU 14c   | Total SREP leverage ratio requirements (%)                                      | 3,00%      | 3,00%      | 3,00%      |
| <b>Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)</b>                |   |            |            |            |
| EU 14d   | Leverage ratio buffer requirement (%)   | 0,00%      | 0,00%      | 0,00%      |
| EU 14e   | Overall leverage ratio requirement (%)  | 3,00%      | 3,00%      | 3,00%      |
| <b>Liquidity Coverage Ratio</b>  |   |            |            |            |
| 15   | Total high-quality liquid assets (HQLA) (Weighted value - average)              | 3.894.524  | 3.575.244  | 3.656.143  |
| EU 16a   | Cash outflows - Total weighted value  | 1.303.902  | 1.356.412  | 1.314.586  |
| EU 16b   | Cash inflows - Total weighted value   | 264.504    | 305.601    | 209.702    |
| 16   | Total net cash outflows (adjusted value)  | 1.039.398  | 1.050.811  | 1.023.884  |
| 17   | Liquidity coverage ratio (%)  | 377%       | 341%       | 359%       |
| <b>Net Stable Funding Ratio</b>  |   |            |            |            |
| 18   | Total available stable funding  | 9.223.694  | 8.834.847  | 8.662.594  |
| 19   | Total required stable funding   | 4.425.931  | 4.994.544  | 5.079.752  |
| 20   | NSFR ratio (%)  | 208%       | 177%       | 171%       |

## 2.1 CAPITAL RATIOS

*(Articles 92, 437 and 438 of the CRR Regulation)*

The Group calculates its capital ratios in line with Article 92 of the Regulation CRR:

- The Common Equity Tier 1 capital ratio is the Common Equity Tier 1 capital expressed as a percentage of the total risk exposure amount;
- The Tier 1 capital ratio is the Tier 1 capital expressed as a percentage of the total risk exposure amount;
- The total capital ratio is the own funds (total capital) expressed as a percentage of the total risk exposure amount.

Table 1 below shows the detailed composition of the own funds of the Group at the end of 2022 and 30.6.2023. As at 30 June 2023 out of the overall OTP Luxembourg Group's own funds 92,6% relates to CET1 and 7,4% to Tier 2 capital. Tier 1 capital consisted fully of CET1. CET1 capital consisted of equity instruments in the amount of €220 million issued by OTP Luxembourg (formerly Biser Bidco). Tier 2 capital consisted of

instruments in the amount of €90,4 million issued by Nova KBM. Applying the provisions of Articles 86 and 87 of CRR for inclusions at the level of OTP Luxembourg Group €21,5 million were not eligible for inclusion.

**Table 1 - Overview of Own funds of the OTP Luxembourg Group**

|   | €000           |                |
|---|----------------|----------------|
|   | 30.06.2023     | 31.12.2022     |
| <b>Regulatory capital</b>                   |                |                |
| <b>Common Equity Tier 1 capital (CET 1)</b> | <b>862.508</b> | <b>853.831</b> |
| Capital instruments                         | 219.626        | 176.153        |
| Retained earnings                           | 737.516        | 793.783        |
| Accumulated other comprehensive income      | -25.326        | -26.238        |
| Capital deductions                          | -69.579        | -90.355        |
| Other reserves                              | 271            | 487            |
| <b>Additional Tier 1 capital (AT1)</b>      | <b>0</b>       | <b>0</b>       |
| <b>Tier 2 capital</b>                       | <b>68.880</b>  | <b>77.714</b>  |
| <b>Total capital</b>                        | <b>931.389</b> | <b>931.545</b> |

The Group's regulatory capital as at 30 June 2023 is €0,2 million lower than at the end of December 2022, due to changes in several components of capital.

The Group uses the Standardised Approach to calculate its capital requirements for credit and market risks, while the Basic Indicator Approach is used to calculate capital requirements for the operational risk.

The template EU OV1 below shows the detailed composition of the capital requirements of the Group at the end of 2022 and 30.6.2023. As at 30 June 2023 out of the overall OTP Luxembourg Group's capital requirements 89,7% relates to credit risk positions, 10,0% to operational risk and 0,3% to market risk positions.

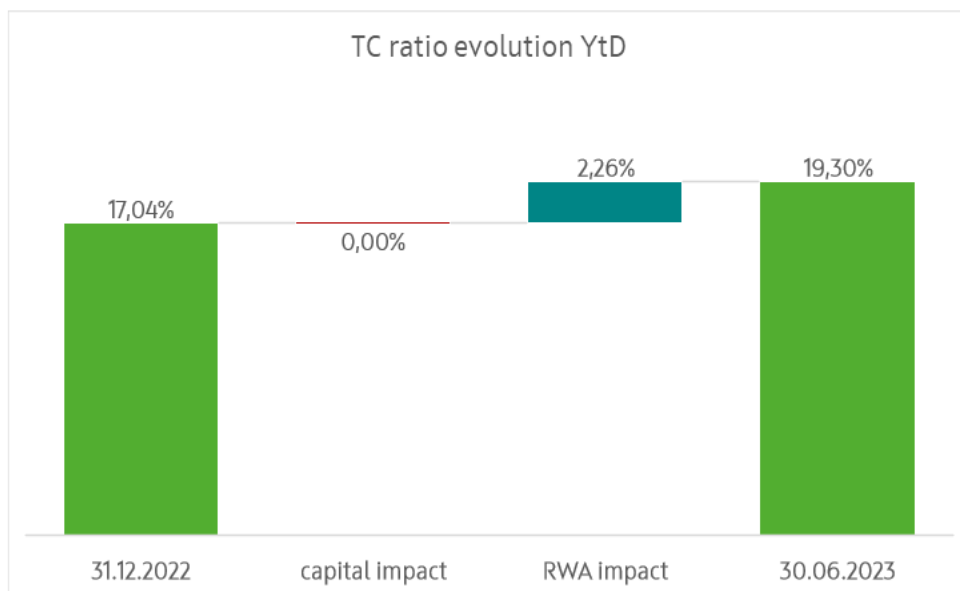
**Template EU OV1 - Overview of RWA of the OTP Luxembourg Group**

|       |  | €000                               |            |                              |
|-------|--|------------------------------------|------------|------------------------------|
|       |  | Total risk exposure amounts (TREA) |            | Total own funds requirements |
|       |  | a                                  | b          | c                            |
|       |  | 30.06.2023                         | 31.12.2022 | 30.06.2023                   |
| 1     | Credit risk (excluding CCR)                                    | 4.308.905                          | 4.945.982  | 344.712                      |
| 2     | Of which the standardised approach                             | 4.308.905                          | 4.945.982  | 344.712                      |
| 6     | Counterparty credit risk - CCR                                 | 32.411                             | 35.823     | 2.593                        |
| EU 8a | Of which exposures to a CCP                                    | 14.543                             | 14.912     | 1.163                        |
| EU 8b | Of which credit valuation adjustment - CVA                     | 12.333                             | 14.310     | 987                          |
| 9     | Of which other CCR   | 5.535                              | 6.601      | 443                          |
| 20    | Position, foreign exchange and commodities risks (Market risk) | 1.013                              | 120        | 81                           |
| 21    | Of which the standardised approach                             | 1.013                              | 120        | 81                           |
| 23    | Operational risk   | 484.129                            | 484.129    | 38.730                       |

|           |  | Total risk exposure amounts (TREA) |                  | Total own funds requirements |
|-----------|--|------------------------------------|------------------|------------------------------|
|           |  | a                                  | b                | c                            |
|           |  | 30.06.2023                         | 31.12.2022       | 30.06.2023                   |
| EU 23a    | Of which basic indicator approach  | 484.129                            | 484.129          | 38.730                       |
| 24        | Amounts below the thresholds for deduction (subject to 250% risk weight) | 2.057                              | 166              | 165                          |
| <b>29</b> | <b>Total</b>   | <b>4.826.458</b>                   | <b>5.466.054</b> | <b>386.117</b>               |

Risk-weighted assets of OTP Luxembourg Group as at 30 June 2023 were lower by €640 million compared to December 2022, resulting mainly from lower credit risk RWA due to the sale of Summit Leasing Slovenia (SLS) and Summit Leasing's subsidiary in Croatia, Mobil Leasing, effective from 6 February 2023 (following the completion of the acquisition of Nova KBM by OTP Bank).

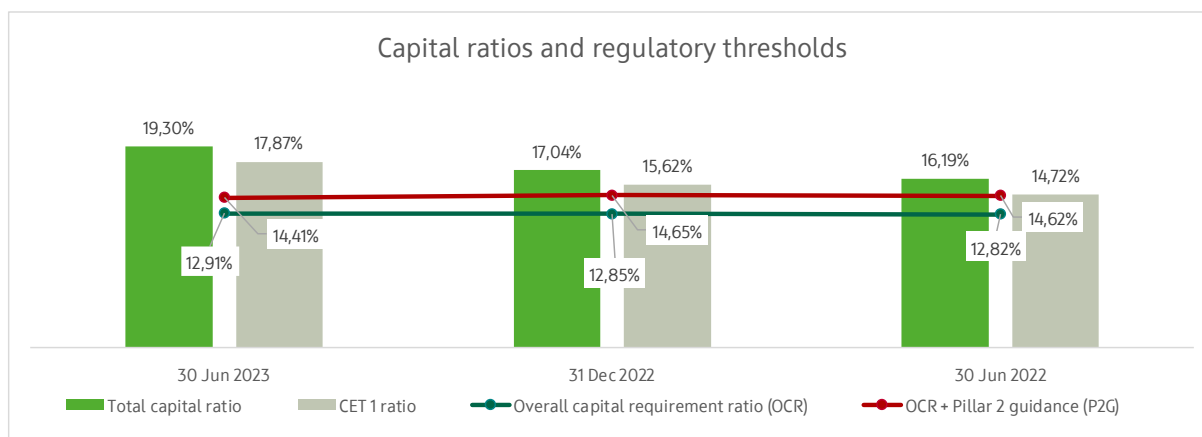
**Chart 1 – Total capital (TC) ratio evolution YtD of the OTP Luxembourg Group**



The total capital (TC) ratio of OTP Luxembourg Group was 19,30% at the end of June 2023. In comparison to 31 December 2022, TC ratio is higher by 226 bps. The increase is the result of lower RWA.



Chart 2 – Capital ratios and regulatory thresholds (in %) of the OTP Luxembourg Group



As at 30 June 2023 the required minimum TSCR (total SREP capital requirement ratio) of OTP Luxembourg Group was 10,25%, the OCR (overall capital requirement ratio) 12,91% and OCR with Pillar 2 Guidance 14,41%. The combined minimum and prudential capital requirements represent the total supervisory capital requirement – TSCR, combined minimum, prudential and buffer requirements represent the overall capital requirements – OCR the Group must fulfil. Additionally, the Group must also fulfil the P2G requirement, which is required to be met by Common Equity Tier 1 capital. At the reporting date of 30 June 2023 the Group fulfils all requirements imposed by the ECB's legislation rules (CRR, CRD) or supervisory authorities:

- the minimum capital requirements, comprised of:
  - Common Equity Tier 1 capital requirements of 4,5%
  - Total Tier 1 capital requirements of 6,0%
  - Total capital requirements of 8,0%
- The prudential / supervisory capital requirements, comprised of:
  - Pillar 2 requirement (P2R) of 2,25%
  - Pillar 2 guidance (P2G) of 1,5%
  - Overall capital buffer requirements, of which
    - Capital conservation buffer of 2,5%
    - Institution specific countercyclical capital buffer of 0,16%
    - Other systemically important institution buffer of 0,5% - binding only at the level of the Nova KBM Group
    - Sectoral systemic risk buffer of 0,16% - binding only at the level of the Nova KBM Group.

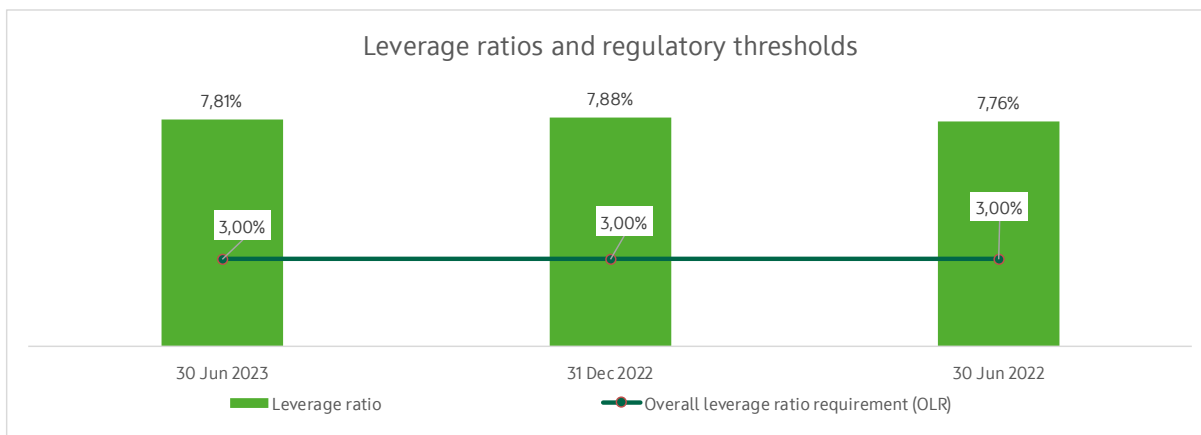
## 2.2 LEVERAGE RATIO

*(Article 451 of the CRR Regulation)*

The Group's leverage ratio is presented in accordance with the Regulation CRR, including the amendments, and its calculated by dividing Tier 1 capital by total leverage ratio exposure measure, which includes Group's assets and off-balance-sheet items, irrespective of how risky they are. As the leverage ratio is not risk-based, the 3% leverage ratio requirement – which became binding for all banks on 28 June 2021 – serves as a backstop to risk-weighted capital requirements.

The Group's leverage ratio on 30 June 2023 was at 7,81%.

**Chart 3 – Leverage ratios and regulatory thresholds (in %) of the OTP Luxembourg Group**



## 2.3 LIQUIDITY RATIOS

*(Article 451a of the CRR Regulation)*

LCR (Liquidity Coverage Ratio) refers to the proportion of highly liquid assets held by financial institutions, to ensure the ongoing ability to meet short-term obligations. The objective of LCR is that the Bank meets its liquidity needs for a 30-calendar day liquidity stress scenario. The minimum requirement for LCR is 100%.

Changes in LCR on the OTP Luxembourg Group level are mainly due to the increase in high-quality liquid assets (HQLA). Higher net cash outflows resulted in a decrease of the average LCR ratio from 359% to 341% between 30.06.2022 and 31.12.2022. Most of the Bank's liabilities are non-banking sector deposits. In 2023, deposits from financial and non-financial customers are decreasing, while high-quality liquid assets (HQLA) are increasing, thus average LCR ratio increased to 377% in the period from 31.12.2022 to 30.06.2023. On average, the Bank still exceeds the regulatory minimum by more than three times.

NSFR (Net Stable Funding Ratio) is a proportion of available stable funding and required stable funding. It is required that the Bank holds enough stable funding to cover the duration of its long-term assets. The Bank's NSFR ratio must be at least 100%, which became a regulatory requirement in June 2021. The Bank monitors the ratio on a quarterly basis. At the end of December 2022 the NSFR ratio was 177% and 208% at the end of June 2023, which means that the Bank meets the regulatory requirement of the minimum ratio value.

**Chart 4 – Liquidity ratios and regulatory thresholds (in %) of the OTP Luxembourg Group**

