

Extraordinary announcement

A moratorium on loan payments was introduced in Hungary, and the annual percentage rate of newly disbursed loans to consumers uncollateralized by a mortgage was temporarily capped

OTP Bank Plc. announces that pursuant to the Government Decree No. 47/2020. (III. 18.) promulgated on 18 March 2020 and effective from 19 March 2020, and in accordance with the Government Decree No. 62/2020. (III. 24.), laying down the details and technical provisions, promulgated on 24 March 2020 and effective from 25 March 2020, a moratorium on payments was introduced in Hungary concerning both principal, interest and fee payment obligations arising from both credit, loan and financial lease amounts that have already been disbursed until midnight on the 18th of March 2020 within the framework of such credit, loan and financial lease contracts.

The goal of the payment moratorium is to provide temporary relief to debtors, but the moratorium does not involve debt forgiveness: debtors must repay the deferred payment obligations after the expiry of the moratorium.

The moratorium is effective until 31 December 2020 (which can be prolonged by a Government Decree). The scope of the moratorium includes, among others, both retail and corporate debtors.

Regarding details and technical provisions, the non-paid interest during the payment holiday cannot be capitalized to the outstanding principal (neither during the moratorium, nor afterwards). The amount of delayed interest accumulated during the moratorium must be repaid after the moratorium in equal instalments, evenly spread over the remaining years of the loan tenor, together with the due instalments. Following the moratorium, the tenor will be prolonged in a way that the sum of the due instalment and the unpaid interest during the moratorium (which is to be repaid in equal instalments) in total should not exceed the instalment according to the original contract. Rules applicable to the interest must be applied to the fees, too.

The moratorium does not affect the debtors' right to continue to pay according to the original contractual terms.

During the term of the moratorium OTP Bank will accrue the unpaid interest in its statement of recognized income, amongst the revenues. At the same time, according to the preliminary approximate estimate of OTP Bank, due to the fact that interest cannot be charged on the unpaid interest, and the unpaid interest will be repaid later, the pre-tax one-off loss – depending on the participation rate – can be as much as HUF 26 billion in the case of OTP Core. The negative effect will be booked in 1Q 2020 in a lump sum, and it will be shown amongst the adjustment items in the adjusted P&L structure.

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OTP Bank classifies exposures into risk categories based on the effective accounting standards and other regulations, taking into account the professional standpoint of the National Bank of Hungary, and also the guidelines issued by the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) on 25 March 2020. Accordingly, OTP Bank does not consider the introduction of the payment moratorium, in itself, a reason for exposures to be automatically reclassified from performing (Stage 1 under IFRS9) into either the Stage 2 or Stage 3 buckets.

Pursuant to the above mentioned Government Decrees, the annual percentage rate (APR) is temporarily capped at *central bank base rate + 5 percentage points* in the case of loans to consumers that are not collateralized by a mortgage and are disbursed based on a contract concluded after 19 March 2020. This provision must be applied until 31 December 2020 unless this term concerning the APR is extended, then following this deadline the APR set out in the given lender's Terms & Conditions effective at the time of the signing of the contract will be applicable.

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