OTP Bank Plc.

Separate Financial Statements
and
Independent Auditor's Report

December 31, 2020

Deloitte.

Deloitte Auditing and Consulting Ltd.
H-1068 Budapest,
Dózsa György út 84/C, Hungary
H-1438 Budapest,
P.O.Box 471, Hungary

Phone: +36 (1) 428-6800
Fax: +36 (1) 428-6801
www.deloitte.hu

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of OTP Bank Plc.

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of OTP Bank Plc. (the "Bank") for the year 2020 which comprise the separate statement of financial position as at December 31, 2020 – which shows total assets of HUF 11,154,394 million –, and the related separate statement of profit or loss, separate statement of comprehensive income – which shows a net profit for the period of HUF 92,474 million –, separate statement of changes in equity and separate statement of cash-flows for the year then ended and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Bank as at December 31, 2020 and of its financial performance and its cash-flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (the "EU IFRS"), and the separate financial statements were prepared in all material respects in accordance with the provisions of the effective Hungarian Act C of 2000 on Accounting (the "Accounting Act") relevant to the entities preparing separate financial statements in accordance with EU IFRS.

Basis for Opinion

We conducted our audit in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits. Our responsibilities under these standards are further described in the *"The Auditor's Responsibilities for the Audit of the Separate Financial Statements"* section of our report.

We are independent of the Bank in compliance with the relevant effective Hungarian regulations and the "Rules of conduct (ethical rules) of the auditor profession and the disciplinary process" of the Chamber of Hungarian Auditors and, in respect of matters not regulated therein, the Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the same ethical requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the matter
Calculation of expected credit losses on corporate and retail loans	
(See notes 10., 30., and 35.1. to the separate financial statements for the details) As described in the notes to the financial statements, the impairment losses have been determined in accordance with IFRS 9 *Financial Instruments*, which requires significant judgment to determine the expected credit losses ("ECLs"). At the year-end, the Bank reported total gross loans of HUF 3,541,430 million and provisions for impairment on loan losses of HUF 123,670 million. The determination of the ECL of loans is considered a key audit matter, as it requires application of professional judgement and use of subjective assumptions by management in case of both the application of portfolio based collective impairment models, and determination of individual specific loan loss provision. The most significant assumptions applied in determining the provision are the following: - the interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Bank's expected credit loss model; - IFRS 9 credit risk staging methodology and application, including the identification of exposures with a significant deterioration in credit quality; - model used for impairment calculations reflecting the characteristics of the portfolio, such as valuation of collateral, probability of default, recovery rates and macroeconomic factors; - the application of assumptions, where there was limited or incomplete data; and - estimation of future cash-flows expected to be realized, including application of scenarios and scenario weights. The COVID-19 pandemic has resulted in an increase in the uncertainty of assumptions underlying the economic outlook. This combined with varying	Our response as auditors included: - testing and assessment of the modelling techniques and methodology applied by the Group in order to estimate ECLs, and evaluation of its compliance with the requirements of IFRS 9; - evaluating the design and testing of the operating effectiveness of internal controls over timely identification of exposures with significant increase in credit risk and monitoring of credit impaired exposures and calculating, and recording of allowance for expected credit losses; - assessing the collective model methodology and testing the calculations in terms of risk parameters (probability of default – PD, loss given default – LGD, expected credit loss – ECL, and macroeconomic factors) applied by the collective models including involving our credit risk specialists; - involving our credit risk specialists to assist us in re-performing the calculation of the allowance and independently assessing the appropriateness of the assumptions used, the methodologies and policies applied; - assessing on a sample basis, whether the staging and impairment triggers are captured appropriately and whether the estimation of the allowance is reasonable; - sample based testing of individual allowance, including the assessment of valuation of collateral and estimation of expected future cash-flows, application of different scenarios and scenario weights and forming an independent view of the adequacy of the ECL; - assessing the requirement for additional allowances considering the Bank's ECL model, particularly in light of the extreme volatility in

government responses, has raised the complexity of assessing and monitoring customers' financial health, necessitating an elevated level of judgement required by the Bank in calculating the ECL.	economic scenarios caused by the current COVID-19 pandemic and government responses; - testing of loan facilities to customers in industries significantly impacted by the pandemic; - performing loan portfolio analysis to identify unexpected or anti-trend movements in the loan portfolio regarding stage migration and loss allowance movements; and - assessing the adequacy of the disclosures in the financial statements.

Other Information

Other information comprises the information included in the section called "Management's Analysis" of the annual report and the business report of the Bank for 2020, which we obtained prior to the date of this auditor's report, and the sections called "Message to the shareholders", "Corporate Governance" and "Macroeconomic and financial environment in 2020" of the annual report, which is expected to be made available to us after that date, but does not include the separate financial statements and our independent auditor's report thereon. Management is responsible for the other information and for the preparation of the business report in accordance with the relevant provisions of the Accounting Act and other regulations. Our opinion on the separate financial statements provided in the section of our independent auditor's report entitled "Opinion" does not apply to the other information.

Our responsibility in connection with our audit of the separate financial statements is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Furthermore, in accordance with the Accounting Act, our responsibilities regarding the business report also include reviewing the business report to assess whether the business report was prepared in accordance with the relevant provisions of the Accounting Act and other regulations, if any, including the assessment whether the business report complies with the requirements of Section 95/B (2) e) and f) of the Accounting Act, and to express an opinion on the above and on whether the business report is consistent with the separate financial statements. Furthermore, in accordance with the Accounting Act we shall make a statement whether the information referred to in Section 95/B. (2) a)-d), g) and h) has been provided in the business report and whether the business report contains the non-financial statement provided for in Section 95/C.

In our opinion, the business report of the Bank for 2020 corresponds to the separate financial statements of the Bank for 2020 and the relevant provisions of the Accounting Act in all material respects. The information referred to in Section 95/B. (2) a)-d), g) and h) of the Accounting Act has been provided and the business report contains the non-financial statement provided for in Section 95/C.

As the Bank is not subject to additional requirements under any other regulation in connection with the business report, we have not formulated an opinion on this matter.

In addition to the above, based on the information obtained about the Bank and its environment, we must report on whether we became aware of any material misstatements in the other information and, if so, on the nature of such material misstatements. We have nothing to report in this regard.

When we read the sections of the annual report that were not yet made available to us until the date of this report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

The Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives during the audit are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue, on the basis of the above, an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and they are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events

or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the notes to the separate financial statements, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the Bank's internal control that we identify during the audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10 (2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement

We were appointed as the auditors of the Bank on April 30, 2020 and our uninterrupted engagement has lasted for 28 years.

Consistence with the Additional Report to the Audit Committee

We confirm that our audit opinion on the separate financial statements expressed herein is consistent with the additional report to the Audit Committee of the Bank, which we issued on March 17, 2021 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Bank. In addition, there are no other non-audit services which were provided by us to the Bank and its controlled undertakings and which have not been disclosed in the business report.

The engagement partner on the audit resulting in this independent auditor's report is the statutory registered auditor signing this report.

Budapest, March 17, 2021

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Horváth Tamás

on behalf of Deloitte Auditing and Consulting Ltd.
and as statutory registered auditor

Deloitte Auditing and Consulting Ltd.
1068 Budapest, Dózsa György út 84/C.
Registration number: 000083

Registration number of statutory registered auditor: 003449

OTP BANK PLC.

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

FOR THE YEAR ENDED
31 DECEMBER 2020

OTP BANK PLC.

CONTENTS

OTP BANK PLC.
SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020
(in HUF mn)

	Note	2020	2019
Cash, amounts due from banks and balances with the National Bank of Hungary	5.	579,120	289,686
Placements with other banks, net of allowance for placement losses	6.	1,535,884	1,560,142
Repo receivables	7.	183,364	45,539
Financial assets at fair value through profit or loss	8.	160,483	172,229
Financial assets at fair value through other comprehensive income	9.	911,950	1,485,977
Securities at amortised cost	12.	2,007,692	1,447,224
Loans at amortised cost and mandatorily measured at fair value through profit or loss	10.	3,898,697	3,315,069
Investments in subsidiaries	11.	1,548,972	1,542,538
Property and equipment	13.	77,974	77,754
Intangible assets	13.	57,639	53,282
Right of use assets	34.	13,479	13,607
Investments properties	14.	1,936	2,381
Current tax assets		593	-
Derivative financial assets designated as hedge accounting relationships	15.	6,817	16,677
Other assets	16.	169,794	116,699
TOTAL ASSETS		**11,154,394**	**10,138,804**
Amounts due to banks and deposits from the National Bank of Hungary and other banks	17.	766,977	738,054
Repo liabilities	18.	109,612	462,621
Deposits from customers	19.	7,895,735	6,573,550
Leasing liabilities		14,106	13,660
Liabilities from issued securities	20.	28,435	43,284
Financial liabilities at fair value through profit or loss	21.	25,902	28,861
Derivative financial liabilities designated as held for trading	22.	99,987	83,088
Derivative financial liabilities designated as hedge accounting relationships	23.	3,104	10,023
Deferred tax liabilities	33.	3,062	5,875
Current tax liabilities	24.	-	2,896
Other liabilities	24.	224,897	243,780
Subordinated bonds and loans	25.	304,243	279,394
TOTAL LIABILITIES		**9,476,060**	**8,485,086**
Share capital	26.	28,000	28,000
Retained earnings and reserves	27.	1,697,133	1,628,354
Treasury shares	28.	(46,799)	(2,636)
TOTAL SHAREHOLDERS' EQUITY		**1,678,334**	**1,653,718**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**11,154,394**	**10,138,804**

Budapest, 17 March 2021

OTP BANK Nyrt.

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Dr. Sándor Csányi
Chairman and Chief Executive Officer

OTP BANK PLC.
SEPARATE STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2020
(in HUF mn)

	Note	2020	2019
Interest income calculated using the effective interest method	29.	239,633	235,679
Income similar to interest income	29.	81,663	88,217
Interest income and similar to interest income		**321,296**	**323,896**
Interest expense	29.	**(99,630)**	**(119,384)**
NET INTEREST INCOME		**221,666**	**204,512**
Loss allowance on loan, placement and repo receivables losses	6., 7., 10., 30.	(61,310)	(29,056)
from this: loss from derecognition of loans at amortised cost		*(3,638)*	*(19,831)*
Loss allowance / (Release of loss allowance) on securities at fair value through other comprehensive income and on securities at amortised cost	9., 12., 30.	(1,848)	401
Provision for loan commitments and financial guarantees given	24., 30.	(3,202)	(5,794)
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss		(405)	(5,432)
Risk cost total		**(66,765)**	**(39,881)**
NET INTEREST INCOME AFTER RISK COST		**154,901**	**164,631**
MODIFICATION LOSS	4.	**(17,358)**	**-**
Income from fees and commissions	31.	259,781	248,954
Expenses from fees and commissions	31.	(40,750)	(35,591)
NET PROFIT FROM FEES AND COMMISSIONS		**219,031**	**213,363**
Foreign exchange (losses) and gains		(4,518)	3,288
Gains on securities, net		17,955	8,188
from this: gain from derecognition of securities at amortised cost		*360*	*714*
(Losses) / Gains on financial instruments at fair value through profit or loss		(671)	1,260
Gains on derivative instruments, net		7,057	4,715
Dividend income	11.	60,973	78,887
Other operating income	32.	7,900	7,505
Other operating expenses	32.	(28,064)	26,515
NET OPERATING INCOME		**60,632**	**130,358**
Personnel expenses	32.	(118,498)	(115,035)
Depreciation and amortization	32.	(38,948)	(29,925)
Other general expenses	32.	(166,514)	(160,198)
OTHER ADMINISTRATIVE EXPENSES		**(323,960)**	**(305,158)**
PROFIT BEFORE INCOME TAX		**93,246**	**203,194**
Income tax	33.	(772)	(9,840)
NET PROFIT FOR THE YEAR		**92,474**	**193,354**
Earnings per share (in HUF)			
Basic	42.	333	691
Diluted	42.	333	691

OTP BANK PLC.
SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020
(in HUF mn)

	Note	2020	2019
NET PROFIT FOR THE YEAR		92,474	193,354
Items that may be reclassified subsequently to profit or loss:			
Fair value adjustment of debt instruments at fair value through other comprehensive income		(14,459)	16,732
Deferred tax (9%) related to debt instruments at fair value through other comprehensive income	33.	1,262	(1,332)
(Losses) / Gains on separated currency spread of financial instruments designated as hedging instrument		(1,526)	367
Deferred tax (9%) related to separated currency spread of financial instruments designated as hedging instrument	33.	137	(33)
(Losses) / Gains on derivative financial instruments designated as cash flow hedge		(296)	2,086
Deferred tax (9%) related to derivative financial instruments designated as cash flow hedge	33.	27	(188)
Items that will not be reclassified to profit or loss:			
Fair value adjustment of equity instruments at fair value through other comprehensive income		(3,275)	3,867
Deferred tax (9%) related to equity instruments at fair value through other comprehensive income	33.	310	(348)
Other comprehensive income total		(17,820)	21,151
NET COMPREHENSIVE INCOME		74,654	214,505

OTP BANK PLC.

SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

(in HUF mn)

	Note	Share Capital	Capital reserve	Retained earnings and other reserves	Treasury Shares	Total
Balance as at 1 January 2019		28,000	52	1,484,854	(1,964)	1,510,942
Net profit for the period		-	-	193,354	-	193,354
Other comprehensive income		-	-	21,151	-	21,151
Total comprehensive income		-	-	214,505	-	214,505
Share-based payment	38.	-	-	3,547	-	3,547
Payments to ICES holders		-	-	(1,334)	-	(1,334)
Sale of treasury shares	28.	-	-	-	33,513	33,513
Acquisition of treasury shares	28.	-	-	-	(34,185)	(34,185)
Loss on sale of treasury shares	28.	-	-	(11,950)	-	(11,950)
Dividend for the year 2018		-	-	(61,320)	-	(61,320)
Other transaction with owners		-	-	(71,057)	(672)	(71,729)
Balance as at 1 January 2020		28,000	52	1,628,302	(2,636)	1,653,718
Net profit for the period		-	-	92,474	-	92,474
Other comprehensive income		-	-	(17,820)	-	(17,820)
Total comprehensive income		-	-	74,654	-	74,654
Share-based payment	38.	-	-	3,394	-	3,394
Payments to ICES holders		-	-	(4,853)	-	(4,853)
Sale of treasury shares	28.	-	-	-	41,759	41,759
Acquisition of treasury shares	28.	-	-	-	(85,922)	(85,922)
Loss on sale of treasury shares	28.	-	-	(4,416)	-	(4,416)
Dividend for the year 2019		-	-	-	-	-
Other transaction with owners		-	-	(5,875)	(44,163)	(50,038)
Balance as at 31 December 2020		28,000	52	1,697,081	(46,799)	1,678,334

OTP BANK PLC.
SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020
(in HUF mn)

	Note	2020	2019
OPERATING ACTIVITIES			
Profit before income tax		**93,246**	**203,194**
Net accrued interest		(34,365)	6,760
Depreciation and amortization	*13.*	38,997	29,925
Loss allowance on loans and placements	*30.*	61,310	33,728
Loss allowance / (Release of loss allowance) on securities at fair value through other comprehensive income	*9.*	3	(176)
Impairment loss / (Reversal of impairment loss) on investments in subsidiaries	*11.*	10,042	(38,807)
Loss allowance / (Release of loss allowance) on securities at amortised cost	*12.*	1,845	(225)
Loss allowance / (Release of loss allowance) on other assets	*16.*	3,521	(186)
Provision on off-balance sheet commitments and contingent liabilities	*24.*	3,110	5,411
Share-based payment	*38.*	3,394	3,547
Unrealised losses / (gains) on fair value adjustment of financial instruments at fair value through profit or loss		3,549	(1,379)
Unrealised losses on fair value adjustment of derivative financial instruments		4,011	6,777
Interest expense from leasing liabilities		(257)	(244)
Net changing in assets and liabilities in operating activities			
Changes in held for trading securities	*8.*	34,091	(23,247)
Change in financial instruments mandatorily measured at fair value through profit or loss	*8.*	(9,015)	(984)
Changes in derivative financial instruments at fair value through profit or loss	*8.*	2,895	483
Net increase in loans	*10.*	(604,138)	(743,665)
Increase in other assets, excluding advances for investments and before provisions for losses	*16.*	(56,532)	(7,312)
Net increase in deposits from customers	*19.*	1,322,243	832,785
(Decrease) / Increase in other liabilities	*24.*	(25,145)	495
Net increase in the compulsory reserve established by the National Bank of Hungary	*5.*	(10,978)	(7,558)
Dividend income	*11.*	(60,913)	(72,972)
Income tax paid		(1,449)	(628)
Net cash provided by operating activities		**779,465**	**225,722**

OTP BANK PLC.
SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020
(in HUF mn) [continued]

	Note	2020	2019
INVESTING ACTIVITIES			
Net increase in placements with other banks and repo receivables before allowance for placement losses	6. 7.	(115,862)	(518,327)
Purchase securities at fair value through other comprehensive income	9.	(1,079,151)	(1,078,031)
Proceeds from sale of securities at fair value through other comprehensive income	9.	1,623,498	1,068,081
Change in derivative financial instruments designated as hedge accounting		(190)	-
Increase in investments in subsidiaries	11.	(32,961)	(326,158)
Decrease in investments in subsidiaries	11.	16,485	-
Dividend income		60,913	72,972
Increase in securities at amortised cost	12.	(680,089)	(146,771)
Redemption of securities at amortised cost	12.	119,642	127,671
Additions to property, equipment and intangible assets	13.	(68,885)	(48,381)
Disposal of property, equipment and intangible assets	13.	29,433	1,969
Net decrease / (increase) in investment properties	14.	396	(48)
Net increase in advances for investments included in other assets	16.	-	-
Net cash used in investing activities		**(126,771)**	**(847,023)**
FINANCING ACTIVITIES			
Net (decrease) / increase in amounts due to banks and deposits from the National Bank of Hungary and other banks and repo liabilities	17. 18.	(322,365)	461,774
Financial liabilities designated as fair value through profit or loss	21.	(4,219)	(3,331)
Leasing payments		(3,919)	(3,927)
Cash received from issuance of securities	20.	7,119	10,201
Cash used for redemption of issued securities	20.	(21,984)	(13,584)
Increase in subordinated bonds and loans	25.	29,945	166,704
Decrease in subordinated bonds and loans	25.	(5,373)	-
Payments to ICES holders	27.	(4,853)	(1,334)
Increase of Treasury shares	28.	(85,923)	(34,185)
Decrease of Treasury shares	28.	37,344	21,563
Dividends paid	27.	(10)	(61,307)
Net cash (used in) / provided by financing activities		**(374,238)**	**542,574**
Net increase / (decrease) in cash and cash equivalents		**278,456**	**(78,727)**
Cash and cash equivalents at the beginning of the year		**224,631**	**303,358**
Cash and cash equivalents at the end of the year	5.	**503,087**	**224,631**

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

1.1. General information

OTP Bank Plc. ("Bank" or "OTP Bank") was established on 31 December 1990, when the previously State-owned company was transformed into a limited liability company.

The Bank's registered office address is 16, Nádor Street, Budapest 1051. Internet homepage: http://www.otpbank.hu/

Signatory of the separate financial statements is the Chief Executive Officer, dr. Sándor Csányi (Budapest).

Responsible person for the control and management of accounting services: Zoltán Tuboly (Budapest), Managing Director of Accounting and Financial Directorate, Registration Number: 177289, IFRS qualified chartered accountant.

Due to Hungarian legislation audit services are statutory for OTP Bank. Disclosure information about the auditor: Deloitte Auditing and Consulting Ltd. (000083), 1068 Budapest Dózsa György Street 84/C. Registered under 01-09-071057 by Budapest-Capital Regional Court, as registry court. Statutory registered auditor: Tamás Horváth, registration number: 003449.

Audit service fee agreed by the Annual General Meeting of the Bank for the year ended 2020 is an amount of HUF 70 million + VAT.

All other fees charged by the Auditor for non-audit services during the financial year are disclosed in the consolidated financial statements of the Bank.

In 1995, the shares of the Bank were introduced on the Budapest and the Luxembourg Stock Exchanges and were also traded on the SEAQ board on the London Stock Exchange and PORTAL in the USA.

The structure of the Share capital by shareholders (%):

	2020	2019
Domestic and foreign private and institutional investors	97%	99%
Employees	1%	1%
Treasury shares	2%	0%
Total	**100%**	**100%**

The Bank's Registered Capital consists of 280.000.010 pieces of ordinary shares with the nominal value of HUF 100 each, representing the same rights to the shareholders.

The Bank provides a full range of commercial banking services through a nationwide network of 364 branches in Hungary.

Number of branches	**2020**	**2019**
	364	370

Number of the employees of the Bank:

	2020	2019
Number of employees	9,829	9,318
Average number of employees	9,654	8,981

1.2. Basis of accounting

These Separate Financial Statements were prepared based on the assumption of the Management that the Bank will remain in business for the foreseeable future. The Bank will not be forced to halt operations and liquidate its assets in the near term at what may be very low fire-sale prices.

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

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

The separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS [continued]

1.2.1. The effect of adopting new and revised IFRS standards effective from 1 January 2020

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to References to the Conceptual Framework in IFRS Standards** – adopted by EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Material – adopted by EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures" – Interest rate Benchmark Reform –** adopted by EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 16 "Leases"** – Covid 19-Related Rent Concessions adopted by EU on 9 October 2020 (effective for annual periods beginning on or after 1 June 2020),
- **Amendments to IFRS 3 "Business Combinations"** – adopted by EU on 21 April 2020 (effective for annual periods beginning on or after 1 January 2020).

The adoption of these amendments to the existing standards has not led to any material changes in these Separate Financial Statements.

1.2.2. New and revised Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2** adopted by EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021)
- **Amendments to IFRS 4 "Insurance Contracts" deferral of IFRS 9** adopted by EU on 15 December 2020 (effective for annual periods beginning on or after 1 January 2021)

1.2.3. Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at date of publication of these financial statements:

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 3 "Business Combinations"; IAS 16 "Property, Plant and Equipment"; IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** - Annual Improvements (effective fog annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2** - Disclosure of Accounting policies (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors"** – Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

The Bank anticipates that the adoption of these new standards, amendments to the existing standards and new interpretations will have no material impact on the financial statements of the Bank in the period of initial application.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of the accompanying separate financial statements are summarized below:

2.1. Basis of presentation

These separate financial statements have been prepared under the historical cost convention with the exception of certain financial instruments, which are recorded at fair value. Revenues and expenses are recorded in the period in which they are earned or incurred. The Bank does not offset assets and liabilities or income and expenses unless it is required or permitted by an IFRS standard.

The presentation of separate financial statements in conformity with IFRS requires the Management of the Bank to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Future changes in economic conditions, business strategies, regulatory requirements, accounting rules and other factors could result in a change in estimates that could have a material impact on future separate financial statements.

2.2. Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into HUF that is the presentation currency, at exchange rates quoted by the National Bank of Hungary ("NBH") as at the date of the separate financial statements. Income and expenses arising in foreign currencies are converted at the rate of exchange on the transaction date. Resulting foreign exchange gains or losses are recorded to the separate statement of profit or loss.

2.3. Consolidated financial statements

These financial statements present the separate financial position and results of operations of the Bank. Consolidated financial statements are prepared by the Bank and consolidated net profit for the year and shareholders' equity differs significantly from that presented in these separate financial statements. See Note 2.4 for the description of the method of accounting for investments in subsidiaries and associated companies in these separate financial statements. The consolidated financial statements and the separate financial statements will be published on the same date.

2.4. Investments in subsidiaries, associated companies and other investments

Investments in subsidiaries comprise those investments where OTP Bank, through direct and indirect ownership interest, controls the investee. Control is achieved when the Bank has power over the investee, is exposed or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

Investments in subsidiaries are recorded at the cost of acquisition, less impairment for permanent diminution in value, when appropriate. After initial measurement investments in subsidiaries are measured at cost, in the case of foreign currency denominated investments for the measurement the Bank uses the exchange rate at the date of transaction.

Impairment is determined based on the future economic benefits of the subsidiary and macroeconomic factors.

OTP Bank calculates the fair value based on discounted cash flow model. The 3 year period explicit cash flow model serves as a basis for the impairment test by which the Bank defines the impairment need on investment in subsidiaries based on the strategic factors and financial data of its cash-generating units.

OTP Bank in its strategic plan has taken into consideration the cautious recovery of global economic situation and outlook, the associated risks and their possible effect on the financial sector as well as the current and expected availability of wholesale funding.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.5. Securities at amortised cost

The Bank measures at amortized cost those securities which are held for contractual cash collecting purposes, and contractual terms of these securities give rise to cash flows that are solely payment of principal and interest on the principal amount outstanding. The Bank initially recognizes these securities at fair value. Securities at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. The amortisation of any discount or premium on the acquisition of a security at amortized cost is part of the amortized cost and is recognized as interest income (Eir based) so that the revenue recognized in each period represents a constant yield on the investment. Securities at amortized cost are accounted for on a trade date basis. Such securities comprise mainly securities issued by the Hungarian Government bonds and corporate bonds.

2.6. Financial assets at fair value through profit or loss

2.6.1. Securities held for trading

Investments in securities are accounted for on a trade date basis and are initially measured at fair value. Securities held for trading are measured at subsequent reporting dates at fair value. Unrealised gains and losses on held for trading securities are recognized in profit or loss and are included in the separate statement of profit or loss for the period. The Bank holds held for trading securities within the business model to obtain short-term gains. Consequently realised and unrealised gains and losses are recognized in the net operating income. The Bank applies FIFO[1] inventory valuation method for securities held for trading. Such securities consist of discounted and interest bearing Treasury bills, Hungarian Government bonds, mortgage bonds, shares in non-financial commercial companies, shares in investment funds, shares in venture capital funds and shares in financial institutions.

2.6.2. Derivative financial instruments

In the normal course of business, the Bank is a party to contracts for derivative financial instruments, which represent a low initial investment compared to the notional value of the contract and their value depends on value of underlying asset and are settled in the future. The derivative financial instruments used include interest rate forward or swap agreements and currency forward or swap agreements and options. These financial instruments are used by the Bank both for trading purposes and to hedge interest rate risk and currency exposures associated with its transactions in the financial markets.

Derivative financial instruments are accounted for on a trade date basis and are initially measured at fair value and at subsequent reporting dates also at fair value. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. OTP Bank adopts multi curve valuation approach for calculating the net present value of future cash flows – based on different curves used for determining forward rates and used for discounting purposes. It shows the best estimation of such derivative deals that are collateralised as OTP Bank has almost its entire open derivative transactions collateralised. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in profit or loss and are included in the separate statement of profit or loss for the period. Each derivative deal is determined as asset when fair value is positive and as liability when fair value is negative.

Certain derivative transactions, while providing effective economic hedges under risk management positions of the Bank, do not qualify for hedge accounting under the specific rules of IFRS 9 and are therefore treated as derivatives held for trading with fair value gains and losses charged directly to the separate statement of profit or loss.

Foreign currency contracts

Foreign currency contracts are agreements to exchange specific amounts of currencies at a specified rate of exchange, at a spot date (settlement occurs two days after the trade date) or at a forward date (settlement occurs more than two days after the trade date). The notional amount of forward contracts does not represent the actual market or credit risk associated with these contracts. Foreign currency contracts are used by the Bank for risk management and trading purposes. The Bank's risk management foreign currency contracts were used to hedge the exchange rate fluctuations of loans and deposits denominated in foreign currency.

[1] First In First Out

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.6.2 Derivative financial instruments [continued]

Foreign exchange swaps and interest rate swaps

The Bank enters into foreign-exchange swap and interest rate swap ("IRS") transactions. The swap transaction is a complex agreement concerning the swap of certain financial instruments, which usually consists of a spot and one or more forward contracts.
Interest rate swaps obligate two parties to exchange one or more payments calculated with reference to fixed or periodically reset rates of interest applied to a specific notional principal amount (the base of the interest calculation). Notional principal is the amount upon which interest rates are applied to determine the payment streams under interest rate swaps.
Such notional principal amounts are often used to express the volume of these transactions but are not actually exchanged between the counterparties. The Bank's interest rate swap contracts can be hedging or held for trading contracts.

Cross-currency interest rate swaps

The Bank enters into cross-currency interest rate swap ("CCIRS") transactions which have special attributes, i.e. the parties exchange the notional amount at the beginning and also at the maturity of the transaction. A special type of these deals is the mark-to-market CCIRS agreements. At this kind of deals the parties – in accordance with the foreign exchange prices – revalue the notional amount during lifetime of the transaction.

Equity and commodity swaps

Equity swaps obligate two parties to exchange more payments calculated with reference periodically reset rates of interest and performance of indices. A specific notional principal amount is the base of the interest calculation. The payment of index return is calculated on the basis of current market price compared to the previous market price. In case of commodity swaps payments are calculated on the basis of the strike price of a predefined commodity compared to its average market price in a period.

Forward rate agreements ("FRA")

A forward rate agreement is an agreement to settle amounts at a specified future date based on the difference between an interest rate index and an agreed upon fixed rate. Market risk arises from changes in the market value of contractual positions caused by movements in interest rates.

The Bank limits its exposure to market risk by entering into generally matching or offsetting positions and by establishing and monitoring limits on unmatched positions. Credit risk is managed through approval procedures that establish specific limits for individual counter-parties. The Bank's forward rate agreements were transacted for management of interest rate exposures.

Foreign exchange options

A foreign exchange option is a derivative financial instrument that gives the owner the right to exchange money denominated in one currency into another currency at a pre-agreed exchange rate at a specified future date. The transaction, for a fee, guarantees a worst-case exchange rate for the futures purchase of one currency for another. These options protect against unfavourable currency movements while preserving the ability to participate in favourable movements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.7. Derivative financial instruments designated as a fair value or cash flow hedge

Changes in the fair value of derivatives that are designated and qualify as hedging instruments fair value hedges and that prove to be highly effective in relation to the hedged risk, are recorded in the separate statement of profit or loss along with the corresponding change in fair value of the hedged asset or liability that is attributable to the specific hedged risk. Changes in the fair value of the hedging instrument in fair value hedges are charged directly to the separate statement of profit or loss. The conditions of hedge accounting applied by the Bank are the following: formally designated as hedging relationship, proper hedge documentation is prepared, effectiveness test is performed and based on it the hedge is qualified as effective.

Changes in fair value of derivatives that are designated and qualify as hedging instrument in cash flow hedges and that prove to be highly effective in relation to hedged risk are recognized as reserve in other comprehensive income. Amounts deferred in other comprehensive income are transferred to the separate statement of profit or loss and classified as revenue or expense in the periods during which the hedged assets and liabilities effect the separate statement of recognized and comprehensive income for the period. The ineffective element of the hedge is charged directly to the separate statement of profit or loss. The Bank terminates the hedge accounting if the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting. In case of cash flow hedges - in line with the standard – hedge accounting is still applied as long as the underlying asset is derecognised.

2.8. Offsetting

Financial assets and liabilities may be offset and the net amount is reported in the statement of financial position when the Bank has a legally enforceable right to set off the recognised amounts and the transactions are intended to be reported in the statement of financial position on a net basis. In the case of the derivative financial instruments the Bank applies offsetting and net presentation in the Statement of Financial Position when the Bank has the right and the ability to settle the assets and liabilities on a net basis.

2.9. Embedded derivatives

Sometimes, a derivative may be a component of a combined or hybrid contract that includes a host contract and a derivative (the embedded derivative) affecting cash flows or otherwise modifying the characteristics of the host instrument. An embedded derivative must be separated from the host instrument and accounted for as a separate derivative if, and only if:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- A separate financial instrument with the same terms as the embedded derivative would meet the definition of a derivative as a stand-alone instrument; and
- The host instrument is not measured at fair or is measured at fair value but changes in fair value are recognised in other comprehensive income.

As long as a hybrid contract contains a host that is a financial asset the general accounting rules for classification, recognition and measurement of financial assets are applicable for the whole contract and no embedded derivative is separated.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.10. Securities at fair value through other comprehensive income ("FVOCI securities")

FVOCI securities are held within a business model whose objective is achieved by both collecting of contractual cash flows and selling securities. Furthermore contractual terms of FVOCI securities give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

Debt instruments

Investments in debt securities are accounted for on a trade date basis and are initially measured at fair value. Securities at fair value through other comprehensive income are measured at subsequent reporting dates at fair value. Unrealised gains and losses on FVOCI financial instruments are recognized in other comprehensive income, except for interest and foreign exchange gains/losses on monetary items, unless such FVOCI security is part of an effective hedge. Such gains and losses will be reported when realised in profit or loss for the applicable period. The Bank applies FIFO[1] inventory valuation method for FVOCI securities.

For debt securities at fair value through other comprehensive income the loss allowance is calculated based on expected credit loss model. The expected credit loss is accounted for against Other Comprehensive Income.

FVOCI securities are remeasured at fair value based on quoted prices or values derived from cash flow models. In circumstances where the quoted market prices are not readily available, the fair value of debt securities is estimated using the present value of the future cash flows and the fair value of any unquoted equity instruments are calculated using the EPS ratio.

Fair value through other comprehensive income option for equity instruments

In some cases the Bank made an irrevocable election at initial recognition for certain non-trading investments in an equity instrument to present subsequent changes in fair value of these securities in other comprehensive income instead of in profit or loss.

The use of the fair value option is based only on direct decision of management of the Bank.

2.11. Loans, placements with other banks, repo receivables and loss allowance for loan, placements and repo receivables losses

The Bank measures Loans, placements with other banks and repo receivables at amortised cost, which are held to collect contractual cash flows, and contractual terms of these assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Bank recognises financial assets, which are not held for trading and do not give rise contractual cash flows that are solely payments of principal and interest on the principal amount outstanding as loans measured at fair value through profit or loss.

Loans, placements with other banks and repo receivables are accounted at amortised cost, stated at the principal amounts outstanding including accrued interest, net of allowance for loan or placement losses, respectively. Transaction fees and charges should adjust the carrying amount at initial recognition and be included in effective interest calculation. Loans, placements with other banks and repo receivables are derecognised when the contractual rights to the cash flows expire or they are transferred. When a financial asset is derecognised the difference of the carrying amount and the consideration received is recognised in the profit or loss. When the contractual cash flows of a financial asset are modified and the modification does not result in the derecognition of the financial asset the Bank recalculate the gross carrying amount of the financial asset by discounting the expected future cash flows with the original effective interest rate of the asset. The difference between the carrying amount and the present value of the expected cash flows is recognised as a modification gain or loss in the profit or loss. Interest and amortised cost are accounted for using the effective interest rate method.

Initially, financial assets shall be recognized at fair value which is usually equal to the transaction value of loans and receivables. Initial fair value of loans and receivables lent at interest below market conditions is lower than their transaction price. As a consequence the Bank is deferring the difference between the fair value at initial recognition and the transaction price relating to loans and receivables because input data for measuring the fair values is not available on observable markets.

[1] First In First Out

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.11. Loans, placements with other banks, repo receivables and loss allowance for loan, placements and repo receivables losses [continued]

Allowance for losses on loans, placements with other banks and repo receivables represent management assessment for potential losses in relation to these activities.

Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and the possibility of further recovery is considered to be remote. The loan is written off against the related account "Loss allowance on loan, placement and repo receivables losses" in the Statement of Profit or loss.

OTP Bank applies partial or full write-off for loans based on the definitions and prescriptions of financial instruments in accordance with IFRS 9. If OTP Bank has no reasonable expectations regarding a financial asset (loan) to be recovered, it will be written off partially or fully at the time of emergence.

The gross carrying amount and loss allowance of the loans shall be written off in the same amount to the estimated maximum recovery amount while the net carrying value remains unchanged.

If there are reasonable expectations of recovery for a financial asset that is written-off fully or partially, OTP Bank shall re-estimate cash flows of a financial asset and write-off reversal is applied in the financial statements.

Modification of contractual cash flows

If contractual cash flows of a financial asset change and it is not qualified as derecognition, modification gain or loss should be calculated in the separate statement of profit or loss in those cases like restructuring – as defined in internal policies of the Bank – prolongation, renewal with unchanged terms, renewal with shorter terms and prescribing capital repayment rate, if it doesn't exist or has not been earlier.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with IFRS 9, the Bank recalculates the gross carrying amount of the financial asset and shall recognizes a modification gain or loss in profit or loss. The modification indicates an insignificant change (the significance is assessed at the financial statement level of the Bank (and not at contract level).

The changes of net present value should be calculated on Bank level in case of retail portfolio. Each retail contract is restructured based on restructuring frameworks. The Bank has to evaluate these frameworks (and not individual contracts). The changes of net present value should be calculated individually on contract level in case of corporate portfolio.

2.12. Loss allowance

Allowance for losses on loans and placements with other banks are recognised by the Bank based on the expected credit loss model in accordance with IFRS 9. Based on the three stage model loss allowance is recognised in amount of 12 month expected credit loss from the initial recognition. Financial assets with significantly increased credit risk or credit impaired financial assets (based on objective evidences) loss allowance is recognised in amount of lifetime expected credit loss.

In case of purchased or originated credit impaired financial assets loss allowance is recognised in amount of lifetime expected credit loss since initial recognition. Impairment gain is recognised if lifetime expected credit loss for purchased or originated credit impaired financial assets at measurement date are less than the estimated credit loss at initial recognition.

The allowances for loan and placement losses are determined to cover losses that have been specifically identified. Collective impairment losses of portfolios of loans, for which no objective evidence of loss allowance has been identified on an individual basis, are determined to reduce the carrying amount of the portfolios of financial assets with similar credit risk characteristics to their estimated recoverable amounts at the balance sheet date. The expected cash flows for portfolios of similar assets are estimated based on historical loss experience.

At subsequent measurement the Bank recognises through "Loss allowance on loan, placement and repo receivables losses" in the Statement of Profit or Loss impairment gain or loss as an amount of expected credit losses or reversal that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised in accordance with IFRS 9.

If a financial asset, which previously classified in the first stage, classified subsequently in the second or third stage than loss allowance is adjusted to lifetime expected credit loss. If a financial asset, which previously classified in the second or third stages, classified subsequently in the first stage than loss allowance is adjusted to level of 12 month expected credit loss.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.12. Loss allowance [continued]

Classification into risk classes

According to the requirements of the IFRS9 standard, the Bank classifies financial assets measured at amortised cost and fair value through other comprehensive income, and loan commitments and financial guarantees into the following categories in accordance with IFRS9:

Stage 1	Performing
Stage 2	Performing, but compared to the initial recognition it shows significant increase in credit risk
Stage 3	Non-performing
POCI	Purchased or originated credit impaired

In the case of trade receivables, contract assets and lease receivables the Group applies the simplified approach and calculates only lifetime expected credit loss. Simplified approach is the following:

- for the past 3 years the average annual balance of receivables under simplified approach is calculated,
- the written-off receivables under simplified approach are determined in the past 3 years,
- 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.

Credit risk of financial assets increases significantly at the following conditions:

- the payment delay exceeds 30 days,
- it is classified as performing forborne,
- based on 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 household mortgage loans, the loan-to-value ratio ("LTV") exceeds a predefined rate,
- default on another loan of the retail client, if no cross-default exists,
- in case of corporate and municipal clients:
    - financial difficulty (capital requirements, liquidity, impairment of asset quality),
    - significant decrease of activity and liquidity in the market of the asset,
    - client's rating reflects higher risk, but better than default,
    - collateral value drops significantly, from which the client pays the loan,
    - more than 50% decrease in owner's equity due to net losses,
    - client under dissolution,
    - negative information from Central Credit Information System: the payment delay exceeds 30 days

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.12. Loss allowance [continued]

Classification into risk classes [continued]

Financial assets classifies as non-performing, if the following conditions are met:

- default,
- non-performing forborne exposures,
- in case of corporate and municipal clients:
  - breach of contract terms and conditions
  - critical financial difficulty of the client (capital requirements, liquidity, impairment of asset quality),
  - liquidation, dissolution or debt clearing procedures against client,
  - forced deregistration procedures from company registry,
  - terminated loans by the Bank,
  - in case of fraud,
  - negative information from Central Credit Information System: the payment delay exceeds 90 days,
  - cessation of active markets of the financial asset,
  - default of ISDA based contracts.

For lifetime expected credit losses, the Bank shall estimate the risk of a default occurring on the financial instrument during its expected life. 12-month expected credit losses are a portion of the lifetime expected credit losses and represent cash flow shortfalls that will result if a default occurs in the 12 months after the reporting date (or a shorter period fi the expected life of the financial instrument is less than 12 months), weighted by the probability of that default occurring.

Expected credit losses are measured 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 of effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2.13. Option to designate a financial asset/liability measured at fair value through profit or loss (FVTPL option)

The Bank may, at initial recognition, irrevocably designate a financial asset or liability as measured at fair value through profit or loss. The Bank may use FVTPL option in the following cases:

- if doing so eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases
- if the group of financial liabilities or assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Bank's key management personnel.

The use of the fair value option is limited only to special situations, and it can be based only on direct decision of management of the Bank.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.14. Sale and repurchase agreements, security lending

Where debt or equity securities are sold under a commitment to repurchase them at a pre-determined price, they remain on the statement of financial position and the consideration received is recorded in Other liabilities or Amounts due to banks and deposits from the National Bank of Hungary and other banks, or Deposits from customers. Conversely, debt or equity securities purchased under a commitment to resell are not recognized in the statement of financial position and the consideration paid is recorded either in Placements with other banks or Deposits from customers. Interest is accrued evenly over the life of the repurchase agreement. In the case of security lending transactions the Bank does not recognize or derecognize the securities because it is believed that the transferor retains substantially all the risks and rewards of the ownership of the securities. Only a financial liability or financial receivable is recognized for the consideration amount.

2.15. Property, equipment and intangible assets

Property, equipment and intangible assets are stated at cost, less accumulated depreciation and amortization and impairment, if any. The depreciable amount (book value less residual value) of the non-current assets must be allocated over their useful lives. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets based on the following annual percentages:

Intangible assets	
Software	20-33.3%
Property rights	16.7-33.3%
Property	1-2%
Office equipment and vehicles	9-33.3%

Depreciation and amortization on properties, equipment and intangible assets starts on the day when such assets are placed into service. At each balance sheet date, the Bank reviews the carrying value of its tangible and intangible assets to determine if there is any indication that those assets have suffered an impairment loss.

If such indication exists, the recoverable amount of the asset is estimated to determine the extent (if any) of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where the carrying value of property, equipment, other tangible fixed assets and intangible assets is greater than the estimated recoverable amount, it is impaired immediately to the estimated recoverable amount.

2.16. Inventories

The inventories shall be measured at the lower of cost and net realisable value. The cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The Bank uses generally FIFO formulas to the measurement of inventories. Inventories shall be removed from books when they are sold, unusable or destroyed. When inventories are sold, the carrying amount of those inventories shall be recognized as an expense in the period in which the related revenue is recognized. Repossessed assets are classified as inventories.

2.17. Investment properties

Investment properties of the Bank are land, buildings, part of buildings which are held (as the owner or as the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use in the production or supply of services or for administrative purposes or sale in the ordinary course of business. The Bank measures the investment properties at cost less accumulated depreciation and impairment, if any. The depreciable amount (book value less residual value) of the investment properties must be allocated over their useful lives. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets based on the 1-2% annual percentages.

The fair value of the investment properties is established mainly by external experts. According to the opinion of the Management there is no significant difference between the fair value and the carrying value of these properties.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.18. Financial liabilities

The financial liabilities are presented within financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost. In connection to the financial liabilities at fair value through profit or loss, the Bank presents the amount of change in their fair value originated from the changes of market conditions and business environment. Financial liabilities at fair value through profit or loss are either financial liabilities held for trading or they are designated upon initial recognition as at fair value through profit or loss. In the case of financial liabilities measured at amortised cost, fees and commissions related to the origination of the financial liability are recognised through profit or loss during the maturity of the instrument. In certain cases the Bank repurchases a part of financial liabilities (mainly issued securities or subordinated bonds) and the difference between the carrying amount of the financial liability and the amount paid for it is recognised in the statement of profit or loss and included in other operating income.

2.19. Leases

An agreement is a lease or contains a lease if it transfers the rights to control the use of an identified asset for a given period in exchange for compensation.

Expenses related to the use of lease assets, the majority of which were previously recognised in external services costs, will be currently classified as depreciation/amortisation and interest costs. Usufruct rights are depreciated using a straight line method, while lease liabilities are settled using an effective discount rate.

Recognition of lease liabilities

The Bank will recognise lease liabilities related to leases which were previously classified as "operating leases" in accordance with IAS 17 Leases. These liabilities will be measured at the present value of lease payments receivable as at the date of commencement of the application of IFRS 16. Lease payments shall be discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. Interest rate applied by the Bank: weighted average lessee's incremental borrowing rate: ~1,62%

At their date of initial recognition, lease payments contained in the measurement of lease liabilities comprise the following types of payments for the right to use the underlying asset for the life of the lease:

- fixed lease payments less any lease incentives,
- variable lease payments which are dependent on market indices,
- amounts expected to be payable by the lessee under residual value guarantees,
- the strike price of a purchase option, if it is reasonably certain that the option will be exercised, and
- payment of contractual penalties for terminating the lease, if the lease period reflects that the lessee used the option of terminating the lease.

The Bank makes use of expedients with respect to short-term leases (less than 12 months) as well as in the case of leases in respect of which the underlying asset has a low value (less than HUF 1.4 million) and for which agreements it will not recognise financial liabilities nor any respective right-of-use assets. These types of lease payments will be recognised as costs using the straight-line method during the life of the lease.

Recognition of right-of-use assets

Right-of-use assets are initially measured at cost.

The cost of a right-of-use asset comprises:

- the amount of the initial measurement of lease liabilities,
- any lease payments made at or before the commencement date, less any lease incentives received,
- any initial direct costs incurred by the lessee,
- estimates of costs to be incurred by the lessee as a result of an obligation to disassemble and remove an underlying asset or to carry out renovation/restoration.

Average weighted amount of the implicit interest rate/incremental borrowing rate applied as at 1 January 2019 to recognize the lease liabilities: ~1,61 %

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.20. Share capital

Share capital is the capital determined in the Articles of Association and registered by the Budapest-Capital Regional Court. Share capital is the capital the Bank raised by issuing common stocks at the date the shares were issued. The amount of share capital has not changed over the current period.

2.21. Treasury shares

Treasury shares are shares which are purchased on the stock exchange and the over-the-counter market by the Bank and are presented in the separate statement of financial position at acquisition cost as a deduction from shareholders' equity. Gains and losses on the sale of treasury shares are recognised directly to shareholder's equity. Derecognition of treasury shares is based on the FIFO method.

2.22. Interest income and interest expense

Interest income and expenses are recognised in profit or loss in the period to which they relate, using the effective interest rate method except derivative financial instruments. Interest from loans and deposits are accrued on a daily basis. Interest income and expenses include relevant transaction costs and the amortisation of any discount or premium between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

The time-proportional interest income of derivative financial instruments calculated not using the effective interest method and the positive fair value adjustment of interest rate swaps are also included in interest income.

2.23. Fees and Commissions

Fees and commissions that are not involved in the amortised cost model are recognised in the Separate Statement of Profit or Loss on an accrual basis according to IFRS 15. (See further details in Note 31). These fees are related to deposits, cash withdrawal, security trading, bank card, etc.

2.24. Dividend income

Dividend income refers to any distribution of entity's earnings to shareholders from stocks or mutual funds that is owned by the Bank. The Bank recognizes dividend income in the separate financial statements when its right to receive the payment is established.

2.25. Income tax

The annual taxation charge is based on the tax payable under Hungarian fiscal law, adjusted for deferred taxation. Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences between the tax bases of assets and liabilities and their carrying value for financial reporting purposes, measured at the tax rates that are expected to apply when the asset is realised or the liability is settled.

Deferred tax assets are recognized by the Bank for the amounts of income tax that are recoverable in future periods in respect of deductible temporary differences as well as the carry forward of unused tax losses and the carryforward of unused tax credits.

2.26. Banking tax

The Bank is obliged to pay banking tax based on Act LIX of 2006. As the calculation is not based on the taxable profit (but the adjusted Assets total calculated based on the Separate Financial Statements for the second period preceding the current tax year), banking tax is not considered as income tax.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.27. Off-balance sheet commitments and contingent liabilities

In the ordinary course of its business, the Bank has entered into off-balance sheet commitments such as guarantees, commitments to extend credit, letters of credit and transactions with financial instruments. The provision on off-balance sheet commitments and contingent liabilities is maintained at a level adequate to absorb probable future losses which are probable and relate to present obligations.

Those commitments and contingent liabilities Management determines the adequacy of the provision based upon reviews of individual items, recent loss experience, current economic conditions, the risk characteristics of the various categories of transactions and other pertinent factors.

The Bank recognizes a provision for off-balance sheet commitment and contingent liabilities in accordance with IAS 37 when it has a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the obligation.

Expected credit loss model is applied for given financial guarantees and loan commitments which are under IFRS 9 the, when the provision is calculated (see more details in Note 2.12.).

2.28. Share-based payment and employee benefit

The Bank has applied the requirements of IFRS 2 Share-based Payment.

The Bank issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the year, based on the Bank's estimate of shares that will eventually vest. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on Management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The Bank has applied the requirement of IAS 19 Employee Benefits. IAS 19 requires to recognise employee benefits to be paid as a liability and as an expense in financial statements.

2.29. Separate statement of cash flows

Cash flows arising from the operating, investing or financing activities are reported in the Statement of Cash-Flows of the Bank primarily on a gross basis. Net basis reporting are applied by the Bank in the following cases:

- when the cash flows reflect the activities of the customer rather than those of the Bank, and
- for items in which the turnover is quick, the amounts are large, and the maturities are short.

For the purposes of reporting cash flows, cash and cash equivalents include cash, due from banks and balances with the NBH excluding compulsory reserve. Cash flows from hedging activities are classified in the same category as the item being hedged. The unrealised gains and losses from the translation of monetary items to the closing foreign exchange rates and the unrealised gains and losses from derivative financial instruments are presented net in the statement of cash flows for the monetary items which have been revalued.

2.30. Segment reporting

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Bank that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

At separate level, the Management does not separate and makes decisions based on different segments; the segments are identified by the Bank only at consolidated level in line with IFRS 8 paragraph 4. At Group level the segments identified by the Bank are the business and geographical segments.

The Group's operating segments under IFRS 8 are therefore as follows: OTP Core Hungary, Russia, Ukraine, Bulgaria, Romania, Serbia, Croatia, Montenegro, Albania, Moldova, Slovenia, Merkantil Group, Asset Management subsidiaries, other subsidiaries, Corporate Centre.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.31. Comparative figures

Change in the classification and valuation policy of certain subsidized retail loans and FX margins

In 2020, the Bank changed its accounting policy regarding the classification and valuation of a particular class of subsidized retail loans. The interest payments on the retail loans are determined on the basis of the government bond reference yields and a multiplier. Previously, in accordance with the Bank's accounting policy, these loans were measured at amortised cost. For the year ended 31 December 2020, the Bank classified this type of loan as measured at fair value through profit or loss. The new accounting policy is in line with the practices of the majority of the players in the banking sector, thus better facilitating comparability. Therefore, in the Bank's opinion, the change in accounting policy results in a more reliable, comparable and relevant presentation of the effects of the loans in question on the Bank's financial position and financial performance in the financial statements.

In parallel with the change in accounting policy, the Bank also changed the structure of the balance sheet. In the statement of financial position, the Bank presents loans in a uniform manner, based on the nature of the instruments, on the line Loans, regardless of their classification and valuation category. The amounts presented under Loans are disclosed in the relevant Note by valuation category.

The new accounting policy is applied retrospectively by the Bank as if it had always applied this accounting policy. The Bank has made the following adjustments to the comparative figures. At the beginning of the comparative period and at the end of the comparative period, the change in accounting policy did not result in a material change in the carrying amount of the loans involved or equity. Therefore, the Bank did not change the related balance sheet values for the adjustment relating to periods before those presented, the statement, the statement of financial position contains only the data at the end of the current period and at the end of the comparative period.

As a result of the change in accounting policy, the Bank adjusted the data of the comparative period in the statement of profit or loss in accordance with the profit or loss items of the fair valuation categories. Due to the unchanged carrying amounts in the balance sheet, this amendment resulted in the following reclassification between profit or loss categories:

- The Bank recognizes interest income on loans measured at fair value through profit or loss for the period in the Income similar to Interest Income line at the value corresponding to transactional interest. The comparative value of the line of interest income calculated using the effective interest rate method has been reduced accordingly by the interest income of the respective loans determined using the previously applied effective interest rate method.
- The Bank presents the amount of commission income and commission expenses related to loans at fair value through profit or loss in the Fee and commission income and Fee and commission expense lines.
- The Bank presents the change in the fair value of loans measured at fair value through profit or loss, broken down into two components:
  - The Bank presents the portion of the change in fair value arising from changes in credit risk within Risk cost as Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss. This amount is determined using expected credit loss models used for loans measured at amortized cost. The comparative amount of Loss allowance on loans, placements and repo receivables has been reduced accordingly with the loss allowance and reversal amounts for the respective loans.
  - The Bank presents the remaining component of the change in fair value under the (Losses) / Gains on financial instruments at fair value through profit or loss.

The change in accounting policy did not impact the net profit for the comparative period, nor the comparative earnings per ordinary share.

The other reclassification relates to realized foreign exchange results which were previously presented within Net operating income. The change in presentation means that the result recognized on these transactions is now presented in Income from fees and commissions.

In accordance with the new accounting policy, the Bank has amended its respective disclosure notes. In the comparative figures, the Bank has reduced the previously disclosed amortized cost, gross carrying amount, impairment and fair value data by the amounts related to the loans concerned. The Bank has also amended its disclosures in the notes on assets at fair value through profit or loss for comparative information. These amendments have been marked "Revised" by the Bank. The Bank has also revised the presentation of the detailed notes to the amended profit or loss line items for comparative information in accordance with the new values in the statement of profit or loss.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.31. Comparative figures [continued]

Amendments to the information published in the supplementary annexes concerned the following supplementary notes

Note	Name of the Note
10.	Loans
29.	Interest income and interest expenses
30.	Risk cost
35.	Financial risk management
35.1.	*Credit risk*
35.1.1.	*Gross carrying amount and accumulated loss allowance of financial assets at amortized cost and fair value through other comprehensive income*
35.1.1.	*Changes in the Loss allowance of financial assets at amortised cost and fair value through other comprehensive income by IFRS 9 stages*
35.1.1.	*Loan portfolio by countries*
35.1.2.	*Collaterals*
35.2.	*Maturity analysis of assets and liabilities and liquidity risk*
35.4.	*Interest rate risk management*
43.	Net gain or loss realised on financial instruments
44.	Fair value of financial instruments
44. a)	*Fair value of financial assets and liabilities*
44. d)	*Fair value classes*

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.31. Comparative figures [continued]

Line item	2020	2019 Revised presentation	Reclassification of amounts related to mandatorily measured at fair value through profit or loss	Reclassification of gains from foreign exchange margin	2019 As previously presented
Interest income calculated using the effective interest method	239,633	235,679	(3,716)	-	239,395
Income similar to interest income	81,663	88,217	5,106	-	83,111
Interest incomes and similar to interest incomes	**321,296**	**323,896**	**1,390**	-	**322,506**
Interest expense	**(99,630)**	**(119,384)**	-	-	**(119,384)**
Loss allowance on loan, placement and repo receivables losses	(61,310)	(27,511)	4,672	-	(32,183)
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	(405)	(5,432)	(5,432)	-	-
Further risk cost items	(5,050)	(6,938)	-	-	(6,938)
Risk cost total	**(66,765)**	**(39,881)**	**(760)**	-	**(39,121)**
NET INTEREST INCOME AFTER RISK COST	**154,901**	**164,631**	**630**	-	**164,001**
Income from fees and commissions	259,781	248,954	-	9,959	238,995
NET PROFIT FROM FEES AND COMMISSIONS	**219,031**	**213,363**	-	**9,959**	**203,404**
Foreign exchange (losses) and gains, net	(4,518)	3,288	-	(9,959)	13,247
(Losses) / Gains on financial instruments at fair value through profit or loss	(671)	1,260	(630)	-	1,890
NET OPERATING INCOME	**60,632**	**130,358**	**(630)**	**(9,959)**	**140,947**

NOTE 3: SIGNIFICANT ACCOUNTING ESTIMATES AND DECISIONS IN THE APPLICATION OF ACCOUNTING POLICIES

The presentation of separate financial statements in conformity with IFRS requires the Management of the Bank to make judgements about estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on expected loss and other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period. Actual results could differ from those estimates. Significant areas of subjective judgements include:

3.1. Loss allowance on financial instruments

The Bank regularly assesses its financial instruments for impairment. Management determines the adequacy of the allowances based upon reviews of individual loans and placements, recent loss experience, current economic conditions, the risk characteristics of the various categories of loans and other pertinent factors. The use of a new, three stage model was implemented for IFRS 9 purposes. The new impairment methodology is used to classify financial instruments in order to determine whether credit risk has significantly increased since initial recognition and able to identify credit-impaired assets. For instruments with credit-impairment or significant increase of credit risk lifetime expected losses will be recognized. (For details see note 35.1.1.)

3.2. Valuation of instruments without direct quotations

Financial instruments without direct quotations in an active market are valued using the valuation model technique. The models are regularly reviewed and each model is calibrated for the most recent available market data. While the models are built only on available data, their use is subject to certain assumptions and estimates (e.g. for correlations, volatilities, etc). Changes in the model assumptions may affect the reported fair value of the relevant financial instruments.

IFRS 13 Fair Value Measurement seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.

3.3. Provisions

Provision is recognised and measured for commitments to extend credit and for warranties arising from banking activities based on IFRS 9 Financial Instruments. Provision for these instruments is recognised based on the credit conversion factor, which shows the proportion of the undrawn facility that will be probably funded.

Other provision is recognised and measured based on IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The Bank is involved in a number of ongoing legal disputes. Based upon historical experience and expert reports, the Bank assesses the developments in these cases, and the likelihood and the amount of potential financial losses which are appropriately provided for. (See Note 24.)

Other provision for off-balance sheet items includes provision for litigation, provision for retirement and expected liabilities and provision for Confirmed letter of credit.

A provision is recognised by the Bank when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

3.4. Business models

The financial assets held by the Bank are classified into three categories depending on the business model within the financial assets are managed.

- Business model whose objective is to hold financial assets in order to collect contractual cash flows. Within this business model the Bank manages mainly loans and advances and long term securities and other financial assets.
- Business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Within this business model the Bank only manages securities.
- Business model whose objective is to achieve gains in a short term period. Within this business model the Bank manages securities and derivative financial instrument.

NOTE 4: COVID-19 (in HUF mn)

Covid-19 has had substantial implications for the operations of the Bank during 2020. Below are some of the more important Covid-19 related events that occurred in Hungary:

- On 16 March 2020 the NBH decided to expand the range of eligible collaterals with performing corporate loans. Effective from 11 May 2020 only corporate loans exceeding HUF 1 billion can be used as collateral in the liquidity providing operations.
- In addition to the 1, 3, 6 and 12-month tenders announced every Monday in the same way, the NBH announced one-week FX swap tenders providing forint liquidity on a daily basis from 17 March 2020 until further notice, in order to maintain the appropriate level of liquidity for the banking sector.
- On 18 March 2020 the NBH took measures to support the operation of banks and strengthen the banking system. Among others the NBH requested banks and their owners to make sure that dividends are neither approved, nor paid until the end of September of 2020.
- On 18 March 2020 the Prime Minister of Hungary announced the first stage of economic and job protection measures. The steps, among others, included:
    - a blanket debt repayment moratorium;
    - the introduction of the annual percentage rate "APR" caps on new consumer loans: pursuant to the relevant Government Decrees, 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, 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;
    - the extension of short-term business loans until 30 June.
- Pursuant to Government Decree No. 47/2020. (III. 18.) and Government Decree No. 62/2020. (III. 24.), a moratorium on payments was introduced in Hungary concerning both principal, interest and fee payment obligations arising from both credit, loan and finance lease amounts that have already been disbursed until 18 March 2020. The moratorium did not involve debt forgiveness element. The first moratorium was effective until 31 December 2020. The scope of the moratorium included, 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 also be applied to the fees. The borrower's participation was automatic, but the moratorium did not affect the debtors' right to continue to pay according to the original contractual terms.
- On its 24 March 2020 meeting the Monetary Council decided to introduce a new fixed-rate collateralized loan instrument with maturities of 3, 6 and 12 months and 3 and 5 years. Lending will be provided by the NBH at a fixed interest rate (the NBH defines the interest rate of the instrument at each tender, but the rate may not be lower than the base rate).
- On 1 April 2020 the NBH decided to announce one-week deposit tenders at a weekly frequency. The interest rate on the instrument equals to the central bank base rate.
- On 1 April 2020 the NBH announced that effective from 1 July the capital buffer requirements for systemically important banks will be released. The banks must rebuild their capital buffer initially prescribed for 2020 gradually in three years from 2022 onwards. At the time of the decision the O-SII buffer applicable for OTP Bank was 2%.
- On 4 April 2020 the Minister of Prime Minister's Office revealed that the Government expects banks to contribute HUF 55 billion into the new epidemic fund. Pursuant to the Government Decree 108/2020 published on 14 April, the new special tax levied on banks is to be paid in the 2020 tax year, in three equal instalments (in June, September and December). The base of the new special tax is that part of the adjusted total assets (as defined in the legislation on the "old" bank tax) that exceeds HUF 50 billion. The tax rate is 19 bps.
- On 9 June 2020 the law allowing the deductibility of the new special banking levy payable in 2020 was promulgated. The new once-off special banking tax will be returned to the banking system over the next five years through deductions from the nominal amount of the "old" bank tax (in the form of tax withholding).
- The new special tax amounts to HUF 14.2 billion in the case of the Hungarian Group members of OTP Group. Pursuant to IFRS standards, parallel with the accounting of this new bank levy amongst the other expenses, the Group recognized the net present value of the related tax claims amongst the other income. Therefore, the new special tax did not materially affect the Group's bottom line earnings neither in 2020, nor will it do so over the next 5 years.

NOTE 4: COVID-19 (in HUF mn) [continued]

- On 7 April 2020 the NBH adjusted its policy instruments and modified its operational framework. The Monetary Council decided to make the interest rate corridor symmetrical, and left the base rate and the overnight deposit rate unchanged at 0.9% and -0.05%, respectively, and raised the overnight and one-week collateralized lending rates to 1.85%. The one-week deposit rate, at the time of the announcement, was equal to the 0.9% base rate; however, the Monetary Council decided to allow the interest rate on the instrument to deviate from the base rate upward or downward within the interest rate corridor. The NBH said that it will set the interest rate on the instrument each week, at the time of the actual tender's announcement.
- As part of the comprehensive set of measures outlined by the NBH on 7 April 2020, it decided to
  - Launch a government security purchase programme in the secondary market to restore the stable liquidity position of the government securities market and influence the longer part of the yield curve, and to relaunch its mortgage bond purchase programme to improve the long-term supply of funding to the banking sector.
  - Details of the programmes including the timing and strategic parameters were revealed on 28 April: accordingly, the NBH launched its government securities and mortgage bonds purchase programmes on 4 May 2020, and it will continue to purchase securities as long as economic and financial developments arising from the coronavirus pandemic require it.
  - The NBH did not set a total amount of purchases for either programme.
  - The NBH launched the Funding for Growth Scheme Go! scheme on 20 April 2020. Including HUF 500 billion undrawn under the FGS fix, the NBH made available up to HUF 1,500 billion to the SME sector under the FGS Go!.
  - Within the framework of the Bond Funding for Growth Scheme, the so far unutilized over HUF 200 billion was still available for the NBH to purchase bonds issued by non-financial corporations headquartered in Hungary.
- On 16 April 2020 the Minister of Finance revealed further tax concessions amounting to HUF 200 billion. Among others, the social security contributions payable by employers were cut to 15.5% from 17.5% effective from July 2020.
- On 2 July 2020, the NBH decided to expand the loan purposes available in the FGS Go! structure.
- On 10 September 2020 the National Bank of Hungary, in the wake of increased uncertainties amid the pandemic, called upon credit institutions to extend the previously applied restriction on dividend payments and decisions, which was effective until 30 September 2020, until 1 January 2021.
- On 22 September 2020 the NBH increased the available amount under the Bond Funding for Growth programme from HUF 450 to 750 billion.
- As the utilisation of the Funding for Growth Go! scheme exceeded HUF 1,000 billion by mid-November, on 17 November 2020 the Monetary Council decided to raise the total available amount by HUF 1,000 billion (to HUF 2,500 billion).
- As set out in Government Decree 518/2020. (XI. 25.), published in the Gazette on 25 November 2020, starting from 1 January 2021 the Hungarian Government provides a non-refundable home renovation subsidy to families raising or expecting children by way of refunding certain part of their home renovation costs. Eligible families can get back 50% of their proven improvement expenses following the completion of the renewal, but maximum HUF 3 million. The subsidy can be applied for within 60 days after completing the home renovation and also paying the bills by the families, or until 31 December 2022 the latest.
- On 19 December 2020 the Prime Minister announced the following measures directly affecting banking operations:
  - Extension of the payment moratorium in unchanged form: pursuant to Government Decree 637/2020. (XII. 22.) those borrowers are eligible for the moratorium effective between 1 January 2021 – 30 June 2021 that have principal, interest and fee payment obligations arising from a credit contract that have already been disbursed until 18 March 2020 (also considering Subsection (1) of Section 3 of Act CVII of 2020). With the above Decree the eligibility conditions stipulated in Act CVII of 2020 (published on 28 October 2020) for retail and corporate borrowers were repealed.
  - Subsidized home renovation loan: in order to help eligible families to take advantage of the non-refundable home renovation subsidy (for details, see Government Decree 518/2020. (XI. 25.)), a subsidized home renovation loan (for details, see Government Decree 641/2020 (XII. 22.)) was introduced by the Government.

NOTE 4: COVID-19 (in HUF mn) [continued]

- On 28 December 2020 the National Bank of Hungary announced that the following decisions were made:
  - The central bank recommended credit institutions not to pay dividends or not to make any irrevocable commitment to pay dividends after the 2019 and 2020 financial year, or from previous years' profits, until 30 September 2021. Furthermore, the central bank suggested that credit institutions should refrain from treasury share purchases for shareholder remuneration purposes until the same date (share buybacks for management remuneration purposes are an exemption). The related guideline was set out in a management circular published on 8 January 2021.
  - The NBH decided to amend the relevant detailed guidelines set out in its IFRS circular about the application of non-performing and forborne categories in connection with the payment moratorium, and based on this, its guidelines for creating provisions. The amended circular was released on 22 January 2021.
- Effective from 13 January 2021 the National Bank of Hungary extended the available amount for the Bond Funding for Growth scheme by HUF 750 billion to HUF 1,150 billion. At the same time it decided to increase the maximum maturity of corporate bonds that can be purchased by the central bank from 20 to 30 years. Also, the central bank's exposure limit to a company group was revised from HUF 50 billion to HUF 70 billion.
- On 4 February 2021 the Prime Minister announced an interest-free loan programme for companies in trouble in the wake of the pandemic. According to Government Resolution 1038/2021. (II. 5.) the programme will be administered by the Hungarian Development Bank, and the available amount under the programme will be HUF 100 billion. Companies can take out maximum HUF 10 million each for the purpose of covering wages and social contributions, overhead costs, general operating expenses and inventory financing. Client interest rate is 0%, the loan tenor can be up to 10 years, and the servicing of the loan will start after a 3 year grace period.

Participation in COVID moratorium

	Current volume in moratorium	Current participation ratio
OTP Bank	1,059,428	26.2%

Financial assets modified during the period related to moratorium

	2020	2019
Gross carrying amount before modification	676,764	594,938
Loss allowance before modification	(47,658)	(14,075)
Net amortised cost before modification	**629,106**	**580,863**
Modification loss due to covid moratoria	(17,358)	-
Net amortised cost after modification	**611,748**	**580,863**

NOTE 5: CASH, AMOUNTS DUE FROM BANKS AND BALANCES WITH THE NATIONAL BANK OF HUNGARY (in HUF mn)

	2020	2019
Cash on hand:		
In HUF	107,523	180,259
In foreign currency	18,899	16,385
	126,422	196,644
Amounts due from banks and balances with National Bank of Hungary:		
Within one year:		
In HUF	204,942	39,871
In foreign currency	247,756	53,171
	452,698	93,042
Subtotal	579,120	289,686
Average amount of compulsory reserve	76,033	65,055
Total	503,087	224,631
Rate of the compulsory reserve	1%	1%

The Bank shall deposit compulsory reserve in a determined percent of its liabilities at NBH. Liabilities considered in compulsory reserve calculation are as follows:

a) deposits and loans,
b) debt instruments,
c) repo transactions.

The amount of the compulsory reserve is the multiplication of the daily average of the liabilities considered in the compulsory reserve calculation and compulsory reserve rate, which are determined by the NBH in a specific decree. The Bank is required to complete compulsory reserve requirements in average in the second month after the reserve calculation period, requirements shall be completed once a month on the last calendar day. The Bank complies with the compulsory reserve requirements by the deposit of the adequate amount of cash as the calculated compulsory reserve on the bank account at NBH in monthly average.

NOTE 6: PLACEMENTS WITH OTHER BANKS, NET OF ALLOWANCE FOR PLACEMENT LOSSES (in HUF mn)

	2020	2019
Within one year:		
In HUF	905,241	732,283
In foreign currency	329,633	476,314
	1,234,874	1,208,597
Over one year		
In HUF	267,291	325,308
In foreign currency	39,538	29,829
	306,829	355,137
Total placements	1,541,703	1,563,734
Loss allowance on placement losses	(5,819)	(3,592)
Total	1,535,884	1,560,142

NOTE 6: PLACEMENTS WITH OTHER BANKS, NET OF ALLOWANCE FOR PLACEMENT LOSSES (in HUF mn) [continued]

An analysis of the change in the loss allowance on placement losses is as follows:

	2020	2019
Balance as at 1 January	**3,592**	**2,047**
Loss allowance	12,724	5,068
Release of loss allowance	(10,497)	(3,523)
Closing balance	**5,819**	**3,592**

Interest conditions of placements with other banks (%):

	2020	2019
Placements with other banks in HUF	0%-3.84%	0%-3.84%
Placements with other banks in foreign currency	(0.76%)-29%	(0.76%)-3.81%
Average interest of placements with other banks	0.81%	0.56%

NOTE 7: REPO RECEIVABLES (in HUF mn)

	2020	2019
Within one year:		
In HUF	183,656	45,545
Total gross amount	**183,656**	**45,545**
Loss allowance	(292)	(6)
Total repo receivables	**183,364**	**45,539**

An analysis of the change in the loss allowance on repo receivables is as follows:

	2020	2019
Balance as at 1 January	**6**	**12**
Loss allowance	362	42
Release of loss allowance	(76)	(48)
Closing balance	**292**	**6**

Interest conditions of repo receivables (%):

	2020	2019
Repo receivables in HUF	(0.1%)-0.9%	(0.1%)-0.2%
Average interest of repo receivables	0.09%	0.32%

NOTE 8: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)

	2020	2019
Held for trading securities:		
Government bonds	6,031	18,269
Other non-interest bearing securities	1,964	7,516
Hungarian government discounted Treasury Bills	1,233	12
Corporate shares and investments	426	369
Other securities	2,075	20,089
Subtotal	**11,729**	**46,255**
Securities mandatorily measured at fair value through profit or loss		
Equity instruments, open-ended fund units	26,594	17,100
Bonds	5,342	5,180
Subtotal	**31,936**	**22,280**
Held for trading derivative financial instruments:		
Foreign currency swaps	41,852	38,213
Interest rate swaps	34,256	52,516
CCIRS and mark-to-market CCIRS swaps[1]	7,359	1,216
Other derivative transactions[2]	33,351	11,749
Subtotal	**116,818**	**103,694**
Total	**160,483**	**172,229**

Interest conditions and the remaining maturities of securities held for trading are as follows:

	2020	2019
Within one year:		
variable interest	78	2
fixed interest	2,319	12,323
	2,397	**12,325**
Over one year:		
variable interest	1,355	1,030
fixed interest	5,587	25,014
	6,942	**26,044**
Non-interest bearing securities	2,390	7,886
Total	**11,729**	**46,255**

	2020	2019
Securities held for trading denominated in HUF	71%	55%
Securities held for trading denominated in foreign currency	29%	45%
Securities held for trading total	**100%**	**100%**
Government bonds denominated in HUF	68%	87%
Government bonds denominated in foreign currency	32%	13%
Government securities total	**100%**	**100%**
Interest rates on securities held for trading in HUF	0.5%-6.75%	0.16%-7.5%
Interest rates on securities held for trading in foreign currency	0.5%-6.38%	0.01%-8.25%
Average interest on securities held for trading	0.63%	0.67%

[1] CCIRS: Cross Currency Interest Rate Swap (See Note 2.6.2.)

[2] incl.: FX, equity, commodity and index futures; FX forward; commodity and equity swap; FRA; FX option (See Note 2.6.2.)

NOTE 8: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn) [continued]

Interest conditions and the remaining maturities of securities mandatorily measured at fair value through profit or loss are as follows:

	2020	2019
Within one year variable interest	28	25
Over one year variable interest	5,314	5,155
Non-interest bearing securities	26,594	17,100
Total	**31,936**	**22,280**

	2020	2019
Securities mandatorily measured at fair value through profit or loss denominated in HUF	58%	77%
Securities mandatorily measured at fair value through profit or loss denominated in foreign currency	42%	23%
Total	**100%**	**100%**

	2020	2019
Interest rates on securities mandatorily measured at fair value through profit or loss	2.49%	2.60%
Average interest on securities mandatorily measured at fair value through profit or loss	2.49%	2.60%

NOTE 9: SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in HUF mn)

	2020	2019
Government bonds	488,459	826,054
Mortgage bonds	332,667	220,004
Interest bearing treasury bills	9,957	339,397
Other securities	65,136	78,202
listed securities	42,776	39,601
in HUF	2,968	2,999
in foreign currency	39,808	36,602
-non-listed securities	22,360	38,601
in HUF	16,782	18,516
in foreign currency	5,578	20,085
Subtotal	**896,219**	**1,463,657**
Non-trading equity instruments		
-non-listed securities	15,731	22,320
in HUF	528	528
in foreign currency	15,203	21,792
	15,731	**22,320**
Securities at fair value through other comprehensive income total	**911,950**	**1,485,977**

NOTE 9: SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in HUF mn) [continued]

Detailed information of the non-trading equity instruments to be measured at fair value through other comprehensive income:

		2020	2019
Garantiqa	HUF	392	392
Hage / Közvil / Pénzügykut	HUF	136	136
OBS	EUR	12,081	12,413
VISA A Preferrred	USD	3,122	-
EASTWESTVC[1]	EUR	-	158
TCEEFUNDIII[1]	EUR	-	4,486
VISA C[1]	USD	-	4,735
Total		**15,731**	**22,320**

Interest conditions and the remaining maturities of FVOCI securities can be analysed as follows:

	2020	2019
Within one year:		
variable interest	3,779	6,709
fixed interest	123,481	609,207
	127,260	**615,916**
Over one year:		
variable interest	101,555	84,935
fixed interest	667,404	762,806
	768,959	**847,741**
Non-interest bearing securities	15,731	22,320
Total	**911,950**	**1,485,977**

	2020	2019
FVOCI securities denominated in HUF	83%	83%
FVOCI securities denominated in foreign currency	17%	17%
FVOCI securities total	**100%**	**100%**
Interest rates on FVOCI securities denominated in HUF	0.5%-11%	0.16%-11%
Interest rates on FVOCI securities denominated in foreign currency	0.63%-7.25%	0.49%-7.25%
Average interest on FVOCI securities	2.75%	2.32%

Certain fixed-rate mortgage bonds and other securities are hedged against interest rate risk. (See Note 35.4.)

	2020	2019
Net gain / (loss) reclassified from other comprehensive income to statement of profit or loss	(2,008)	229
Fair value of the hedged securities:	-	-
Government bonds	399,441	1,465,143

During the year ended 31 December 2020 the Bank didn't sell any of equity instruments designated to measure at fair value through other comprehensive income. During 2019 the Bank sold shares in Kisvállalkozásfejlesztési Ltd., net gain on the transaction was not significant.

[1] During 2020 these securities were reclassified to mandatorily FVTPL instruments

NOTE 10: LOANS (in HUF mn)

Loans measured at fair value through profit or loss

	2020	2019 Revised	2019 As previously presented
Within one year	25,732	9,682	2,873
Over one year	455,205	228,856	26,858
Loans measured at fair value through profit or loss total	**480,937**	**238,538**	**29,731**

Loans measured at fair value through profit or loss are mandatorily measured at fair value through profit or loss.

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

	2020	2019 Revised	2019 As previously presented
Within one year	1,793,352	1,625,352	1,632,245
Over one year	1,748,078	1,523,245	1,733,010
Loans at amortised cost gross total	**3,541,430**	**3,148,597**	**3,365,255**
Loss allowance on loan losses	(123,670)	(72,066)	(79,917)
Loans at amortised cost total	**3,417,760**	**3,076,531**	**3,285,338**

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

	2020	2019
In HUF	61%	57%
In foreign currency	39%	43%
Total	**100%**	**100%**

Interest rates of the loan portfolio mandatorily measured at fair value through profit or loss are as follows (%):

	2020	2019
Loans denominated in HUF	1.5% - 9.85%	1.19%-10.08%
Average interest on loans denominated in HUF	4.20%	3.76%

Interest rates of the loan portfolio measured at amortised cost are as follows (%):

	2020	2019
Loans denominated in HUF, with a maturity within one year	0%-37.5%	0%-37.5%
Loans denominated in HUF, with a maturity over one year	0%-37.45%	0%-37.45%
Loans denominated in foreign currency	(0.50%)-13%	(0.45%)-13%
Average interest on loans denominated in HUF	6.09%	6.30%
Average interest on loans denominated in foreign currency	2.11%	2.09%

NOTE 10: LOANS (in HUF mn) [continued]

An analysis of the loan portfolio by type, before loss allowance on loan losses, is as follows:

	2020		2019 Revised		2019 As previously presented	
Retail loans	**662,675**	**16%**	**626,927**	**18%**	**843,585**	**25%**
Retail consumer loans	564,698	14%	514,179	15%	720,471	21%
Retail mortgage backed loans[1]	97,977	2%	112,748	3%	123,114	4%
Corporate loans	**2,878,755**	**72%**	**2,521,670**	**75%**	**2,521,670**	**74%**
Loans to medium and large corporates	2,790,742	70%	2,433,080	72%	2,433,080	71%
Municipality loans	88,013	2%	88,590	3%	88,590	3%
Loans at amortised cost total	**3,541,430**	**88%**	**3,148,597**	**93%**	**3,365,255**	**99%**
Loans at fair value total	**480,937**	**12%**	**238,538**	**7%**	**29,731**	**1%**
Gross loans total	**4,022,367**	**100%**	**3,387,135**	**100%**	**3,394,986**	**100%**

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

	2020	2019 Revised	2019 As previously presented
Balance as at 1 January	**72,066**	**66,241**	**66,241**
Reclassification	-	(3,308)	-
Balance as at 1 January	**72,066**	**62,933**	**66,241**
Other movements	-	1,621	1,621
Loss allowance	217,012	125,090	134,583
Release of loss allowance	(156,383)	(112,051)	(117,001)
Use of loss allowance	(6,228)	-	-
Partial write-off	(2,797)	(5,527)	(5,527)
Closing balance	**123,670**	**72,066**	**79,917**

Loss allowance on loans at amortised cost and placements with other banks is summarized as below:

	2020	2019
Loss allowance on placements with other banks	2,227	1,545
Loss allowance on loans at amortised cost	59,083	32,184
Total	**61,310**	**33,729**

The Bank sells non-performing loans without recourse at estimated fair value to a wholly owned subsidiary, OTP Factoring Ltd. (See Note 39.)

[1] incl. housing loans

NOTE 11: INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS (in HUF mn)

	2020	2019
Investments in subsidiaries:		
Controlling interest	1,965,197	1,962,010
Other	8,938	8,298
Subtotal	**1,974,135**	**1,970,308**
Provision for impairment	(425,163)	(427,770)
Total	**1,548,972**	**1,542,538**

Other investments contain certain securities accounted at cost. These instruments do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

Significant subsidiaries

Investments in companies in which the Bank has a controlling interest (direct) are detailed below. All companies are incorporated in Hungary unless indicated otherwise:

	2020		2019	
	% Held (direct/indirect)	Gross book value	% Held (direct/indirect)	Gross book value
OTP Bank JSC (Ukraine)	100%	311,390	100%	311,390
DSK Bank EAD (Bulgaria)	100%	280,692	100%	280,692
OTP banka Hrvatska d.d. (Croatia)	100%	205,349	100%	205,349
OTP Mortgage Bank Ltd.	100%	154,294	100%	154,294
Vojvodanska Banka ad Novi Sad (Serbia)	100%	131,164	100%	131,164
OTP Bank Romania S.A. (Romania)	100%	133,987	100%	133,987
OTP Banka Srbija a.d. (Serbia)	100%	127,140	100%	127,140
SKB Banka d.d. Ljubljana (Slovenia)	100%	107,689	100%	107,372
JSC "OTP Bank" (Russia)	98%	74,335	98%	74,335
Crnogorska komercijalna banka a.d. (Montenegro)	100%	72,784	100%	72,784
LLC Alliance Reserve (Russia)	100%	50,074	100%	50,074
OTP Holding Malta Ltd.	100%	32,359	100%	32,359
Balansz Private Open-end Investment Fund	100%	29,150	100%	29,150
OTP Banka Slovensko a.s. (Slovakia)	-	-	99%	29,134
Bank Center No. 1. Ltd.	100%	26,063	100%	26,063
OTP Factoring Ltd.	100%	25,411	100%	25,411
Mobiasbanca - OTP Group S.A. (Moldavia)	98%	24,159	98%	24,159
Merkantil Bank Ltd.	100%	23,663	100%	23,663
Air-Invest Llc.	100%	36,748	100%	21,748
Inga Kettő Ltd.	100%	17,892	100%	17,892
OTP Life Annuity Ltd.	100%	15,300	100%	15,300
OTP Real Estate Ltd.	100%	10,023	100%	10,023
OTP Bank Albania (Albania)	100%	11,865	100%	11,865
Monicomp Ltd.	100%	9,234	100%	9,234
Other		54,432		37,428
Total		**1,965,197**		**1,962,010**

NOTE 11: INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS (in HUF mn) [continued]

An analysis of the change in the impairment loss is as follows:

	2020	2019
Balance as at 1 January	**427,770**	**536,075**
Provision for the period	10,052	12,503
Release of provision	(10)	(51,310)
Use of provision	(12,649)	(69,498)
Closing balance	**425,163**	**427,770**

The Bank decided that the recoverable amount is determined based on fair value less cost of disposal. The Bank prepared impairment tests of the subsidiaries based on two different net present value calculation methods that show the same result; however they represent different economical logics. On one hand is the discount cash flow method ("DCF") that calculates the value of the subsidiaries by discounting their expected cash flow; on the other hand the economic value added ("EVA") method estimates the value of the subsidiaries from the initial invested capital and the present value of the economic profit that the companies are expected to generate in the future. Applying the EVA method was more practically than DCF method because it gives a more realistic picture about how the explicit period and the residual value can contribute to the value of the company.

The Bank, in its strategic plan, has taken into consideration the effects of the present global economic situation, the cautious recovery of economic situation and outlook, the associated risks and their possible effect on the financial sector as well as the current and expected availability of wholesale funding.

An analysis of the impairment loss by significant subsidiaries is as follows:

	2020	2019
OTP Bank JSC (Ukraine)	207,397	207,397
OTP Mortgage Bank Ltd.	65,096	65,096
OTP banka Srbija a.d. (Serbia)	53,383	53,383
Crnogorska komercijalna banka a.d. (Montenegro)	23,324	23,324
OTP Bank Romania S.A. (Romania)	38,416	28,575
OTP Banka Slovensko a.s. (Slovakia)	-	12,649
Air-Invest Ltd.	10,491	10,491
OTP Life Annuity Ltd.	10,969	10,969
R.E. Four d.o.o. (Serbia)	3,763	3,763
OTP Real Estate Ltd.	5,557	5,557
OTP Buildings s.r.o (Romania)	3,327	3,327
Total	**421,723**	**424,531**

Dividend income from significant subsidiaries and shares held-for-trading and shares measured at fair value through other comprehensive income is as follows:

	2020	2019
OTP Factoring Ltd.	45,463	14,665
OTP Holding Malta Ltd.	4,823	-
OTP Funds Servicing and Consulting Ltd.	1,894	-
OTP Card Factory Ltd.	25	-
OTP Real Estate Investment Fund Management Ltd.	4,000	1,500
Inga Kettő Ltd.	-	4,500
OTP Building Society Ltd.	-	3,000
OTP Mortgage Bank Ltd.	-	27,500
OTP banka Hrvatska d.d. (Croatia)	-	21,170
Other	908	637
Subtotal	**60,913**	**72,972**
Dividend from shares held-for-trading	60	5,728
Dividend from shares fair value through other comprehensive income	-	187
Total	**60,973**	**78,887**

NOTE 11: INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS (in HUF mn) [continued]

Significant associates and joint ventures

The main figures of the Bank's indirectly owned associates and joint ventures at cost[1]:

As at 31 December 2020

	D-ÉG Thermoset Kft.[2]	Szallas.hu Kft.	Company for Cash Services Llc.	Total
Assets	3,883	5,855	2,856	**12,594**
Liabilities	4,629	1,358	147	**6,134**
Shareholders' equity	(746)	4,497	2,709	**6,460**
Total income	**2,386**	**3,833**	**1,531**	**7,750**
% Held	*25%*	*47%*	*25%*	
Country / Headquarter	Hungary, Miskolc	Hungary, Budapest	Bulgaria, Sofia	

Activity:

Szallas.hu Ltd.	Web portal services.
D-ÉG Thermoset Ltd.	Wholesale of hardware, plumbing and heating equipment and supplies.
Company for Cash Services Ltd.	Other financial services, except insurance and pension funding.

As at 31 December 2019

	D-ÉG Thermoset Kft.	Szallas.hu Kft.	Company for Cash Services Llc.	Total
Assets	3,883	4,939	2,736	**11,558**
Liabilities	4,629	1,429	186	**6,244**
Shareholders' equity	(746)	3,510	2,550	**5,314**
Total income	**2,386**	**3,405**	**1,315**	**7,106**
% Held	*25%*	*50%*	*25%*	
Country / Headquarter	Hungary, Miskolc	Hungary, Budapest	Bulgaria, Sofia	

The transaction, based on the share purchase agreement signed with KBC Bank NV on 17 February 2020, has been financially closed, as a result of which the 99.44% shareholding in its Slovakian subsidiary, OTP Banka Slovensko was acquired by KBC Bank NV.

[1] Based on unaudited financial statements.
[2] D-ÉG Thermosek Kft. is under liquidation. The figures are the last figures available.

NOTE 12: SECURITIES AT AMORTISED COST (in HUF mn)

	2020	2019
Government bonds	1,947,821	1,436,455
Other bonds	63,159	12,212
Subtotal	2,010,980	1,448,667
Loss allowance	(3,288)	(1,443)
Total	2,007,692	1,447,224

Interest conditions and the remaining maturities of securities at amortised cost can be analysed as follows:

	2020	2019
Within one year:		
fixed interest	57,746	102,296
	57,746	102,296
Over one year:		
fixed interest	1,953,234	1,346,371
	1,953,234	1,346,371
Total	2,010,980	1,448,667

The distribution of the securities at amortised cost by currency (%):

	2020	2019
Securities at amortised cost denominated in HUF	99%	100%
Securities at amortised cost denominated in foreign currency	1%	-
Securities at amortised cost total	100%	100%
Interest rates on securities at amortised cost	0,5%-7%	0,5%-7,5%
Average interest on securities at amortised cost denominated in HUF	2.69%	3.31%

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

	2020	2019
Balance as at 1 January	1,443	1,668
Loss allowance	4,822	338
Release of loss allowance	(2,977)	(563)
Closing balance	3,288	1,443

NOTE 13: **PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn)**

For the year ended 31 December 2020

	Intangible assets	Property	Office equipment	Vehicles	Construction in progress	Right of use assets	Total
Cost							
Balance as at 1 January	139,026	69,380	87,235	126	10,523	17,827	324,117
Additions	54,651	3,858	10,766	35	13,556	4,764	87,630
Disposals	(28,802)	(961)	(4,123)	(1)	(14,658)	(148)	(48,693)
Balance as at 31 December	164,875	72,277	93,878	160	9,421	22,443	363,054
Depreciation and Amortization							
Balance as at 1 January	85,744	22,948	66,506	56	-	4,220	179,474
Charge for the year	21,492	3,192	9,495	19	-	4,750	38,948
Disposals	-	(351)	(4,102)	(1)	-	(6)	(4,460)
Balance as at 31 December	107,236	25,789	71,899	74	-	8,964	213,962
Net book value							
Balance as at 1 January	53,282	46,432	20,799	20,729	10,523	13,607	144,643
Balance as at 31 December	57,639	46,488	22,065	21,979	9,421	13,479	149,092

NOTE 13: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn) [continued]

For the year ended 31 December 2019

	Intangible assets	Property	Office equipment	Vehicles	Construction in progress	Right of use assets	Total
Cost							
Balance as at 1 January	**115,272**	**66,925**	**80,862**	**99**	**7,010**	**16,296**	**286,464**
Additions	28,104	5,993	10,744	27	20,375	1,638	66,881
Disposals	(4,350)	(3,538)	(4,371)	-	(16,862)	(107)	(29,228)
Balance as at 31 December	**139,026**	**69,380**	**87,235**	**126**	**10,523**	**17,827**	**324,117**
Depreciation and Amortization							
Balance as at 1 January	**75,389**	**21,718**	**62,694**	**42**	-	-	**159,843**
Charge for the year	14,682	2,867	8,137	15	-	4,224	29,925
Disposals	(4,327)	(1,637)	(4,326)	-	-	(4)	(10,294)
Balance as at 31 December	**85,744**	**22,948**	**66,505**	**57**	-	**4,220**	**179,474**
Net book value							
Balance as at 1 January	**39,883**	**45,207**	**18,168**	**57**	**7,010**	**16,296**	**126,621**
Balance as at 31 December	**53,282**	**46,432**	**20,730**	**69**	**10,523**	**13,607**	**144,643**

The Bank has no intangible assets with indefinite useful life.

NOTE 14: INVESTMENT PROPERTIES (in HUF mn)

For the year ended 31 December 2020 and 2019, respectively

	2020	2019
Property		
Cost		
Balance as at 1 January	**3,061**	**2,964**
Additions result from subsequent expenditure	38	97
Disposals	(522)	-
Balance as at 31 December	**2,577**	**3,061**
Depreciation and Amortization		
Balance as at 1 January	**680**	**631**
Charge for the year	51	49
Disposals	(90)	-
Balance as at 31 December	**641**	**680**
Net book value		
Balance as at 1 January	**2,381**	**2,333**
Balance as at 31 December	**1,936**	**2,381**

According to the opinion of the Management there is no significant difference between the fair value and the carrying value of these properties.

Income and Expenses	2020	2019
Rental income	6	6
Depreciation	49	48

NOTE 15: FAIR VALUE OF DERIVATIVE FINANCIAL ASSETS DESIGNATED AS HEDGE ACCOUNTING (in HUF mn)

Positive fair value of derivative financial assets designated as hedge accounting:

	2020	2019
Interest rate swaps designated as fair value hedge	637	3,758
CCIRS designated as fair value hedge	6,180	3,705
Interest rate swaps designated as cash flow hedge	-	9,214
Total	**6,817**	**16,677**

NOTE 16: OTHER ASSETS[1] (in HUF mn)

	2020	2019
Other financial assets		
Receivables from OTP Employee Stock Ownership Program (OTP ESOP)	53,338	33,722
Receivables from card operations	8,453	9,804
Accrued day one gain of loans provided at below-market interest	14,465	10,227
Stock exchange deposit	9,667	5,708
Prepayments and accrued income	14,396	2,938
Trade receivables	8,233	17,200
Receivables from suppliers	5,885	3,520
Receivables from OTP Mortgage Bank Ltd.	1,823	3,823
Other	18,847	8,186
	135,107	**95,128**
Loss allowance	(7,928)	(5,646)
Other financial assets total	**127,179**	**89,482**
Other non-financial assets		
Prepayments and accrued income	17,732	6,986
Receivable related to Hungarian Government subsidies	10,622	16,793
Other	14,743	3,902
	43,097	**27,681**
Provision for impairment on other assets	(482)	(464)
Other non-financial assets total	**42,615**	**27,217**
Total	**169,794**	**116,699**

An analysis of the movement in the loss allowance on other financial assets is as follows:

	2020	2019
Balance as at 1 January	**5,646**	**7,362**
Other movements[2]	-	(1,621)
Charge for the period	6,790	3,383
Release of loss allowance	(3,971)	(2,391)
Use of loss allowance	(537)	(1,087)
Balance as at 31 December	**7,928**	**5,646**

An analysis of the movement in the loss allowance on other non-financial assets is as follows:

	2020	2019
Balance as at 1 January	**464**	**59**
Charge for the period	81	443
Release of provision	(63)	(38)
Balance as at 31 December	**482**	**464**

[1] Other assets are expected to be recovered or settled no more than twelve months after the reporting period.

[2] For further information please see the analysis of the change in the loss allowance on loans at amortised cost in Note 10.

NOTE 17: AMOUNTS DUE TO BANKS AND DEPOSITS FROM THE NATIONAL BANK OF HUNGARY AND OTHER BANKS (in HUF mn)

	2020	2019
Within one year:		
In HUF	172,798	358,641
In foreign currency	41,643	136,922
	214,441	**495,563**
Over one year:		
In HUF	457,883	94,823
In foreign currency	94,653	147,668
	552,536	**242,491**
Subtotal	**766,977**	**738,054**
Total[1]	**766,977**	**738,054**

Interest rates on amounts due to banks and deposits from the NBH and other banks are as follows (%):

	2020	2019
Within one year:		
In HUF	0% - 20%	(0.03%)-0.9%
In foreign currency	(0.56%) - 0.26%	(0.89%)-8.49%
Over one year:		
In HUF	(2.4%) - 1.43%	0%-0.71%
In foreign currency	(2.4%) - 4.84%	(0.42%)-6.87%

Average interest on amounts due to banks in HUF	(0.94%)	1.00%
Average interest on amounts due to banks in foreign currency	(2.11%)	2.05%

NOTE 18: REPO LIABILITIES (in HUF mn)

	2020	2019
Within one year:		
In HUF	-	20,575
	-	**20,575**
Over one year:		
In HUF	-	263,554
In foreign currency	109,612	178,492
	109,612	**442,046**
Subtotal	**109,612**	**462,621**
Total	**109,612**	**462,621**

Interest rates on repo liabilities are as follows (%):

	2020	2019
Within one year:		
In HUF	-	(0.85%)-0.14%
In foreign currency	-	(1%)
Over one year:		
In HUF	-	0.39%-0.71%
In foreign currency	0.63%-3.85%	(0.45%)-1.92%

Average interest on repo liabilities in HUF	1.21%	1.19%
Average interest on repo liabilities in foreign currency	1.05%	1.24%

[1] It contains the loans lent among the frame of Funding for Growth Scheme.

NOTE 19: DEPOSITS FROM CUSTOMERS (in HUF mn)

	2020	2019
Within one year:		
In HUF	6,412,898	5,437,453
In foreign currency	1,438,254	1,092,329
	7,851,152	6,529,782
Over one year:		
In HUF	44,583	43,768
	44,583	43,768
Subtotal	7,895,735	6,573,550

Interest rates on deposits from customers are as follows (%):

	2020	2019
Within one year in HUF	(4.58%)-7.96%	(3.13%)-7.96%
Over one year in HUF	0.01%-0.4%	(5.09%)-7.96%
In foreign currency	(0.58%)-15.5%	(0.6%)-21%
Average interest on deposits from customers in HUF	(0.07%)	0.04%
Average interest on deposits from customers in foreign currency	(0.04%)	0.21%

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

	2020		2019	
Retail deposits	**3,840,950**	**49%**	**3,204,450**	**49%**
Household deposits	3,840,950	49%	3,204,450	49%
Corporate deposits	**4,054,785**	**51%**	**3,369,100**	**51%**
Deposits to medium and large corporates	3,301,434	41%	2,729,209	42%
Municipality deposits	753,351	10%	639,891	10%
Total	**7,895,735**	**100%**	**6,573,550**	**100%**

NOTE 20: LIABILITIES FROM ISSUED SECURITIES (in HUF mn)

	2020	2019
Within one year:		
In HUF	11,115	18,340
In foreign currency	1,356	3,753
	12,471	22,093
Over one year:		
In HUF	15,964	21,191
	15,964	21,191
Total	28,435	43,284

Interest rates on liabilities from issued securities are as follows (%):

	2020	2019
Issued securities denominated in HUF	0%-1.7%	0%-1.7%
Issued securities denominated in foreign currency	0.01%-0.01%	1.1%-1.48%
Average interest on issued securities denominated in HUF	1.18%	0.39%
Average interest on issued securities denominated in foreign currency	1.12%	1.87%

NOTE 20: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

Term Note Program in the value of HUF 200 billion for the year of 2020/2021

On 21 April 2020 the Bank initiated term note program in the value of HUF 200 billion with the intention of issuing registered dematerialized bonds in public. The NBH approved on 9 July 2020 the prospectus of Term Note Program and the disclosure as at 10 July 2020. The prospectus is valid for 12 months following the disclosure.

The Issuer can initiate to introduce the bonds issued under the program to the Hungarian and to other stock exchanges without any obligations.

Term Note Program in the value of HUF 200 billion for the year of 2019/2020

On 25 June 2019 the Bank initiated term note program in the value of HUF 200 billion with the intention of issuing registered dematerialized bonds in public. The NBH approved on 28 June 2019 the prospectus of Term Note Program and the disclosure as at 16 August 2019. The prospectus is valid for 12 months following the disclosure.

The Issuer can initiate to introduce the bonds issued under the program to the Hungarian, Slovakian, Romanian, Bulgarian and Croatian Stock Exchange without any obligations.

Hedge accounting

Certain issued structured securities are hedged by the Bank with interest rate swaps ("IRS") which exchange the fixed and floating interest rate with the interest rate of the securities between the parties at a notional amount that equals the nominal amount of the hedged securities. These are considered as fair value hedge relationships as they cover the interest rate risk arising from the coupons of the hedged securities. OTP Bank does not intend to be exposed to the risk embedded in the structured bonds, consequently as part of interest rate swap transaction the structured interest payments are swapped to floating interest rate. This hedging relationship meets all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument
- the effect of credit risk does not dominate the value changes that result from that economic relationship
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Bank actually hedges and the quantity of the hedging instrument that the Bank actually uses to hedge that quantity of hedged item

The cash-flows of the fixed rate securities issued by the Bank are exposed to the changes in the HUF/EUR foreign exchange rate and the volatility of the quoted interest rates of EUR and HUF. The interest rate risk and foreign exchange risk related to these securities are hedged with EUR and HUF IRS transactions, where the fixed interests were swapped to payments linked to 3 month HUF BUBOR and EURIBOR, resulting in a decrease in the interest rate and foreign exchange exposure of issued securities.

NOTE 20: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

Issued securities denominated in HUF as at 31 December 2020 (in HUF mn)

	Name	Date of issuance	Maturity	Nominal value in HUF million	Amortised cost in HUF million	Interest conditions		Hedged
1	OTP_DK_21/I	15/12/2018	31/05/2021	3,520	3,501	discount		
2	OTP_DK_22/II	29/05/2020	31/05/2022	3,175	3,133	discount		
3	OTPRF2021B	20/10/2011	25/10/2021	2,894	2,954	indexed	-	hedged
4	OTPRF2021A	05/07/2011	13/07/2021	2,607	2,807	indexed	-	hedged
5	OTPRF2022A	22/03/2012	23/03/2022	2,065	1,920	indexed	1.70	hedged
6	OTP_DK_23/II	29/05/2020	31/05/2023	997	970	discount		
7	OTP_DK_22/I	15/12/2018	31/05/2022	993	965	discount		
8	OTPRF2022B	22/03/2012	23/03/2022	831	772	indexed	1.70	hedged
9	OTPRF2023A	22/03/2013	24/03/2023	787	740	indexed	1.70	hedged
10	OTPRF2022E	29/10/2012	31/10/2022	761	715	indexed	1.70	hedged
11	OTP_DK_23/I	15/12/2018	31/05/2023	717	679	discount		
12	OTPRF2022F	28/12/2012	28/12/2022	623	592	indexed	1.70	hedged
13	OTP_DK_24/II	29/05/2020	31/05/2024	592	566	discount		
14	OTP_DK_25/II	29/05/2020	31/05/2025	592	555	discount		
15	OTPRF2021C	21/12/2011	30/12/2021	527	544	indexed	-	hedged
16	OTPX2022B	18/07/2012	18/07/2022	172	440	indexed	1.70	hedged
17	OTP_DK_24/I	30/05/2019	31/05/2024	426	390	discount		
18	OTPRF2021D	21/12/2011	30/12/2021	372	381	indexed	-	hedged
19	OTPX2021B	17/06/2011	21/06/2021	245	370	indexed	-	hedged
20	OTP_DK_26/I	29/05/2020	31/05/2026	392	361	discount		
21	OTPX2023A	22/03/2013	24/03/2023	324	327	indexed	1.70	hedged
22	OTPX2021D	21/12/2011	27/12/2021	259	325	indexed	-	hedged
23	OTPX2022D	28/12/2012	27/12/2022	248	299	indexed	1.70	hedged
24	OTPX2024B	10/10/2014	16/10/2024	295	284	indexed	0.70	hedged
25	OTPRF2022D	28/06/2012	28/06/2022	260	251	indexed	1.70	hedged
26	OTPX2021A	01/04/2011	01/04/2021	183	246	indexed	-	hedged
27	OTPX2024A	18/06/2014	21/06/2024	241	237	indexed	1.30	hedged
28	OTPX2022C	29/10/2012	28/10/2022	201	233	indexed	1.70	hedged
29	OTPX2024C	15/12/2014	20/12/2024	242	232	indexed	0.60	hedged
30	OTPX2023B	28/06/2013	26/06/2023	198	225	indexed	0.60	hedged
31	OTPX2022A	22/03/2012	23/03/2022	201	214	indexed	-	hedged
32	OTPRF2022C	28/06/2012	28/06/2022	190	196	indexed	1.70	hedged
33	OTPX2021C	19/09/2011	24/09/2021	231	192	indexed	-	hedged
34	OTP_DK_25/I	30/05/2019	31/05/2025	104	91	discount		
35	OTP_DK_27/I	29/05/2020	31/05/2027	95	85	discount		
36	OTPRF2021E	21/12/2011	30/12/2021	76	74	indexed	-	hedged
37	Other			213	213	indexed		
	Subtotal issued securities in HUF			26,849	27,079			
	Total			28,205	28,435			

NOTE 20: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

Issued securities denominated in HUF as at 31 December 2019 (in HUF mn)

	Name	Date of issuance	Maturity	Nominal value in HUF million	Amortised cost in HUF million	Interest conditions		Hedged
1	OTPX2020E	18/06/2014	22/06/2020	2,939	2,903	indexed	0.70	hedged
2	OTP_DK_21/I	15/12/2018	31/05/2021	3,520	3,451	discount		
3	OTPRF2021B	20/10/2011	25/10/2021	2,654	2,858	indexed		hedged
4	OTPX2020F	10/10/2014	16/10/2020	2,650	2,551	indexed	0.20	hedged
5	OTPRF2020C	11/11/2010	05/11/2020	2,622	2,662	indexed		hedged
6	OTPRF2021A	05/07/2011	13/07/2021	2,402	2,804	indexed		hedged
7	OTPX2020G	15/12/2014	21/12/2020	2,371	2,273	indexed	0.30	hedged
8	OTP_DK_20/I	15/12/2018	31/05/2020	3,295	3,282	discount		
9	OTPRF2020A	12/07/2010	20/07/2020	2,152	2,252	indexed		hedged
10	OTPRF2022A	22/03/2012	23/03/2022	1,869	1,797	indexed	1.70	hedged
11	OTPRF2020B	12/07/2010	20/07/2020	1,276	1,429	indexed		hedged
12	OTPRF2023A	22/03/2013	24/03/2023	760	746	indexed	1.70	hedged
13	OTPRF2022B	22/03/2012	23/03/2022	728	698	indexed	1.70	hedged
14	OTPRF2022E	29/10/2012	31/10/2022	661	645	indexed	1.70	hedged
15	OTP_DK_22/I	15/12/2018	31/05/2022	993	946	discount		
16	OTP_DK_23/I	15/12/2018	31/05/2023	717	664	discount		
17	OTPRF2022F	28/12/2012	28/12/2022	538	532	indexed	1.70	hedged
18	OTPRF2021C	21/12/2011	30/12/2021	505	558	indexed		hedged
19	OTP_DK_24/I	30/05/2019	31/05/2024	426	380	discount		
20	OTPRF2021D	21/12/2011	30/12/2021	357	385	indexed		hedged
21	OTPX2023A	22/03/2013	24/03/2023	340	370	indexed	1.70	hedged
22	OTPX2024B	10/10/2014	16/10/2024	311	302	indexed	0.70	hedged
23	OTPX2021D	21/12/2011	27/12/2021	274	305	indexed		hedged
24	OTPX2020B	28/06/2010	09/07/2020	267	285	indexed		hedged
25	OTPX2022D	28/12/2012	27/12/2022	265	379	indexed	1.70	hedged
26	OTPX2024C	15/12/2014	20/12/2024	259	249	indexed	0.60	hedged
27	OTPX2021B	17/06/2011	21/06/2021	255	424	indexed		hedged
28	OTPRF2022D	28/06/2012	28/06/2022	249	278	indexed	1.70	hedged
29	OTPX2024A	18/06/2014	21/06/2024	241	253	indexed	1.30	hedged
30	OTPX2020A	25/03/2010	30/03/2020	238	326	indexed		hedged
31	OTPX2021C	19/09/2011	24/09/2021	231	198	indexed		hedged
32	OTPX2022A	22/03/2012	23/03/2022	217	235	indexed		hedged
33	OTPX2022C	29/10/2012	28/10/2022	217	278	indexed	1.70	hedged
34	OTPX2023B	28/06/2013	26/06/2023	214	268	indexed	0.60	hedged
35	OTPX2021A	01/04/2011	01/04/2021	192	253	indexed		hedged
36	OTPX2022B	18/07/2012	18/07/2022	183	318	indexed	1.70	hedged
37	OTPX2020D	16/12/2010	18/12/2020	177	193	indexed		hedged
38	OTPRF2022C	28/06/2012	28/06/2022	171	205	indexed	1.70	hedged
39	OTPX2020C	11/11/2010	05/11/2020	166	221	indexed		hedged
40	OTP_DK_25/I	30/05/2019	31/05/2025	104	89	discount		
41	OTPRF2021E	21/12/2011	30/12/2021	67	68	indexed		hedged
42	Other			218	218			
	Subtotal issued securities in HUF			**38,291**	**39,531**			
	Total			**42,034**	**43,284**			

NOTE 20: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

Issued securities denominated in foreign currency as at 31 December 2020 (in HUF mn)

	Name	Date of issuance	Maturity	Currency	Nominal value in FX million	Nominal value in HUF million	Amortised cost in FX million	Amortised cost in HUF million	Interest conditions (in % actual)	hedged
1	OTP_VK1_21/1	20/02/2020	20/02/2021	USD	1.39	414	1.39	414	variable	0.01
2	OTP_VK1_21/2	02/04/2020	02/04/2021	USD	1.24	370	1.24	370	variable	0.01
3	OTP_VK1_21/3	14/05/2020	14/05/2021	USD	1.18	351	1.18	351	variable	0.01
4	OTP_VK1_21/4	18/06/2020	18/06/2021	USD	0.74	221	0.74	221	variable	0.01
	Subtotal issued securities in foreign currency				**4.55**	**1,356**	**4.55**	**1,356**		

Issued securities denominated in foreign currency as at 31 December 2019 (in HUF mn)

	Name	Date of issuance	Maturity	Currency	Nominal value in FX million	Nominal value in HUF million	Amortised cost in FX million	Amortised cost in HUF million	Interest conditions (in % actual)	hedged
1	OTP_VK1_20/2	04/04/2019	04/04/2020	USD	2.47	727	2.48	731	variable	1.42
2	OTP_VK1_20/5	15/08/2019	15/08/2020	USD	2.00	589	2.01	591	variable	1.20
3	OTP_VK1_20/4	27/06/2019	27/06/2020	USD	1.87	552	1.87	552	variable	1.32
4	OTP_VK1_20/7	07/11/2019	07/11/2020	USD	1.68	494	1.68	495	variable	1.10
5	OTP_VK1_20/1	21/02/2019	21/02/2020	USD	1.53	450	1.54	452	variable	1.48
6	OTP_VK1_20/8	19/12/2019	19/12/2020	USD	1.52	448	1.52	448	variable	1.10
7	OTP_VK1_20/3	16/05/2019	16/05/2020	USD	0.89	263	0.89	263	variable	1.32
8	OTP_VK1_20/6	26/09/2019	26/09/2020	USD	0.75	220	0.75	221	variable	1.20
	Subtotal issued securities in foreign currency				**12.71**	**3,743**	**12.74**	**3,753**		

NOTE 21: FINANCIAL LIABILITIES DESIGNATED AS FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)

	2020	2019
Within one year:		
In HUF	2,010	2,679
	2,010	2,679
Over one year:		
In HUF	23,892	26,182
	23,892	26,182
Subtotal	**25,902**	**28,861**

Interest rates on financial liabilities designated as fair value through profit or loss are as follows (%):

	2020	2019
Within one year:		
In HUF	0.51% - 2.5%	0.01%-2.59%
Over one year:		
In HUF	0% - 2.5%	0.01%-2.59%
Average interest on amounts due to banks in HUF	2.46%	1.34%

NOTE 22: HELD FOR TRADING DERIVATIVE FINANCIAL LIABILITIES (in HUF mn)

Negative fair value of held for trading derivative financial liabilities by deal types:

	2020	2019
Interest rate swaps	28,812	42,841
Foreign currency swaps	34,327	29,084
CCIRS and mark-to-market CCIRS	7,285	1,037
Other derivative contracts[1]	29,563	10,126
Total	**99,987**	**83,088**

NOTE 23: FAIR VALUE OF DERIVATIVE FINANCIAL LIABLITIES DESIGNATED AS HEDGE ACCOUNTING (in HUF mn)

Fair value of derivative financial liabilities designated as hedge accounting is detailed as follows:

	2020	2019
IRS designated as fair value hedge	5,266	8,265
CCIRS designated as fair value hedge	5,865	1,758
IRS designated as cash flow hedge	(8,027)	-
Total	**3,104**	**10,023**

[1] incl.: FX, equity, commodity and index futures; FX forward; commodity and equity swap; FRA; FX option

NOTE 24: OTHER LIABILITIES[1] (in HUF mn)

	2020	2019
Other financial liabilities		
Liabilities from investment services	62,490	101,417
Accounts payable	24,121	20,742
Accrued expenses	15,473	16,517
Provision on off-balance sheet commitments, contingent liabilities	17,490	14,288
Liabilities from customer's credit card payments	11,195	10,753
Accrued day one gain of loan liabilities at below-market interest	14,391	10,177
Liabilities due to short positions	9,131	7,040
Other	13,249	10,157
Other financial liabilities total	**167,540**	**191,091**
Other non-financial liabilities		
Technical accounts	37,304	34,025
Current income tax payable	9,680	9,633
Social contribution	3,746	4,130
Provision on off-balance sheet commitments, contingent liabilities	2,416	2,508
Other	4,211	2,393
Other non-financial liabilities total	**57,357**	**52,689**
Other liabilities total	**224,897**	**243,780**

The provision on other liabilities, off-balance sheet commitments and contingent liabilities are detailed as follows:

	2020	2019
Provision for losses on other off-balance sheet commitments and contingent liabilities	17,490	14,288
Provisions in accordance with IFRS 9	**17,490**	**14,288**
Provision for litigation	199	663
Provision for retirement pension and severance pay	1,300	1,000
Provision on other liabilities	917	845
Provisions in accordance with IAS 37	**2,416**	**2,508**
Total	**19,906**	**16,796**

Movements in the provision for losses on commitments and contingent liabilities in accordance with IFRS 9 can be summarized as follows:

	2020	2019
Opening balance	**14,288**	**8,494**
Provision for the period	57,246	29,517
Release of provision for the period	(54,044)	(23,723)
Closing balance	**17,490**	**14,288**

Movements in the provision for losses on commitments and contingent liabilities in accordance with IAS 37 can be summarized as follows:

	2020	2019
Opening balance	**2,508**	**2,891**
Provision for the period	20,970	1,252
Release of provision	(21,062)	(130)
Use of provision	-	(1,505)
Closing balance	**2,416**	**2,508**

[1] Other liabilities are expected to be recovered or settled no more than twelve months after the reporting period.

NOTE 25: SUBORDINATED BONDS AND LOANS (in HUF mn)

	2020	2019
Within one year		
In foreign currency	2,972	2,695
Over one year		
In foreign currency	301,271	276,699
Total	**304,243**	**279,394**

Interest rates on subordinated bonds and loans are as follows (%):

	2020	2019
Subordinated bonds and loans denominated in foreign currency	2.5%-2.9%	2.6% - 2.9%
Average interest on subordinated bonds and loans denominated in foreign currency	2.74%	2.73%

Subordinated loans and bonds are detailed as follows as at 31 December 2020:

Type	Nominal value	Date of issuance	Date of maturity	Issue price	Interest conditions	Current interest rate
Subordinated bond	EUR 327.8 million	7 November 2006	Perpetual	99.875%	Three-month EURIBOR + 3%, variable (payable quarterly)	2.484%
Subordinated bond	EUR 499.8 million	15 July 2019	15 July 2029	99.738%	Fixed 2.875% annual in the first 5 years and callable after 5 years, variable after year 5 (payable annually) calculated as a sum of the initial margin (320 basis point) and the 5 year mid-swap rate prevailing at the and of the 5 year.	2.875%

NOTE 26: SHARE CAPITAL (in HUF mn)

	2020	2019
Authorized, issued and fully paid:		
Ordinary shares	28,000	28,000

The nominal value of the shares is HUF 100 per shares. All of the shares are ordinary shares representing the same rights to the shareholders. Furthermore there are no restrictions on the distribution of dividends and the repayment of capital.

NOTE 27: RETAINED EARNINGS AND RESERVES (in HUF mn)

Based on the instructions of Act C of 2000 on accounting ("Act on Accounting") financial statements of the Bank are prepared in accordance with IFRS as issued by the IASB as adopted by the EU.

NBH warns the financial institutions in an excecutive circular dated 8 January 2021 not to pay or enter into an irrevocable obligation of dividend payment based on the performance for the financial years ended 2019 and 2020, or any reserves cumulated from previous years until 30 September 2021. Furthermore NBH warns to stop treasury share purchases (except share purchase related to share based payment programs) until 30 September 2021 too.

The intention of the Management is paying HUF 119,248 million dividend (for the year ended 2019 HUF 69,440 million and for the year ended 2020 HUF 49,808 million) regarding which - in accordance with the NBH circular - the Bank doesn't enter into an irrevocable obligation. Accordingly it remains as part of the shareholders' equity until the obligation hasn't been settled.

Based on paragraph 114/B of Act on Accounting Equity Correlation Table is prepared and disclosed as a part of the explanatory notes for the reporting date by the Bank.

On 19 October 2006 the Bank sold 14.5 million Treasury shares owned by OTP Group through an issue of Income Certificates Exchangeable for Shares ("ICES"). Within the transaction 10 million shares owned by OTP Bank and 4.5 million OTP shares owned by OTP Fund Management Ltd. were sold during the underwriting period of ICES on the weighted average market price (HUF 7,080) of the Budapest Stock Exchange. The shares have been purchased by Opus Securities S.A. ("OPUS"), which issued an exchangeable bond with a total face value of EUR 514,274,000 backed by those shares. The exchangeable bonds have been sold at a 32% premium over the selling price of the shares. The EUR denominated exchangeable bonds are perpetual and the investors can exercise the conversion right between year 6 and 10. The bonds carry a fixed coupon of 3.95% during the first 10 years thereafter the Issuer has the right to redeem the bonds at face value. Following the year 10, the bonds carry a coupon of 3 month EURIBOR +3%. OTP Bank has discretional right to cancel the payments. The interest payable is non-cumulative.

Due to the conditions described above, ICES was accounted as an equity instrument and therefore any payment was accounted as equity distribution paid to ICES holders.

Equity correlation table shall contain the opening and closing balances of the shareholder's equity in accordance with IFRS, furthermore deducted from this the opening and closing balances of the specified equity elements. Equity correlation table shall contain also untied retained earnings available for the payment of dividends, covering retained earnings from the last financial year for which accounts have been adopted comprising net profit for the period of that financial year minus cumulative unrealized gains claimed in connection with any increase in the fair value of investment properties, as provided in IAS 40 - Investment Property, reduced by the cumulative income tax accounted for under IAS 12 - Income Taxes.

Share capital

Share capital is the portion of the Bank's equity that has been obtained by the issue of shares in the corporation to a shareholder, usually for cash.

Share-based payment reserve

Share-based payment reserve represents the increase in the equity due to the goods or services were received by the Bank in an equity-settled share-based payment transaction, valued at the fair value of the goods or services received.

NOTE 27: RETAINED EARNINGS AND RESERVES (in HUF mn) [continued]

Retained earnings

Profit of previous years generated by the Bank that are not distributed to shareholders as dividends.

Put option reserve

OTP Bank Plc. and MOL Plc. entered into a share swap agreement in 16 April 2009, whereby OTP has changed 24,000,000 OTP ordinary shares for 5,010,501 „A series" MOL shares. The final maturity of the share swap agreement is 11 July 2022, until which any party can initiate cash or physical settlement of the transaction.
Put option reserve represents the written put option over OTP ordinary shares were accounted as a deduction from equity at the date of OTP-MOL share swap transaction.

Other comprehensive income

Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other IFRSs.

General reserve

The Bank shall place ten per cent of the after-tax profit of the year into general reserve prescribed by the Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises. The Bank is allowed to use general reserves only to cover operating losses arising from their activities.

Tied-up reserve

The tied-up reserve shall consist of sums tied up from the capital reserve and from the retained earnings.

NOTE 27: RETAINED EARNINGS AND RESERVES (in HUF mn) [continued]

The equity correlation table of the Bank based on paragraph 114/B of Act on Accounting as at 31 December 2020:

31 December 2020	Share Capital	Capital reserve	Share-based payment reserve	Retained earnings and reserves	Option reserve	Treasury Shares	Revaluation reserve	Tied-up reserve	Net profit for the year	Total
Components of Shareholder's equity in accordance with IFRS	**28,000**	**52**	**42,573**	**1,709,976**	**(55,468)**	**(46,799)**	-	-	-	**1,678,334**
Unused portion of reserve for developments	-	-	-	(998)	-	-	-	998	-	-
Other comprehensive income	-	-	-	(44,356)	-	-	44,356	-	-	-
Option reserve	-	(55,468)	-	-	55,468	-	-	-	-	-
Treasury shares	-	(46,799)	-	-	-	46,799	-	-	-	-
Share based payments	-	42,573	(42,573)	-	-	-	-	-	-	-
Net profit for the year	-	-	-	(92,474)	-	-	-	-	92,474	-
General reserve	-	-	-	(105,371)	-	-	-	105,371	-	-
Components of Shareholder's equity in accordance with paragraph 114/B of Act on Accounting	**28,000**	**(59,642)**	-	**1,466,777**	-	-	**44,356**	**106,369**	**92,474**	**1,678,334**

NOTE 27: RETAINED EARNINGS AND RESERVES (in HUF mn) [continued]

The equity correlation table of the Bank based on paragraph 114/B of Act on Accounting as at 1 January 2020:

1 January 2020	Share Capital	Capital reserve	Share-based payment reserve	Retained earnings and reserves	Option reserve	Treasury Shares	Revaluation reserve	Tied-up reserve	Net profit for the year	Total
Components of Shareholder's equity in accordance with IFRS	**28,000**	**52**	**39,179**	**1,644,591**	**(55,468)**	**(2,636)**	-	-	-	**1,653,718**
Unused portion of reserve for developments	-	-	-	(1,473)	-	-	-	1,473	-	-
Other comprehensive income	-	-	-	(62,975)	-	-	62,975	-	-	-
Portion of supplementary payment recognised as an asset	-	-	-	(310)	-	-	-	-	-	**(310)**
Option reserve	-	(55,468)	-	-	55,468	-	-	-	-	-
Treasury shares	-	(2,636)	-	-	-	2,636	-	-	-	-
Share based payments	-	39,179	(39,179)	-	-	-	-	-	-	-
Net profit for the year	-	-	-	(193,354)	-	-	-	-	193,354	-
General reserve	-	-	-	(96,115)	-	-	-	96,115	-	-
Components of Shareholder's equity in accordance with paragraph 114/B of Act on Accounting	**28,000**	**(18,873)**	-	**1,290,364**	-	-	**62,975**	**97,588**	**193,354**	**1,653,408**

NOTE 27: RETAINED EARNINGS AND RESERVES (in HUF mn) [continued]

Calculated untied retained earnings in accordance with paragraph 114/B of Act on Accounting

	2020	2019
Calculated retained earnings	1,466,777	1,290,364
Net profit for the year	92,474	193,354
Untied retained earnings	**1,559,251**	**1,483,718**

Items of retained earnings and other reserves

	2020	2019
Retained earnings	1,465,037	1,289,112
Capital reserve	52	52
Option reserve	(55,468)	(55,468)
Other reserves	105,370	96,115
Fair value of financial instruments measured at fair value through other comprehensive income	44,356	62,975
Share-based payment reserve	42,573	39,179
Fair value of derivative financial instruments designated as cash-flow hedge	2,739	3,035
Net profit for the period	92,474	193,354
Retained earnings and other reserves	**1,697,133**	**1,628,354**

Fair value adjustment of securities at fair value through other comprehensive income

	2020	2019
Balance as at 1 January	51,011	35,675
Change of fair value correction	(22,069)	8,481
Deferred tax related to change of fair value correction	1,973	(796)
Transfer to profit or loss due to derecognition	6,073	8,408
Deferred tax related to accumulated transfer to profit or loss	(547)	(757)
Closing balance	**36,441**	**51,011**

Expected credit loss on securities at fair value through other comprehensive income

	2020	2019
Balance as at 1 January	1,702	1,859
Increase of loss allowance	795	550
Release of loss allowance	(783)	(707)
Closing balance	**1,714**	**1,702**

Fair value changes of equity instruments as at fair value through other comprehensive income

	2020	2019
Balance as at 1 January	10,262	6,743
Change of fair value correction	(3,276)	3,867
Deferred tax related to change of fair value correction	310	(348)
Transfer to retained earnings	(1,095)	-
Closing balance	**6,201**	**10,262**

NOTE 28: TREASURY SHARES (in HUF mn)

	2020	2019
Nominal value (ordinary shares)	433	32
Carrying value at acquisition cost	46,799	2,636

The changes in the carrying value of treasury shares are due to repurchase and sale transactions on market authorised by the General Assembly.

Change in number of shares:

	2020	2019
Number of shares as at 1 January	**320,165**	**169,852**
Additions	8,296,388	2,979,754
Disposals	(4,285,384)	(2,829,441)
Number of shares at the end of the period	**4,331,169**	**320,165**

Change in carrying value:	2020	2019
Balance as at 1 January	**2,636**	**1,964**
Additions	85,922	34,185
Disposals	(41,759)	(33,513)
Closing Balance	**46,799**	**2,636**

	2020	2019
Number of treasury shares held by OTP Group members (except the Bank)	1,959	1,746

NOTE 29: INTEREST INCOME AND EXPENSES (in HUF mn)

	2020	2019
Interest income accounted for using the effective interest rate method from / on		
Loans at amortised cost	143,652	137,183
FVOCI securities	29,095	40,332
Securities at amortised cost	48,654	47,119
Placements with other banks	12,248	8,034
Financial liabilities	1,544	1,720
Amounts due from banks and balances with National Bank of Hungary	4,391	1,196
Repo receivables	49	95
Subtotal	**239,633**	**235,679**
Income similar to interest income		
Loans mandatorily measured at fair value through profit or loss	15,094	5,106
Swap and forward deals related to Placements with other banks	56,341	65,090
Swap and forward deals related to Loans at amortised cost	14,011	24,114
Swap and forward deals related to FVOCI securities	(3,789)	(6,099)
Investment properties	6	6
Subtotal	**81,663**	**88,217**
Interest incomes and similar to interest incomes total	**321,296**	**323,896**
Interest expense due to / from / on		
Amounts due to banks and deposits from the National Bank of Hungary and other banks	67,747	78,644
Deposits from customers	19,598	28,146
Leasing liabilities	257	244
Liabilities from issued securities	414	224
Subordinated bonds and loans	8,327	5,323
Investment properties (deprecation)	49	48
Financial assets	1,622	2,278
Repo liabilities	1,616	4,477
Subtotal	**99,630**	**119,384**

NOTE 30: RISK COST (in HUF mn)

	2020	2019
Loss allowance of loans at amortised cost		
Loss allowance	215,544	143,175
Release of loss allowance	(156,461)	(115,664)
	59,083	27,511
Loss allowance of placements with other banks		
Loss allowance	12,724	5,068
Release of loss allowance	(10,497)	(3,523)
	2,227	1,545
Loss allowance of FVOCI securities		
Loss allowance	2,119	1,295
Release of loss allowance	(2,116)	(1,471)
	3	(176)
Loss allowance of securities at amortised cost		
Loss allowance	4,822	338
Release of loss allowance	(2,977)	(563)
	1,845	(225)
Provision on loan commitments and financial guarantees		
Provision for the period	57,246	29,517
Release of provision	(54,044)	(23,723)
	3,202	5,794
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	405	5,432
Risk cost total	66,765	39,881

NOTE 31: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn)

Income from fees and commissions:

	2020	2019
Fees and commissions related to lending	**11,141**	**5,999**
Deposit and account maintenance fees and commissions	106,341	104,123
Fees and commission related to the issued bank cards	77,115	76,296
Fees and commissions related to security trading	25,414	27,332
Fees and commissions paid by OTP Mortgage Bank Ltd.	8,725	11,836
Net insurance fee income	7,155	6,013
Other	23,890	17,355
Fees and commissions from contracts with customers	**248,640**	**242,955**
Total Income from fees and commissions:	**259,781**	**248,954**

Contract balances

	2020	2019
Receivables, which are included in other assets	14,721	6,228
Loss allowance	(570)	(88)
Liabilities which are included in other liabilities	-	-

NOTE 31: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn) [continued]

Performance obligations and revenue recognition policies:

Fee type	Nature and timing of satisfaction of performance obligations, and the significant payment terms	Revenue recognition under IFRS 15
Deposit and account maintenance fees and commissions	The Bank provides a number of account management services for both retail and corporate customers in which they charge a fee. Fees related to these services can be typically account transaction fees (money transfer fees, direct debit fees, money standing order fees, etc.), internet banking fees (e.g. OTP Direct fee), account control fees (e.g. sms fee), or other fees for occasional services (account statement fees, other administration fees, etc.). Fees for ongoing account management services are charged to the customer's account on a monthly basis. The fees are commonly fix amounts that can be vary per account package and customer category. In the case of the transaction based fees where the services include money transfer the fee is charged when the transaction takes place. The rate of the fee is typically determined in a certain % of the transaction amount. In case of other transaction-based fees (e.g. SMS fee), the fee is settled monthly. In case of occasional services the Bank basically charges the fees when the services are used by the customer. The fees can be fixed fees or they can be set in %. The rates are reviewed by the Bank regularly.	Fees for ongoing account management services are charged on a monthly basis during the period when they are provided. Transaction-based fees are charged when the transaction takes places or charged monthly at the end of the month.
Fees and commission related to the issued bank cards	The Bank provides a variety of bank cards to its customers, for which different fees are charged. The fees are basically charged in connection with the issuance of cards and the related card transactions. The annual fees of the cards are charged in advance in a fixed amount. The amount of the annual card fee depends on the type of card. In case of transaction-based fees (e.g. cash withdrawal/payment fee, merchant fee, interchange fee, etc.), the settlement of the fees will take place immediately after the transaction or on a monthly basis. The fee is typically determined in % of the transaction with a fixed minimum amount. For all other cases where the Bank provides a continuous service to the customers (e.g. card closing fee), the fees are charged monthly. The fee is calculated in a fix amount. The rates are reviewed by the Bank regularly.	Fees for ongoing services are charged on a monthly basis during the period when they are provided. Transaction-based fees are charged when the transaction takes places or charged monthly at the end of the month.

NOTE 31: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn) [continued]

Performance obligations and revenue recognition policies: [continued]

Fee type	Nature and timing of satisfaction of performance obligations, and the significant payment terms	Revenue recognition under IFRS 15
Fees and commissions related to security account management services	The Bank provides its clients with security account management services. Fees will be charged for account management and transactions on accounts. Account management fees are typically charged quarterly or annually. The amount is determined in%, based on the stocks of securities managed by the clients on the account in a given period. Fees for transactions on the securities account are charged immediately after the transaction. They are determined in%, based on the transaction amount. Fees for complex services provided to clients (e.g. portfolio management or custody) are typically charged monthly or annually. The fees are fixed monthly amounts and in some cases a bonus fee are charged.	Fees for ongoing services are charged quarterly or annually during the period when they are provided. The fees are accrued monthly. Transaction-based fees are charged when the transaction takes places.
Fees and commissions paid by OTP Mortgage Bank Ltd.	The Bank provides a number of services to its subsidiaries, in connection with fees are charged. These fees typically include services related to various warranties and guarantees, credit account management, agency activities, and marketing activities. The credit account management fee granted to OTP Mortgage Bank is settled on a monthly basis. It has a fixed part that is based on the number of the managed credit accounts, and a variable one determined by the profit split method. The fees for the guarantee services provided by the Bank are charged monthly. The fee is determined by% and based on the stock being guaranteed. Fees for agent services are charged monthly. The rate is %, based on the products sold during the period.	Fees for ongoing services are charged on a monthly basis during the period when they are provided. Transaction-based fees are charged when the transaction takes places.
Net insurance fee income	Due to the fact that the Bank does not provide insurance services to its clients, only acts as an agent, the fee income charged to the customers and fees payable to the insurance company are presented net in the fee income. In addition, agency fee charged for the sale of insurance contracts is also recorded in this line. The fee is charged on a monthly basis and determined in %.	Fees for ongoing services are charged on a monthly basis during the period when they are provided.
Other	Fees that are not significant in the Banks total income are included in Other fees category. Such fees are safe lease, special procedure fee, account rent fee, adlak service fee, fee of a copy of document, etc. Other fees may include charges for continuous services or for ad hoc administration services. Continuous fees are charged monthly (e.g., safe lease fees) at the beginning of the period, typically at a fixed rate. Fees for ad hoc services are charged immediately after the service obligation had been met, typically also in a fixed amount.	Fees for ongoing services are charged on a monthly basis during the period when they are provided. Fees for ad hoc services are charged when the transaction takes places.

NOTE 31: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn) [continued]

	2020	2019
Other fees and commissions related to issued bank cards	31,701	29,204
Insurance fees	758	720
Fees and commissions related to lending	3,432	1,839
Fees and commissions related to security trading	983	598
Fees and commissions relating to deposits	1,355	1,199
Trust activities related to securities	1,167	1,001
Postal fees	202	253
Money market transaction fees and commissions	91	41
Other	1,061	736
Total	**40,750**	**35,591**
	219,031	**213,363**

NOTE 32: OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn)

	2020	2019
Intermediary and other services	2,677	1,921
Income from lease of tangible assets	749	590
Gains on derecognition of deposits	710	486
Gains on sale of receivables	377	163
Gains on transactions related to property activities	266	203
Income from written off receivables	206	257
Gains on discount from advertising agency fees	171	170
Gains on sale of tangible assets	150	271
Non-repayable assets received	26	264
Other operating income from OTP Employee Stock Ownership Program (OTP ESOP)	236	2,244
Collateral valuation service fee received from OTP Building Society Ltd.	-	396
Other	2,332	540
Total	**7,900**	**7,505**

	2020	2019
Release of loss allowance/(Loss allowance) on investments in subsidiaries	(10,042)	38,807
Financial support for sport association and organization of public utility	(7,999)	(4,069)
Non-repayable assets contributed	(4,055)	(4,187)
Release of loss allowance on other assets	(3,521)	186
Losses on other assets	(697)	(1,095)
Fine imposed by Competition Authority	(25)	(143)
Release of provision for off-balance sheet commitments and contingent liabilities	92	383
Other	(1,817)	(3,367)
Total	**(28,064)**	**26,515**

NOTE 32: OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn) [continued]

	2020	2019
Personnel expenses:		
Wages	89,705	84,122
Taxes related to personnel expenses	16,308	17,861
Other personnel expenses	12,485	13,052
Subtotal	**118,498**	**115,035**
Depreciation and amortization	**38,948**	**29,925**
Other administrative expenses:		
Taxes, other than income tax[1]	85,733	81,178
Services	44,090	43,369
Administration expenses, including rental fees	15,517	15,943
Professional fees	13,769	11,091
Advertising	7,405	8,617
Subtotal	**166,514**	**160,198**
Total	**323,960**	**305,158**

NOTE 33: INCOME TAX (in HUF mn)

The Bank is presently liable for income tax at a rate of 9% of taxable income.

A breakdown of the income tax expense is:

	2020	2019
Current tax expense	1,849	4,625
Deferred tax (benefit)/expense	(1,077)	5,215
Total	**772**	**9,840**

A reconciliation of the deferred tax liability is as follows:

	2020	2019
Balance as at 1 January	**(5,875)**	**1,241**
Deferred tax benefit /(expense)/	1,077	(5,215)
Tax effect of fair value adjustment of FVOCI securities and ICES recognised in comprehensive income	1,736	(1,901)
Closing balance	**(3,062)**	**(5,875)**

[1] Special tax of financial institutions was paid by OTP Bank in the amount of HUF 11.6 and 7.9 billion for the year ended 31 December 2020 and 2019, recognized as an expense thus decreased the corporate tax base. For the year ended 31 December 2020 financial transaction duty was paid by the Bank in the amount of HUF 60 billion.

NOTE 33: INCOME TAX (in HUF mn) [continued]

A breakdown of the deferred tax liability is as follows:

	2020	2019
Unused tax allowance	1,321	283
Amounts unenforceable by tax law	247	210
Deferred tax asset	**1,568**	**493**
Fair value adjustment of held for trading and securities at fair value through other comprehensive income	(4,199)	(5,935)
Difference in depreciation and amortization	(329)	(329)
Amounts unenforceable by tax law	(102)	(104)
Deferred tax liabilities	**(4,630)**	**(6,368)**
Net deferred tax liabilities	**(3,062)**	**(5,875)**

A reconciliation of the income tax (income) / expense is as follows:

	2020	2019
Profit before income tax	93,246	203,194
Income tax at statutory tax rate	8,392	18,287
Income tax adjustments due to permanent differencies are as follows:		
Deferred use of tax allowance	-	5,046
Tax effect related to accounting policy change	69	-
Share-based payment	305	319
Use of tax losses	(167)	-
Deferred tax asset due to unused tax allowance	(1,038)	-
Amounts unenforceable by tax law	(39)	(58)
Use of tax allowance in the current year	(2,023)	(6,975)
Dividend income	(5,488)	(7,100)
Other	761	321
Income tax	**772**	**9,840**
Effective tax rate	*0.8%*	*4.8%*

NOTE 34: LEASE (in HUF mn)

The Bank as a lessee:

At initial application of IFRS 16 the Bank as lessee chose the modified retrospective approach (see Note 2.19.), so there are no comparative figures for 31 December 2018.

	1 january 2019
Amounts recognised at initial application	
Lease liability	16,150
Prepaid or accrued lease payments as at 31 December 2018	145
Right-of-use asset	16,295
Cumulative impact recognized as an adjustment to the equity at the date of initial application	-

Average weighted amount of the implicit interest rate/incremental borrowing rate applied as at 1 January 2019 to recognise the lease liabilities: ~1.61 %.

Amounts recognised in profit and loss	**2020**	**2019**
Interest expense on lease liabilities	257	244
Expense relating to short-term leases	2,128	4,212
Expense relating to leases of low value assets	-	12
Expense relating to variable lease payments not included in the measurement of lease liabilities	1,084	874

Leasing liabilities by maturities:

	2020	**2019**
Within one year	4,423	3,826
Over one year	9,683	9,834
Total	**14,106**	**13,660**

An analysis of movement in the carrying amount of right-of-use assets by category is as follows:

	Right-of-use of real estate	Right-of-use of machinery and equipment	Total
Gross carrying amount			
Balance as at 1 January	16,259	37	16,296
Additions due to new contracts	786	-	786
Derecognition due to matured contracts	(107)	-	(107)
Change due to revaluation and modification	852	-	852
Balance as at 31 December 2019	17,790	37	17,827
Additions due to new contracts	3,706	-	3,706
Derecognition due to matured contracts	(18)	-	(18)
Change due to revaluation and modification	928	-	928
Balance as at 31 December 2020	22,406	37	22,443
Depreciation			
Balance as at 1 January	-	-	-
Depreciation charge	4,218	6	4,224
Derecognition due to matured contracts	(4)	-	(4)
Balance as at 31 December 2019	4,214	6	4,220
Depreciation charge	4,744	6	4,750
Derecognition due to matured contracts	(6)	-	(6)
Balance as at 31 December 2020	8,952	12	8,964
Net carrying amount			
Balance as at 31 December 2019	13,576	31	13,607
Balance as at 31 December 2020	13,454	25	13,479

NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn)

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments may result in certain risks to the Bank. The most significant risks the Bank faces include:

35.1. Credit risk

The Bank takes on exposure to credit risk which is the risk that a counter-party will be unable to pay amounts in full when due. The Bank 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 periodical basis and subject to an annual or more frequent review. The exposure to any borrower including banks and brokers is further restricted by sublimit covering on- and off-balance sheet exposures and 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 capital repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is partly managed obtaining collateral, corporate and personal guarantees.

35.1.1. Analysis by loan types

Defining the expected credit loss on individual and collective basis

On individual basis:

Individually assessed are the non-retail or micro- and small enterprise exposure of significant amount on a stand-alone basis:

- exposure in stage 3,
- exposure in workout management
- purchased or originated credit-impaired instruments which are in accordance with the conditions mentioned above

The calculation of impairment must be prepared and approved by the risk management functional areas. The calculation, all relevant factors (amortised cost, original and current EIR, contracted and expected cash flows (from business and/or collateral) for the individual periods of the entire lifecycle, other essential information enforced during the valuation) and the criteria thereof (including the factors underlying the classification as stage 3) must be documented individually.

The expected credit loss of the exposure equals the difference of the receivable's AC (gross book value) on the valuation date and the present value of the receivable's expected cash flows discounted to the valuation date by the exposure's original effective interest rate (EIR) (calculated at the initial recognition, or in the case of variable rate, recalculated due to the last interest rate change). The estimation of the expected future cash flows should be forward looking, it must also contain the effects of the possible change of macroeconomic outlook.
At least two scenarios must be used for the estimation of the expected cash flow. At least one scenarios should anticipate that realised cash flows will be significantly different from the contractual cash flows. Probability weights must be allocated to the individual scenarios. The estimation must reflect the probability of the occurrence and non-occurrence of the credit loss, even if the most probable result is the non-occurrence of the loss.

On collective basis:

The following exposures are subject to collective assessment:

- retail exposure irrespective of the amount,
- micro and small enterprise exposures irrespective of the amount,
- all other exposure which are insignificant on a stand-alone basis and not part of the workout management,
- exposure which are not in stage 3, significant on a stand-alone basis,
- purchased or originated credit-impaired instruments which are in accordance with the conditions mentioned above.

NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

35.1. Credit risk [continued]

35.1.1. Analysis by loan types [continued]

In the collective impairment methodology credit risk and the change of credit risk can be correctly captured by understanding the risk characteristics of the portfolio. In order to achieve this the main risk drivers shall be identified and used to form homogeneous segments having similar risk characteristics. The segmentation is expected to stay stable from month to month however a regular (at least yearly) revision of the segmentation process should be set up to capture the change of risk characteristics. The segmentation must be performed separately for each parameter, since in each case different factors may have relevance.

The Bank's Headquarters Group Reserve Committee stipulates the guidelines related to the collective impairment methodology at group level. In addition, it has right of agreement in respect of the risk parameters (PD -probability of default, LGD - loss given default, EAD – exposure at default) and segmentation criteria proposed by the group members.

The review of the parameters must be performed at least annually and the results should be approved by the Group Reserve Committee. Local Risk Managements is responsible for parameter estimations and updates, macroeconomic scenarios are calculated by OTP Bank Headquarters for each subsidiary and each parameter. Based on the consensus proposal of Local Risk Management and OTP Bank Headquarters, the Group Reserve Committee decides on the modification of parameters (all parameters for impairment calculation).

The impairment parameters should be backtested at least annually.

The expected loss calculation should be forward looking, including forecasts of future economic conditions. This may be achieved by applying 3-5 different macroeconomic scenarios, which may be integrated in the PD, LGD and EAD parameters.

NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

35.1. Credit risk [continued]

35.1.1. Analysis by loan types [continued]

Gross carrying amount and accumulated loss allowance of financial assets at amortized cost and fair value through other comprehensive income by IFRS 9 stages as at 31 December 2020:

		Gross carrying amount / Notional amount					Loss allowance					
Assets measured at amortised cost and FVOCI as at 31 December 2020	**Carrying amount/ Exposure**	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired**	**Total**	**Write-off**
Cash, amounts due from banks and balances with the National Bank of Hungary	579,120	579,120	-	-	-	579,120	-	-	-	-	-	-
Placements with other banks, net of allowance for placement losses	1,535,884	1,540,240	2	1,461	-	1,541,703	4,356	2	1,461	-	5,819	-
Repo receivables	183,364	183,656	-	-	-	183,656	292	-	-	-	292	-
Retail consumer loans	*531,115*	*456,034*	*98,027*	*10,632*	*5*	*564,698*	*5,945*	*20,866*	*6,770*	*2*	*33,583*	-
Mortgage loans	*95,762*	*29,857*	*58,609*	*6,602*	*2,909*	*97,977*	*20*	*688*	*1,313*	*194*	*2,215*	-
Municipal loans	*86,061*	*72,406*	*15,564*	*43*	-	*88,013*	*227*	*1,709*	*16*	-	*1,952*	-
Corporate loans	*2,704,822*	*2,361,979*	*380,458*	*37,177*	*11,128*	*2,790,742*	*16,314*	*43,034*	*25,127*	*1,445*	*85,920*	*25,720*
Loans at amortised cost	3,417,760	2,920,276	552,658	54,454	14,042	3,541,430	22,506	66,297	33,226	1,641	123,670	25,720
FVOCI securities[1]	911,950	911,950	-	-	-	911,950	1,714	-	-	-	1,714	-
Securities at amortised cost	2,007,692	2,010,980	-	-	-	2,010,980	3,288	-	-	-	3,288	-
Other financial assets	127,179	93,491	40,452	1,133	31	135,107	2,407	4,504	996	21	7,928	-
Total as at 31 December 2020	**8,762,949**	**8,239,713**	**593,112**	**57,048**	**14,073**	**8,903,946**	**34,563**	**70,803**	**35,683**	**1,662**	**142,711**	**25,720**
Loan commitments	1,429,732	1,369,379	69,998	1,683	-	1,441,060	5,442	5,047	839	-	11,328	-
Financial guarantees	1,412,663	1,409,766	8,609	161	-	1,418,536	5,087	738	48	-	5,873	-
Factoring loan commitments	304,993	299,908	3,551	1,810	-	305,269	175	35	66	-	276	-
Bill of credit	5,026	5,039	-	-	-	5,039	13	-	-	-	13	-
Loan commitments and financial guarantees total	*3,152,414*	*3,084,092*	*82,158*	*3,654*	-	*3,169,904*	*10,717*	*5,820*	*953*	-	*17,490*	-

[1] FVOCI securities are measured at fair value in the Statement of Financial Position (See Note 9). Loss allowance for FVOCI securities is recognised in the Statement of Other Comprehensive Income, which is included in the accumulated loss allowance of this table.

NOTE 35: **FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

35.1. Credit risk [continued]

35.1.1. Analysis by loan types [continued]

Gross carrying amount and accumulated loss allowance of financial assets at amortized cost and fair value through other comprehensive income by IFRS 9 stages as at 31 December 2019:

Assets measured at amortised cost and FVOCI as at 31 December 2019	Carrying amount/ Exposure	Gross carrying amount / Notional amount					Loss allowance					
		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Total	Write-off
Cash, amounts due from banks and balances with the National Bank of Hungary	289,686	289,686	-	-	-	289,686	-	-	-	-	-	-
Placements with other banks, net of allowance for placement losses	1,560,142	1,563,732	2	-	-	1,563,734	3,590	2	-	-	3,592	-
Repo receivables	45,539	45,545	-	-	-	45,545	6	-	-	-	6	-
Retail consumer loans	*500,153*	*492,435*	*16,157*	*5,583*	*6*	*514,181*	*5,135*	*5,542*	*3,348*	*3*	*14,028*	-
Mortgage loans	*111,064*	*91,058*	*12,619*	*6,031*	*3,038*	*112,746*	*19*	*234*	*1,314*	*115*	*1,682*	-
Municipal loans	*86,907*	*83,136*	*122*	*5,332*	-	*88,590*	*435*	*8*	*1,240*	-	*1,683*	-
Corporate loans	*2,378,407*	*2,294,436*	*92,411*	*36,020*	*10,213*	*2,433,080*	*21,188*	*12,894*	*19,939*	*652*	*54,673*	*34,770*
Loans at amortised cost	3,076,531	2,961,065	121,309	52,966	13,257	3,148,597	26,777	18,678	25,841	770	72,066	34,770
FVOCI securities[1]	1,485,977	1,485,977	-	-	-	1,485,977	1,702	-	-	-	1,702	-
Securities at amortised cost	1,447,224	1,448,667	-	-	-	1,448,667	1,443	-	-	-	1,443	-
Other financial assets	89,482	56,577	37,499	1,015	37	95,128	583	4,291	754	18	5,646	-
Total as at 31 December 2019	**7,994,581**	**7,851,249**	**158,810**	**53,981**	**13,294**	**8,077,334**	**34,101**	**22,971**	**26,595**	**788**	**84,455**	**34,770**
Loan commitments	1,487,112	1,485,861	8,136	511	-	1,494,508	6,577	620	199	-	7,396	-
Financial guarantees	1,079,896	1,080,423	4,276	1,813	-	1,086,512	4,784	456	1,376	-	6,616	-
Factoring loan commitments	227,871	225,703	589	1,853	-	228,145	201	1	72	-	274	-
Bill of credit	747	749	-	-	-	749	2	-	-	-	2	-
Loan commitments and financial guarantees total	**2,795,626**	**2,792,736**	**13,001**	**4,177**	-	**2,809,914**	**11,564**	**1,077**	**1,647**	-	**14,288**	-

[1] FVOCI securities are measured at fair value in the Statement of Financial Position (See Note 9). Loss allowance for FVOCI securities is recognised in the Statement of Other Comprehensive Income, which is included in the accumulated loss allowance of this table.

NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

35.1. Credit risk [continued]

35.1.1. Analysis by loan types [continued]

Changes in the Loss allowance of financial assets at amortised cost and fair value through other comprehensive income by IFRS 9 stages

Loans at amortised cost

	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January 2019	**16,498**	**13,860**	**31,608**	**967**	**62,933**
Transfer to Stage 1	369	(4,053)	(181)	-	(3,865)
Transfer to Stage 2	(979)	7,012	(431)	-	5,602
Transfer to Stage 3	(91)	(1,071)	3,795	-	2,633
Net remeasurement of loss allowance	1,295	(855)	(6,235)	(183)	(5,978)
New financial assets originated or purchased	14,474	4,836	3,014	6	22,330
Financial assets derecognised (other than write-offs)	(4,826)	(2,501)	(3,086)	(12)	(10,425)
Unwind of discount	-	-	874	320	1,194
Write-offs	(61)	(32)	(3,558)	(328)	(3,979)
Other movements	98	1,482	41	-	1,621
Loss allowance as at 31 December 2019	**26,777**	**18,678**	**25,841**	**770**	**72,066**
Transfer to Stage 1	51	(612)	(21)	-	(582)
Transfer to Stage 2	(4,374)	45,995	(1,308)	-	40,313
Transfer to Stage 3	(188)	(1,683)	6,670	-	4,799
Net remeasurement of loss allowance	(2,154)	(149)	4,397	839	2,933
New financial assets originated or purchased	11,393	7,498	2,918	45	21,854
Financial assets derecognised (other than write-offs)	(8,975)	(3,354)	(3,717)	(11)	(16,057)
Unwind of discount	-	-	1,613	217	1,830
Write-offs	(24)	(76)	(3,167)	(219)	(3,486)
Loss allowance as at 31 December 2020	**22,506**	**66,297**	**33,226**	**1,641**	**123,670**

NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

35.1. Credit risk [continued]

35.1.1. Analysis by loan types [continued]

Changes in the Loss allowance of financial assets at amortised cost and fair value through other comprehensive income by IFRS 9 stages [continued]

Loan commitments and financial guarantees

	Stage 1	Stage 2	Stage 3	Total
Provision as at 1 January 2019	**6,331**	**1,928**	**235**	**8,494**
Transfer to Stage 1	84	(1,029)	(15)	(960)
Transfer to Stage 2	(21)	413	(15)	377
Transfer to Stage 3	(9)	(21)	1,514	1,484
Net remeasurement of loss allowance	1,245	291	(7)	1,529
New financial assets originated or purchased	5,204	98	31	5,333
Decrease	(1,270)	(603)	(96)	(1,969)
Provision as at 31 December 2019	**11,564**	**1,077**	**1,647**	**14,288**
Transfer to Stage 1	10	(125)	(17)	(132)
Transfer to Stage 2	(501)	4,279	(21)	3,757
Transfer to Stage 3	(9)	(28)	731	694
Net remeasurement of loss allowance	(807)	(106)	(1,336)	(2,249)
New financial assets originated or purchased	2,843	796	67	3,706
Decrease	(2,383)	(73)	(118)	(2,574)
Provision as at 31 December 2020	**10,717**	**5,820**	**953**	**17,490**

Placements with other banks, net of allowance for placement losses

	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2019	**2,035**	**12**	**-**	**2,047**
Net remeasurement of loss allowance	290	-	-	290
New financial assets originated or purchased	2,202	2	-	2,204
Financial assets derecognised (other than write-offs)	(937)	(12)	-	(949)
Loss allowance as at 31 December 2019	**3,590**	**2**	**-**	**3,592**
Net remeasurement of loss allowance	515	-	-	515
New financial assets originated or purchased	2,321	-	1,461	3,782
Financial assets derecognised (other than write-offs)	(2,070)	-	-	(2,070)
Loss allowance as at 31 December 2020	**4,356**	**2**	**1,461**	**5,819**

NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

35.1. Credit risk [continued]

35.1.1. Analysis by loan types [continued]

Changes in the Loss allowance of financial assets at amortised cost and fair value through other comprehensive income by IFRS 9 stages [continued]

Repo Receivables

	Stage 1	Total
Loss allowance as at 1 January 2019	**12**	**12**
New financial assets originated or purchased	42	42
Financial assets derecognised (other than write-offs)	(48)	(48)
Loss allowance as at 31 December 2019	**6**	**6**
New financial assets originated or purchased	362	362
Financial assets derecognised (other than write-offs)	(76)	(76)
Loss allowance as at 31 December 2020	**292**	**292**

Securities at amortised cost

	Stage 1	Total
Loss allowance as at 1 January 2019	**1,668**	**1,668**
Net remeasurement of loss allowance	(149)	(149)
New financial assets originated or purchased	58	58
Financial assets derecognised (other than write-offs)	(134)	(134)
Loss allowance as at 31 December 2019	**1,443**	**1,443**
Net remeasurement of loss allowance	1,334	1,334
New financial assets originated or purchased	595	595
Financial assets derecognised (other than write-offs)	(84)	(84)
Loss allowance as at 31 December 2020	**3,288**	**3,288**

FVOCI Securities

	Stage 1	Total
Loss allowance as at 1 January 2019	**1,859**	**1,859**
Net remeasurement of loss allowance	(148)	(148)
New financial assets originated or purchased	550	550
Financial assets derecognised (other than write-offs)	(559)	(559)
Loss allowance as at 31 December 2019	**1,702**	**1,702**
Net remeasurement of loss allowance	286	286
New financial assets originated or purchased	509	509
Financial assets derecognised (other than write-offs)	(783)	(783)
Loss allowance as at 31 December 2020	**1,714**	**1,714**

NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

35.1. Credit risk [continued]

35.1.1. Analysis by loan types [continued]

Loan portfolio by countries

An analysis of carrying amount of the non-qualified and qualified gross loan portfolio by country is as follows:

	31 December 2020		31 December 2019	
Country	**Gross loan and placements with other banks portfolio**	**Loss allowance**	**Gross loan and placements with other banks portfolio**	**Loss allowance**
Hungary	3,797,729	(99,295)	3,189,583	(59,242)
Malta	759,425	(3,985)	746,431	(4,225)
Croatia	126,886	(917)	68,887	(35)
Serbia	126,431	(5,151)	255,525	(4,163)
Bulgaria	102,067	(9,158)	80,708	(2,798)
Slovakia	73,808	(207)	114,758	(293)
Montenegro	66,319	(686)	37,021	(56)
Other	214,124	(10,382)	264,963	(4,852)
Loans, placements with other banks and repo receivables at amortised cost total	**5,266,789**	**(129,781)**	**4,757,876**	**(75,664)**
Hungary	480,933	-	238,538	-
Other	4	-	-	-
Loans at fair value total	**480,937**	**-**	**238,538**	**-**
Loans, placements with other banks and repo receivables total	**5,747,726**	**(129,781)**	**4,996,414**	**(75,664)**

NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

35.1. Credit risk [continued]

35.1.2. Collaterals

The collateral value held by the Bank by collateral types is as follows (**total collateral value**). The collaterals cover loans as well as off-balance sheet exposures.

Types of collateral		2020	2019
Mortgages		1,450,951	1,258,217
Guarantees and warranties		1,074,420	609,357
Deposit		191,268	185,537
from this:	*Cash*	*62,469*	*46,293*
	Securities	*128,799*	*135,202*
Other		563	794
Total		**2,717,202**	**2,053,905**

The collateral value held by the Bank by collateral types is as follows (**to the extent of the exposures**). The collaterals cover loans as well as off-balance sheet exposures.

Types of collateral		2020	2019
Mortgage		687,688	478,265
Guarantees and warranties		836,874	492,747
Deposit		94,397	118,387
from this:	*Cash*	*8,204*	*13,318*
	Securities	*86,193*	*101,578*
Other		423	632
Total		**1,619,382**	**1,090,031**

The coverage level of loan portfolio to the extent of the exposures increased from 23.13% to 31.86% as at 31 December 2020, while the coverage to the total collateral value decreased from 43.59% to 53.46%.

The collateral value (**total collateral value**) held by the Bank related to non-performing loan portfolio is as follows:

For the year ended 31 December 2020	Gross carrying amount	Loss allowance	Carrying amount	Collateral value
Retail consumer loans	10,632	(6,770)	3,862	128
Mortgage loans	6,602	(1,313)	5,289	32,302
Municipal loans	43	(16)	27	104
Corporate loans	37,177	(25,127)	12,050	46,210
Total	**54,454**	**(33,226)**	**21,228**	**78,744**

For the year ended 31 December 2019	Gross carrying amount	Loss allowance	Carrying amount	Collateral value
Retail consumer loans	5,583	(3,348)	2,235	291
Mortgage loans	6,031	(1,314)	4,717	26,239
Municipal loans	5,332	(1,240)	4,092	9,526
Corporate loans	36,020	(19,939)	16,081	37,435
Total	**52,966**	**(25,841)**	**27,125**	**73,491**

NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

35.1. Credit risk [continued]

35.1.3. Restructured loans

	31 December 2020		31 December 2019	
	Gross portfolio	Loss allowance	Gross portfolio	Loss allowance
Consumer loans	5,399	(2,575)	5,188	(2,107)
Mortgage loans	2,156	(68)	7,934	(238)
Corporate loans[1]	27,963	(8,283)	7,087	(2,062)
SME loans	6,295	(1,278)	7,111	(1,332)
Municipal loans	41	(16)	-	-
Total	**41,854**	**(12,220)**	**27,319**	**(5,739)**

Restructured portfolio definition

Restructured definition used by the Bank is in accordance with EBA (EU) 2015/227 regulation.

[1] incl.: project and syndicated loans

NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

35.1. Credit risk [continued]

Financial instruments by rating categories[1]

Held-for-trading securities as at 31 December 2020

	A2	A3	B1	Ba2	Ba3	Baa1	Baa2	Baa3	Not rated	Total
Other non-interest bearing securities	-	-	-	-	-	-	-	-	1,964	1,964
Government bonds	-	-	-	-	465	-	-	5,566	-	6,031
Mortgage bonds	-	-	-	-	-	-	-	-	-	-
Hungarian government discounted Treasury Bills	-	-	-	-	-	-	-	1,233	-	1,233
Hungarian government interest bearing Treasury Bills	-	-	-	-	-	-	-	-	-	-
Shares	36	33	5	7	-	45	7	36	257	426
Other bonds	-	495	-	-	-	-	-	998	582	2,075
Total	**36**	**528**	**5**	**7**	**465**	**45**	**7**	**7,833**	**2,803**	**11,729**

Securities mandatorily measured at fair value through profit or loss as at 31 December 2020

	Not rated	Total
Government bonds	23,818	23,818
Mortgage bonds	5,342	5,342
Shares	2,776	2,776
Total	**31,936**	**31,936**

[1] Moody's ratings

NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

35.1. Credit risk [continued]

Financial instruments by rating categories[1]

FVOCI securities as at 31 December 2020

	A2	A3	Ba1	Ba3	Baa2	Baa3	Not rated	Total
Mortgage bonds	63,577	-	-	-	250,673	-	18,417	332,667
Government bonds	226	7,391	4,624	15,055	-	461,163	-	488,459
Hungarian Treasury Bills	-	-	-	-	-	9,957	-	9,957
Non-treading equity instruments	-	-	-	-	-	-	15,731	15,731
Other bonds	-	4,815	3,958	-	1,620	37,961	16,782	65,136
Total	**63,803**	**12,206**	**8,582**	**15,055**	**252,293**	**509,081**	**50,930**	**911,950**

Securities at amortised cost as at 31 December 2020

	Ba2	Baa3	Not rated	Total
Government bonds	2,816	1,941,855	-	1,944,671
Mortgage bonds	-	14,579	48,442	63,021
Total	**2,816**	**1,956,434**	**48,442**	**2,007,692**

[1] Moody's ratings

NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

35.1. Credit risk [continued]

An analysis of securities (held for trading, mandatorily FVTPL, FVOCI and amortised cost) in a country breakdown is as follows:

Country	31 December 2020 Gross carrying amount	31 December 2020 Loss allowance	31 December 2019 Gross carrying amount	31 December 2019 Loss allowance
Hungary	1,986,362	(3,194)	1,448,667	(1,443)
Russia	2,757	(3)	-	-
United States of America	1,069	(4)	-	-
Luxembourg	20,792	(87)	-	-
Securities at amortised cost total	**2,010,980**	**(3,288)**	**1,448,667**	**(1,443)**
Hungary	761,472	-	1,341,792	-
Luxembourg	85,006	-	-	-
Slovakia	-	-	15,025	-
Russia	29,697	-	40,120	-
Slovenia	7,391	-	6,984	-
Romania	-	-	13,126	-
Serbia	-	-	6,902	-
Sweden	-	-	1,503	-
Croatia	-	-	1,657	-
Lithuania	-	-	6,536	-
Poland	-	-	15,636	-
Bulgaria	-	-	10,817	-
United States of America	12,653	-	-	-
Germany	-	-	3,559	-
FVOCI securities total	**896,219**	**-**	**1,463,657**	**-**
Austria	12,079	-	12,412	-
Luxembourg	-	-	4,486	-
Hungary	530	-	530	-
Portugal	-	-	157	-
United States of America	3,122	-	4,735	-
Non-trading equity instruments designated to measure at fair value through other comprehensive income	**15,731**	**-**	**22,320**	**-**
Hungary	8,613	-	28,027	-
Luxembourg	771	-	10,482	-
Russia	808	-	7,279	-
Serbia	465	-	-	-
Germany	410	-	306	-
Ireland	32	-	-	-
Romania	(1)	-	8	-
Netherlands	-	-	153	-
United States of America	625	-	-	-
Australia	1	-	-	-
United Kingdom	5	-	-	-
Held for trading securities total	**11,729**	**-**	**46,255**	**-**
Hungary	18,470	-	17,100	-
United States of America	2,776	-	-	-
Luxembourg	10,428	-	5,180	-
Portugal	262	-	-	-
Securities mandatorily measured at fair value through profit or loss	**31,936**	**-**	**22,280**	**-**
Securities total	**2,966,595**	**(3,288)**	**3,003,179**	**(1,443)**

NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

35.2. Maturity analysis of assets and liabilities and liquidity risk

Liquidity risk is a measure of the extent to which the Bank may be required to raise funds to meet its commitments associated with financial instruments. The Bank maintains its liquidity profiles in accordance with regulations laid down by the NBH.

The essential aspect of the liquidity risk management strategy is to identify all relevant systemic and idiosyncratic sources of liquidity risk and to measure the probability and severity of such events. During liquidity risk management the Bank considers the effect of liquidity risk events caused by reasons arising in the bank business line (deposit withdrawal), the national economy (exchange rate shock, yield curve shock) and the global financial system (capital market shock).

In line with the Bank's risk management policy liquidity risks are measured and managed on multiply hierarchy levels and applying integrated unified VaR based methodology. The basic requirement is that the Bank must keep high quality liquidity reserves by means it can fulfil all liabilities when they fall due without material additional costs.

The liquidity reserves can be divided into two parts. There are separate decentralized liquid asset portfolios at subsidiary level and a centralized flexible liquidity pool at Group level. The reserves at subsidiary levels are held to cover the relevant shocks of the subsidiaries which may arise in local currencies (deposit withdrawal, local capital market shock, unexpected business expansion), while the centralized liquidity pool is held to cover the OTP Bank's separate shocks (deposit-, yield curve- and exchange rate shocks) and all group member's potential shocks that may arise in foreign currencies (deposit withdrawal, capital market shock).

The recalculation of shocks is made at least quarterly while the recalibration of shock measurement models and review of the risk management methodology is an annual process. The monitoring of liquidity reserves for both centralized and decentralized liquid asset portfolio has been built into the daily reporting process.

Due to the balance sheet adjustment process (deleveraging) experienced in the last few years, the liquidity reserves of the Bank increased significantly while the liquidity risk exposure has decreased considerably. Currently the (over)coverage of risk liquidity risk exposure by high quality liquid assets is at all-time record highs. There were no material changes in the liquidity risk management process for the year ended 31 December 2020.

The following tables provide an analysis of assets and liabilities about the non-discounted cash flow into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities.

The contractual amounts disclosed in the maturity analyses are the contractual undiscounted cash flows like gross finance lease obligations (before deducting finance charges); prices specified in forward agreements to purchase financial assets for cash; net amounts for pay-floating/receive-fixed interest rate swaps for which net cash flows are exchanged; contractual amounts to be exchanged in a derivative financial instrument for which gross cash flows are exchanged; gross loan commitments.

Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in that statement is based on discounted cash flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. For example, when the amount payable varies with changes in an index, the amount disclosed may be based on the level of the index at the end of the period.

NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

35.2. Maturity analysis of assets and liabilities and liquidity risk [continued]

As at 31 December 2020	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash, amounts due from banks and balances with the National Bank of Hungary	579,120	-	-	-	-	579,120
Placements with other banks, net of allowance for placement losses	578,907	656,143	273,834	33,027	-	1,541,911
Repo receivables	183,656	-	-	-	-	183,656
Financial assets at fair value through profit or loss	1,401	1,151	3,576	9,042	22,121	37,291
Securities at fair value through other comprehensive income	14,453	111,117	402,797	305,507	15,731	849,605
Loans at amortised cost	1,134,542	728,410	1,132,083	645,980	-	3,641,015
Loans mandatorily measured at fair value through profit or loss	14,850	11,674	85,000	383,775	-	495,299
Securities at amortised cost	19,735	37,950	1,354,479	559,171	-	1,971,335
Investment properties	-	-	-	-	1,936	1,936
Investments in subsidiaries, associates and other investments	-	-	-	-	1,548,972	1,548,972
Other financial assets	133,832	1,277	-	-	-	135,109
TOTAL ASSETS	**2,660,496**	**1,547,722**	**3,251,769**	**1,936,502**	**1,588,760**	**10,985,249**
Amounts due to banks and deposits from the National Bank of Hungary and other banks	152,633	62,871	492,291	73,574	-	781,369
Deposits from customers	7,716,000	131,890	30,628	14,115	-	7,892,633
Repo liabilities	-	-	109,612	-	-	109,612
Liabilities from issued securities	636	11,835	15,256	487	-	28,214
Subordinated bonds and loans	2,972	-	-	302,182	-	305,154
Financial liabilities at fair value through profit or loss	3,159	1,421	6,115	15,207	-	25,902
Leasing liabilities	1,073	3,350	7,213	2,470	-	14,106
Other financial liabilities	161,652	4,877	1,417	-	-	167,946
TOTAL LIABILITIES	**8,038,125**	**216,244**	**662,532**	**408,035**	**-**	**9,324,936**
NET POSITION[1]	**(5,377,629)**	**1,331,478**	**2,589,237**	**1,528,467**	**1,588,760**	**1,660,313**
Receivables from derivative financial instruments classified as held for trading	160,910	3,156,604	552,687	270,557	-	4,140,758
Liabilities from derivative financial instruments classified as held for trading	(88,685)	(3,774,109)	(490,468)	(226,529)	-	(4,579,791)
Net position of derivative financial instruments classified as held for trading	***72,225***	***(617,505)***	***62,219***	***44,028***	-	***(439,033)***
Receivables from derivative financial instruments designated as hedge accounting	183	7,286	168,912	173,109	-	349,490
Liabilities from derivative financial instruments designated as hedge accounting	(40,485)	(114,512)	(472,245)	(88,720)	-	(715,962)
Net position of derivative financial instruments designated as hedging accounting	***(40,302)***	***(107,226)***	***(303,333)***	***84,389***	-	***(366,472)***
Net position of derivative financial instruments total	**31,923**	**(724,731)**	**(241,114)**	**128,417**	**-**	**(805,505)**
Commitments to extend credit	1,441,060	-	-	-	-	*1,441,060*
Confirmed letters of credit	5,039	-	-	-	-	*5,039*
Factoring loan commitment	305,269	-	-	-	-	*305,269*
Bank guarantees	115,485	136,569	305,714	861,775	-	*1,419,543*
Off-balance sheet commitments	**1,866,853**	**136,569**	**305,714**	**861,775**	**-**	**3,170,911**

[1] Analysis for net position of assets and liabilities are calculated in accordance with IFRS 7, therefore certain financial instruments are presented in the earliest period in which the Bank could be required to pay. On-demand deposits are presented in the earliest (within 3 month) period category, however based on Management's discretion the Bank has appropriate liquidity reserves as maintenance and management of liquidity risk.

NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

35.2. Maturity analysis of assets and liabilities and liquidity risk [continued]

As at 31 December 2019	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash, amounts due from banks and balances with the National Bank of Hungary	289,686	-	-	-	-	289,686
Placements with other banks, net of allowance for placement losses	314,057	892,859	251,037	105,782	-	1,563,735
Repo receivables	45,545	-	-	-	-	45,545
Financial assets at fair value through profit or loss	6,347	5,855	17,810	12,678	15,618	58,308
Securities at fair value through other comprehensive income	200,724	408,955	499,697	268,379	22,360	1,400,115
Loans at amortised cost	919,347	702,458	905,776	624,710	-	3,152,291
Loans mandatorily measured at fair value through profit or loss	2,529	7,368	50,113	183,813	-	243,823
Securities at amortised cost	16,828	84,903	895,227	399,029	-	1,395,987
Investment properties	-	-	-	-	2,381	2,381
Investments in subsidiaries, associates and other investments	-	-	-	-	1,542,538	1,542,538
Other financial assets	93,158	475	30	6	1,460	95,129
TOTAL ASSETS	**1,888,221**	**2,102,873**	**2,619,690**	**1,594,397**	**1,584,357**	**9,789,538**
Amounts due to banks and deposits from the National Bank of Hungary and other banks	477,237	17,302	202,653	40,862	-	738,054
Deposits from customers	6,407,569	121,985	28,404	15,592	-	6,573,550
Repo liabilities	20,419	-	442,202	-	-	462,621
Liabilities from issued securities	4,193	17,912	19,817	104	-	42,026
Subordinated bonds and loans	2,695	-	-	277,591	-	280,286
Financial liabilities at fair value through profit or loss	677	1,928	9,605	16,651	-	28,861
Leasing liabilities	593	3,234	8,086	1,747	-	13,660
Other financial liabilities	176,696	105	-	-	-	176,801
TOTAL LIABILITIES	**7,090,079**	**162,466**	**710,767**	**352,547**	**-**	**8,315,859**
NET POSITION[1]	**(5,201,858)**	**1,940,407**	**1,908,923**	**1,241,850**	**1,584,357**	**1,473,679**
Receivables from derivative financial instruments classified as held for trading	1,784,183	1,498,417	957,269	502,071	-	4,741,940
Liabilities from derivative financial instruments classified as held for trading	(2,271,319)	(1,202,620)	(903,040)	(396,707)	-	(4,773,686)
Net position of derivative financial instruments classified as held for trading	***(487,136)***	***295,797***	***54,229***	***105,364***	***-***	***(31,746)***
Receivables from derivative financial instruments designated as hedge accounting	238	93,792	151,536	164,409	-	409,975
Liabilities from derivative financial instruments designated as hedge accounting	(6,611)	(249,914)	(233,863)	(74,862)	-	(565,250)
Net position of derivative financial instruments designated as hedging accounting	**(6,373)**	**(156,122)**	**(82,327)**	**89,547**	**-**	**(155,275)**
Net position of derivative financial instruments total	**(493,509)**	**139,675**	**(28,098)**	**194,911**	**-**	**(187,021)**
Commitments to extend credit	1,494,508	-	-	-	-	*1,494,508*
Confirmed letters of credit	749	-	-	-	-	*749*
Factoring loan commitment	228,145	-	-	-	-	*228,145*
Bank guarantees	49,506	104,474	170,493	762,827	-	*1,087,300*
Off-balance sheet commitments	**1,772,908**	**104,474**	**170,493**	**762,827**	**-**	**2,810,702**

[1] Analysis for net position of assets and liabilities are calculated in accordance with IFRS 7, therefore certain financial instruments are presented in the earliest period in which the Bank could be required to pay. On-demand deposits are presented in the earliest (within 3 month) period category, however based on Management's discretion the Bank has appropriate liquidity reserves as maintenance and management of liquidity risk.

NOTE 35: **FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

35.3. Net foreign currency position and foreign currency risk

As at 31 December 2020

	USD	EUR	CHF	Others	Total
Assets[1]	174,993	1,929,758	17,509	251,877	2,374,137
Liabilities	(291,985)	(1,623,605)	(35,701)	(105,346)	(2,056,637)
Derivative financial instruments	116,987	(350,237)	18,614	(146,208)	(360,844)
Net position	**(5)**	**(44,084)**	**422**	**323**	**(43,344)**

As at 31 December 2019

	USD	EUR	CHF	Others	Total
Assets[1]	257,687	1,762,176	28,949	247,647	2,296,459
Liabilities	(297,771)	(1,418,426)	(35,679)	(164,325)	(1,916,201)
Derivative financial instruments	45,528	(427,768)	6,977	(85,447)	(460,710)
Net position	**5,444**	**(84,018)**	**247**	**(2,125)**	**(80,452)**

The table above provides an analysis of the Bank's main foreign currency exposures. The remaining foreign currencies are shown within 'Others'. The Bank monitors its foreign exchange position for compliance with the regulatory requirements of the NBH and its own limit system established in respect of limits on open positions. The measurement of the Bank's open its currency position involves monitoring the VaR limit on the foreign exchange exposure of the Bank.

In the table Derivative financial instruments are stated at fair value.

35.4. Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument, therefore, indicates to what extent it is exposed to interest rate risk.

The majority of the Bank's interest bearing assets and liabilities are structured to match either short-term assets and short-term liabilities, or long-term assets and liabilities with repricing opportunities within one year, or long-term assets and corresponding liabilities where repricing is performed simultaneously.

In addition, the significant spread existing between the different types of interest bearing assets and liabilities enables the Bank to benefit from a high level of flexibility in adjusting for its interest rate matching and interest rate risk exposure.

The following table presents the interest repricing dates of the Bank. Variable yield assets and liabilities have been reported in accordance with their next repricing date. Fixed income assets and liabilities have been reported in accordance with their maturity.

[1] The assets category contains foreign currency investments in subsidiaries that are measured at cost, and are deducted from the net position calculation.

NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

35.4. Interest rate risk management [continued]

As at 31 December 2020	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest -bearing		Total		Total
ASSETS	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	
Cash, amounts due from banks and balances with the National Bank of Hungary	**144,030**	**239,960**	-	-	-	-	-	-	-	-	**168,435**	**26,695**	**312,465**	**266,655**	**579,120**
fixed interest	144,030	239,960	-	-	-	-	-	-	-	-	-	-	144,030	239,960	**383,990**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	168,435	26,695	168,435	26,695	**195,130**
Placements with other banks	**783,024**	**80,732**	**177,155**	**189,231**	**43,239**	**64,447**	**23,378**	**3,629**	**122,035**	**27,080**	**19,194**	**2,740**	**1,168,025**	**367,859**	**1,535,884**
fixed interest	220,175	17,719	15,106	179,174	13,934	64,447	23,378	3,629	122,035	27,080	-	-	394,628	292,049	**686,677**
variable interest	562,849	63,013	162,049	10,057	29,305	-	-	-	-	-	-	-	754,203	73,070	**827,273**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	19,194	2,740	19,194	2,740	**21,934**
Repo receivables	**183,364**	-	-	-	-	-	-	-	-	-	-	-	**183,364**	-	**183,364**
fixed interest	183,364	-	-	-	-	-	-	-	-	-	-	-	183,364	-	**183,364**
Securities held for trading	**1,260**	**526**	**287**	**567**	**608**	**465**	**1,250**	**298**	**2,983**	**1,095**	**1,926**	**464**	**8,314**	**3,415**	**11,729**
fixed interest	354	-	287	567	608	465	1,250	298	2,983	1,095	-	-	5,482	2,425	**7,907**
variable interest	906	526	-	-	-	-	-	-	-	-	-	-	906	526	**1,432**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	1,926	464	1,926	464	**2,390**
Securities mandatorily measured at fair value through profit or loss	-	**5,342**	-	-	-	-	-	-	-	-	**18,470**	**8,124**	**18,470**	**13,466**	**31,936**
variable interest	-	5,342	-	-	-	-	-	-	-	-	-	-	-	5,342	**5,342**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	18,470	8,124	18,470	8,124	**26,594**
Securities at fair value through other comprehensive income	**79,240**	**5,717**	**16,218**	-	**111,153**	**10,223**	**3,533**	**19,578**	**551,328**	**99,229**	**528**	**15,203**	**762,000**	**149,950**	**911,950**
fixed interest	600	5,717	673	-	100,003	10,223	3,533	19,578	551,328	99,229	-	-	656,137	134,747	**790,884**
variable interest	78,640	-	15,545	-	11,150	-	-	-	-	-	-	-	105,335	-	**105,335**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	528	15,203	528	15,203	**15,731**

NOTE 35: **FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

35.4. Interest rate risk management [continued]

As at 31 December 2020	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest -bearing		Total		Total
ASSETS [continued]	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	
Loans measured at amortised cost	**555,311**	**252,682**	**391,295**	**1,112,003**	**54,263**	**66,998**	**45,539**	**15,984**	**709,929**	**56,172**	**125,861**	**31,723**	**1,882,198**	**1,535,562**	**3,417,760**
fixed interest	2,769	8,967	1,285	74,088	11,731	8,970	33,604	15,984	700,585	56,172	-	-	749,974	164,181	**914,155**
variable interest	552,542	243,715	390,010	1,037,915	42,532	58,028	11,935	-	9,344	-	-	-	1,006,363	1,339,658	**2,346,021**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	125,861	31,723	125,861	31,723	**157,584**
Loans mandatorily measured at fair value through profit or loss	**24,870**	-	**59**	-	**334**	-	**368**	-	**455,306**	-	-	-	**480,937**	-	**480,937**
variable interest	24,870	-	59	-	334	-	368	-	455,306	-	-	-	480,937	-	**480,937**
Securities at amortised cost	-	-	-	**1,065**	**38,112**	-	**393,442**	**1,092**	**1,551,614**	**22,367**	-	-	**1,983,168**	**24,524**	**2,007,692**
fixed interest	-	-	-	1,065	38,112	-	393,442	1,092	1,551,614	22,367	-	-	1,983,168	24,524	**2,007,692**
Other financial assets	-	-	-	-	-	-	-	-	-	-	**112,055**	**15,124**	**112,055**	**15,124**	**127,179**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	112,055	15,124	112,055	15,124	**127,179**
Derivative financial instruments	**936,413**	**706,442**	**880,140**	**378,405**	**557,115**	**419,548**	**26,738**	**7,333**	**39,765**	**101,640**	**733,551**	**248,095**	**3,173,724**	**1,861,463**	**5,035,187**
fixed interest	920,404	567,652	658,754	183,228	559,258	387,941	26,799	7,333	40,012	101,640	-	-	2,205,227	1,247,793	**3,453,020**
variable interest	16,010	138,790	221,387	195,178	(2,143)	31,607	(61)	-	(247)	-	-	-	234,945	365,575	**600,520**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	733,551	248,095	733,551	248,095	**981,646**

NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

35.4. Interest rate risk management [continued]

As at 31 December 2020	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest -bearing		Total		Total
LIABILITIES	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	
Amounts due to banks and deposits with the National Bank of Hungary and other banks	**106,883**	**86,885**	**12,008**	**40,429**	**3,363**	**7,491**	**39,270**	-	**467,479**	-	**1,678**	**1,491**	**630,681**	**136,296**	**766,977**
fixed interest	36,937	15,136	12,008	8,569	3,363	1,490	39,270	-	467,479	-	-	-	559,057	25,195	**584,252**
variable interest	69,946	71,749	-	31,860	-	6,001	-	-	-	-	-	-	69,946	109,610	**179,556**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	1,678	1,491	1,678	1,491	**3,169**
Financial liabilities designated to measure at fair value through profit or loss	**25,902**	-	-	-	-	-	-	-	-	-	-	-	**25,902**	-	**25,902**
fixed interest	79	-	-	-	-	-	-	-	-	-	-	-	79	-	**79**
variable interest	25,823	-	-	-	-	-	-	-	-	-	-	-	25,823	-	**25,823**
Repo liabilities	-	-	-	-	-	**109,612**	-	-	-	-	-	-	-	**109,612**	**109,612**
variable interest	-	-	-	-	-	109,612	-	-	-	-	-	-	-	109,612	**109,612**
Deposits from customers	**6,211,090**	**1,404,362**	**133,886**	**15,540**	**101,496**	**13,367**	**227**	-	-	-	**10,782**	**4,985**	**6,457,481**	**1,438,254**	**7,895,735**
fixed interest	325,464	116,385	133,886	15,540	101,496	13,367	227	-	-	-	-	-	561,073	145,292	**706,365**
variable interest	5,885,626	1,287,977	-	-	-	-	-	-	-	-	-	-	5,885,626	1,287,977	**7,173,603**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	10,782	4,985	10,782	4,985	**15,767**
Liabilities from issued securities	**3,090**	**221**	**11,691**	**414**	**4,502**	**721**	**4,098**	-	**3,698**	-	-	-	**27,079**	**1,356**	**28,435**
fixed interest	213	-	-	-	3,500	-	4,098	-	3,698	-	-	-	11,509	-	**11,509**
variable interest	2,877	221	11,691	414	1,002	721	-	-	-	-	-	-	15,570	1,356	**16,926**
Subordinated bonds and loans	-	-	-	**120,153**	-	**184,090**	-	-	-	-	-	-	-	**304,243**	**304,243**
variable interest	-	-	-	120,153	-	184,090	-	-	-	-	-	-	-	304,243	**304,243**
Leasing liabilities	**149**	**187**	**260**	**477**	**1,267**	**2,082**	**1,333**	**1,233**	**5,747**	**1,371**	-	-	**8,756**	**5,350**	**14,106**
fixed interest	103	11	69	40	528	170	707	65	2,796	37	-	-	4,203	323	**4,526**
variable interest	46	176	191	437	739	1,912	626	1,168	2,951	1,334	-	-	4,553	5,027	**9,580**
Other financial liabilities	-	-	-	-	-	-	-	-	-	-	**138,508**	**29,032**	**138,508**	**29,032**	**167,540**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	138,508	29,032	138,508	29,032	**167,540**
Derivative financial instruments	**1,264,723**	**383,260**	**1,035,481**	**206,796**	**479,506**	**492,403**	**9,453**	**24,907**	**49,757**	**89,983**	**724,945**	**253,430**	**3,563,865**	**1,450,778**	**5,014,643**
fixed interest	1,111,371	376,748	648,762	188,722	481,293	469,699	9,514	24,907	50,004	89,802	-	-	2,300,945	1,149,878	**3,450,822**
variable interest	153,351	6,512	386,719	18,074	(1,787)	22,704	(61)	-	(247)	181	-	-	537,975	47,471	**585,446**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	724,945	253,430	724,945	253,430	**978,374**
NET POSITION	**(4,904,324)**	**(583,514)**	**271,828**	**1,297,462**	**214,690**	**(248,085)**	**439,867**	**21,774**	**2,906,279**	**216,230**	**304,108**	**59,231**	**(767,552)**	**763,097**	**(4,455)**

NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

35.4. *Interest rate risk management [continued]*

ASSETS	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest -bearing		Total		Total
As at 31 December 2019	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	
Cash, amounts due from banks and balances with the National Bank of Hungary	**3,997**	**44,924**	-	-	-	-	-	-	-	-	**216,133**	**24,632**	**220,130**	**69,556**	**289,686**
fixed interest	3,997	44,924	-	-	-	-	-	-	-	-	-	-	3,997	44,924	**48,921**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	216,133	24,632	216,133	24,632	**240,765**
Placements with other banks	**279,847**	**102,963**	**409,557**	**192,520**	**182,348**	**172,320**	**27,926**	-	**137,228**	**30,155**	**18,324**	**6,954**	**1,055,230**	**504,912**	**1,560,142**
fixed interest	1,041	39,292	33,137	151,361	637	168,730	27,926	-	137,228	30,155	-	-	199,969	389,538	**589,507**
variable interest	278,806	63,671	376,420	41,159	181,711	3,590	-	-	-	-	-	-	836,937	108,420	**945,357**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	18,324	6,954	18,324	6,954	**25,278**
Repo receivables	**45,539**	-	-	-	-	-	-	-	-	-	-	-	**45,539**	-	**45,539**
fixed interest	45,539	-	-	-	-	-	-	-	-	-	-	-	45,539	-	**45,539**
Securities held for trading	**632**	**458**	**1**	**5,929**	**2,124**	**3,908**	**4,400**	**9,166**	**10,571**	**1,181**	**7,541**	**344**	**25,269**	**20,986**	**46,255**
fixed interest	-	458	1	5,529	2,124	3,908	4,400	9,166	10,571	1,181	-	-	17,096	20,242	**37,338**
variable interest	632	-	-	400	-	-	-	-	-	-	-	-	632	400	**1,032**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	7,541	344	7,541	344	**7,885**
Securities mandatorily measured at fair value through profit or loss	-	-	-	**5,180**	-	-	-	-	-	-	**17,100**	-	**17,100**	**5,180**	**22,280**
variable interest	-	-	-	5,180	-	-	-	-	-	-	-	-	-	5,180	**5,180**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	17,100	-	17,100	-	**17,100**
Securities at fair value through other comprehensive income	**110,186**	**9,073**	**138,245**	**6,845**	**425,639**	**2,443**	**108,947**	**93,663**	**445,303**	**123,313**	**528**	**21,792**	**1,228,848**	**257,129**	**1,485,977**
fixed interest	47,975	9,073	123,562	6,845	410,889	2,443	108,947	93,663	445,303	123,313	-	-	1,136,676	235,337	**1,372,013**
variable interest	62,211	-	14,683	-	14,750	-	-	-	-	-	-	-	91,644	-	**91,644**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	528	21,792	528	21,792	**22,320**

NOTE 35: **FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

35.4. Interest rate risk management [continued]

As at 31 December 2019	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest -bearing		Total		Total
ASSETS [continued]	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	
Loans measured at amortised cost	**364,280**	**50,168**	**359,142**	**273,935**	**340,521**	**1,023,840**	**29,577**	**6,595**	**439,199**	**55,290**	**113,446**	**20,538**	**1,646,165**	**1,430,366**	**3,076,531**
fixed interest	152	28,661	814	107,804	10,851	7,685	25,644	6,595	433,294	55,290	-	-	470,755	206,035	**676,790**
variable interest	364,128	21,507	358,328	166,131	329,670	1,016,155	3,933	-	5,905	-	-	-	1,061,964	1,203,793	**2,265,757**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	113,446	20,538	113,446	20,538	**133,984**
Loans mandatorily measured at fair value through profit or loss	**29,826**	-	**121**	-	**379**	-	**463**	-	**207,749**	-	-	-	**238,538**	-	**238,538**
variable interest	29,826	-	121	-	379	-	463	-	207,749	-	-	-	238,538	-	**238,538**
Securities at amortised cost	-	-	-	-	**86,578**	-	**38,125**	-	**1,322,521**	-	-	-	**1,447,224**	-	**1,447,224**
fixed interest	-	-	-	-	86,578	-	38,125	-	1,322,521	-	-	-	1,447,224	-	**1,447,224**
Other financial assets	-	-	-	-	-	-	-	-	-	-	**80,862**	**8,620**	**80,862**	**8,620**	**89,482**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	80,862	8,620	80,862	8,620	**89,482**
Derivative financial instruments	**963,211**	**434,210**	**847,077**	**359,966**	**765,879**	**460,639**	**15,461**	**273,268**	**20,355**	**85,686**	**326,585**	**206,753**	**2,938,568**	**1,820,522**	**4,759,090**
fixed interest	927,322	424,177	697,547	335,776	766,569	424,851	15,461	273,268	20,355	85,686	-	-	2,427,254	1,543,758	**3,971,012**
variable interest	35,889	10,033	149,530	24,190	(690)	35,788	-	-	-	-	-	-	184,729	70,011	**254,740**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	326,585	206,753	326,585	206,753	**533,338**

NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

35.4. *Interest rate risk management [continued]*

As at 31 December 2019	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest -bearing		Total		Total
LIABILITIES	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	
Amounts due to banks and deposits with the National Bank of Hungary and other banks	**285,808**	**189,729**	**65,914**	**76,986**	**4,820**	**17,091**	**1,102**	-	**94,949**	-	**8**	**1,647**	**452,601**	**285,453**	**738,054**
fixed interest	231,909	83,070	65,914	3,430	4,820	5,053	1,102	-	94,949	-	-	-	398,694	91,553	**490,247**
variable interest	53,899	106,659	-	73,556	-	12,038	-	-	-	-	-	-	53,899	192,253	**246,152**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	8	1,647	8	1,647	**1,655**
Financial liabilities designated to measure at fair value through profit or loss	**28,861**	-	-	-	-	-	-	-	-	-	-	-	**28,861**	-	**28,861**
fixed interest	102	-	-	-	-	-	-	-	-	-	-	-	102	-	**102**
variable interest	28,759	-	-	-	-	-	-	-	-	-	-	-	28,759	-	**28,759**
Repo liabilities	**20,574**	-	-	-	-	-	**263,554**	**178,493**	-	-	-	-	**284,128**	**178,493**	**462,621**
fixed interest	20,574	-	-	-	-	-	263,554	178,493	-	-	-	-	284,128	178,493	**462,621**
Deposits from customers	**5,210,837**	**1,059,229**	**170,649**	**19,293**	**92,329**	**10,290**	**215**	-	-	-	**7,192**	**3,516**	**5,481,222**	**1,092,328**	**6,573,550**
fixed interest	392,749	124,384	170,649	19,293	92,329	10,290	215	-	-	-	-	-	655,942	153,967	**809,909**
variable interest	4,818,088	934,845	-	-	-	-	-	-	-	-	-	-	4,818,088	934,845	**5,752,933**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	7,192	3,516	7,192	3,516	**10,708**
Liabilities from issued securities	**16,708**	**552**	**12,565**	**1,265**	**4,728**	**1,936**	**3,451**	-	**2,079**	-	-	-	**39,531**	**3,753**	**43,284**
fixed interest	218	-	-	-	3,282	-	3,451	-	2,079	-	-	-	9,030	-	**9,030**
variable interest	16,490	552	12,565	1,265	1,446	1,936	-	-	-	-	-	-	30,501	3,753	**34,254**
Subordinated bonds and loans	-	-	-	**112,792**	-	**166,602**	-	-	-	-	-	-	-	**279,394**	**279,394**
variable interest	-	-	-	112,792	-	166,602	-	-	-	-	-	-	-	279,394	**279,394**
Leasing liabilities	**62**	**136**	**123**	**272**	**1,107**	**2,126**	**1,147**	**1,702**	**4,399**	**2,586**	-	-	**6,838**	**6,822**	**13,660**
fixed interest	62	136	123	272	1,107	2,126	1,147	1,702	4,399	2,586	-	-	6,838	6,822	**13,660**
Other financial liabilities	-	-	-	-	-	-	-	-	-	-	**139,657**	**51,434**	**139,657**	**51,434**	**191,091**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	139,657	51,434	139,657	51,434	**191,091**
Derivative financial instruments	**1,272,904**	**127,050**	**829,127**	**357,480**	**623,979**	**588,255**	**281,358**	**8,783**	**36,475**	**72,359**	**278,557**	**255,503**	**3,322,400**	**1,409,430**	**4,731,830**
fixed interest	1,222,356	121,202	688,335	341,669	624,021	567,255	281,358	8,783	36,475	72,148	-	-	2,852,545	1,111,057	**3,963,602**
variable interest	50,548	5,848	140,792	15,811	(42)	21,000	-	-	-	211	-	-	191,298	42,870	**234,168**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	278,557	255,503	278,557	255,503	**534,060**
NET POSITION	**(5,038,236)**	**(734,900)**	**675,765**	**276,287**	**1,076,505**	**876,850**	**(325,928)**	**193,714**	**2,445,024**	**220,680**	**355,105**	**(22,467)**	**(811,765)**	**810,164**	**(1,601)**

NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

35.5. Market risk

The Bank takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Bank applies a Value-at-Risk ("VaR") methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Management Board sets limits on the value of risk that may be accepted, which is monitored on a daily basis. (Analysis of liquidity risk, foreign currency risk and interest rate risk is detailed in Notes 35.2, 35.3 and 35.4 respectively.)

35.5.1. Market risk sensitivity analysis

The VaR risk measure estimates the potential loss in pre-taxation profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by the Group reflects the 99% probability that the daily loss will not exceed the reported VaR.

VaR methodologies are employed to calculate daily risk numbers include the historical and variance-covariance approaches. In addition to these two methodologies, Monte Carlo simulations are applied to the various portfolios on a monthly basis to determine potential future exposure.

The VaR of the trading portfolio can be summarized as follows (in HUF mn):

Historical VaR (99%, one-day) by risk type	Average	
	2020	**2019**
Foreign exchange	1,507	337
Interest rate	77	97
Equity instruments	141	21
Diversification	-	-
Total VaR exposure	**1,725**	**455**

While VaR captures the OTP's daily exposure to currency and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in interest or foreign currency rates over a year. The longer time frame of sensitivity analysis complements VaR and helps the OTP to assess its market risk exposures. Details of sensitivity analysis for foreign currency risk are set out in Note 35.5.2., for interest rate risk in Note 35.5.3., and for equity price sensitivity analysis in Note 35.5.4.

35.5.2. Foreign currency sensitivity analysis

The following table details the Group's sensitivity to the rise and fall in the HUF exchange rate against EUR, over a 3 months period. Monte Carlo simulation is used when reporting foreign currency risk internally to key management personnel and represents Management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only the residual foreign currency denominated monetary items as partially closed strategic open positions related to foreign activities.
In accordance with the Bank's decision, the subsidiaries' P&L measured in EUR is going to have a higher weight than measured in HUF. Thus, a decision was made about closing the former EUR (310) million strategic open position. As a result of the partial close, an open position of EUR (132) million remained in the Bank's book evaluated against profit or loss as of 31 December 2020.
A positive number below indicates an increase in profit where the HUF strengthens against the EUR. For a weakening of the HUF against the EUR, there would be an equal and opposite impact on the profit, and the balances below would be negative.

NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

35.5. Market risk [continued]

35.5.2. Foreign currency sensitivity analysis [continued]

Probability	Effects to the P&L in 3 months period 31 December 2020 In HUF billion	31 December 2019 In HUF billion
1%	(5.9)	(12.2)
5%	(4.1)	(8.4)
25%	(1.7)	(3.5)
50%	(0.2)	(0.4)
25%	1.2	2.6
5%	3.2	6.8
1%	4.6	9.7

Notes:
(1) The short term loss on the strategic open position is compensated by the long-term exchange rate gain on the foreign operations.
(2) Monte Carlo simulation is based on the empirical distribution of the historical exchange rate movements between 2002 and 2020.

35.5.3. Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. The analysis is prepared assuming the amount of assets and liabilities outstanding at the balance sheet date were outstanding for the whole year. The analysis was prepared by assuming only the adverting interest rate changes. The main assumptions were as follows:

- Floating-rate assets and liabilities were repriced to the modelled benchmark yields at the repricing dates assuming the unchanged margin compared to the last repricing.
- Fixed-rate assets and liabilities were repriced at the contractual maturity date.
- As for liabilities with discretionary repricing feature by the Bank were assumed to be repriced with two-weeks delay, assuming no change in the margin compared to the last repricing date.
- The assets and liabilities with interest rate lower than 0.3% assumed to be unchanged during the whole period.

The sensitivity of interest income to changes in BUBOR was analysed assuming two interest rate path scenarios:
1. HUF base rate and BUBOR decreases gradually by 15 bps over the next year (probable scenario)
2. HUF base rate and BUBOR decreases gradually by 60 bps over the next year (alternative scenario)

The net interest income in a one year period after 1 January 2021 would be decreased by HUF 1,476 million (probable scenario) and HUF 6,420 million (alternative scenario) as a result of these simulation. The same simulation indicated HUF 1,261 million (probable scenario) and HUF 3,256 million (alternative scenario) decrease in the Net interest income in a one year period after 1 January 2020. This effect is counterbalanced by capital gains HUF 584 million (or probable scenario), HUF 2,329 million (for alternative scenario) as at 31 December 2020 and (HUF 223 million for probable scenario, HUF 2,670 million for alternative scenario as at 31 December 2019) on the government bond portfolio held for hedging (economic).

Furthermore, the effects of an instant 10bps parallel shift of the HUF, EUR and USD yield-curves on net interest income over a one-year period and on the market value of the hedge government bond portfolio booked against capital was analysed. The results can be summarized as follows (in HUF million):

Description	2020		2019	
	Effects to the net interest income (one-year period)	Effects to shareholder's equity (Price change of FVOCI government bonds)	Effects to the net interest income (one-year period)	Effects to shareholder's equity (Price change of FVOCI government bonds)
HUF (0.1%) parallel shift	(1,991)	389	(1,793)	558
EUR (0.1%) parallel shift	(676)	-	(673)	-
USD (0.1%) parallel shift	(165)	-	(104)	-
Total	**(2,832)**	**389**	**(2,570)**	**558**

NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

35.5. Market risk [continued]

35.5.4. Equity price sensitivity analysis

The following table shows the effect of the equity price sensitivity. The Group uses VaR calculation with 1 day holding period and 99% confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. The daily loss will not exceed the reported VaR number with 99% of probability.

The stress test assumes the largest price movement of the last year and calculates with it as the adverse direction. These scenario shows the loss of the portfolio when all prices change with the maximum amount of the last year.

Description	2020	2019
VaR (99%, one day, million HUF)	141	21
Stress test (million HUF)	(233)	(52)

35.6. Capital management

Capital management

The primary objective of the capital management of the Bank is to ensure the prudent operation, the entire compliance with the prescriptions of the regulator for a persistent business operation and maximising the shareholder value, accompanied by an optimal financing structure.

The capital management of the Bank includes the management and evaluation of the 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 Bank in the short run is the continuous monitoring of its capital position, in the long run the strategic and the business planning, which includes the monitoring and forecast of the capital position of the Bank.

The Bank maintains the capital adequacy required by the regulatory bodies and the planned risk taking mainly by means of ensuring and developing its profitability. In case the planned risk level of the Bank exceeded its Core and Supplementary capital, the Bank ensures the prudent operation by occasional measures. A further tool in the capital management of the Bank is the dividend policy, and the transactions performed with the treasury shares.

Capital adequacy

The Capital Requirements Directive package (CRDIV/CRR) transposes the global standards on banking regulation (commonly known as the Basel III agreement) into the EU legal framework. The rules are applied from 1 January 2014. They set stronger prudential requirements for institutions, requiring them to keep sufficient capital reserves and liquidity. This framework makes institutions in the EU more solid and strengthens their capacity to adequately manage the risks linked to their activities, and absorb any losses they may incur in doing business.

The Bank has entirely complied with the regulatory capital requirements in 2020 as well as in 2019.

The Bank's capital adequacy calculation is in line with IFRS and based on Basel III as at 31 December 2020 and 2019. The Bank uses the standard method for determining the regulatory capital requirements of the credit risk and market risk while in case of the operational risk the Advanced Measurement Approach (AMA).

NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

35.6. Capital management [continued]

Capital adequacy [continued]

The calculation of the Capital Adequacy ratio as at 31 December 2020 and 2019 is as follows:

	2020[1] Basel III	2019 Basel III
Core capital (Tier 1)	1,598,295	1,559,656
Primary core capital (CET1)	*1,598,295*	*1,559,656*
Supplementary core capital (AT1)	-	-
Supplementary capital (Tier 2)	295,795	276,699
Regulatory capital	**1,894,090**	**1,836,355**
Credit risk capital requirement	526,283	511,588
Market risk capital requirement	11,550	9,628
Operational risk capital requirement	27,597	31,569
Total eligible regulatory capital	**565,430**	**552,785**
Surplus capital	**1,328,660**	**1,283,570**
CET 1 ratio	22.61%	22.57%
Capital adequacy ratio	**26.80%**	**26.58%**

Basel III:

Common equity Tier 1 capital (CET1):

Issued capital, Capital reserve, useable part of Tied-up reserve, General reserve, Profit reserve, Profit for the year, Treasury shares, Intangible assets, deductions due to investments, adjustments due to temporary disposals

Tier 2 capital:

Subsidiary loan capital, Subordinated loan capital, deductions due to repurchased loan capital and Subordinated loan capital issued by the OTP Bank, adjustments due to temporary disposals.

[1] *Due to the COVID 19 pandemic, in order to strengthen the banking system, National Bank of Hungary recommended banks that dividends are neither approved, nor paid until 30 September 2021. But the potential amount of dividend is deducted from the regulatory capital due to prudential reasons (in accordance with regulation 241/2014 EU). The final amount of dividend payment depends on the decision of the Annual General Meeting.*

NOTE 36: TRANSFER AND RECLASSIFICATION OF FINANCIAL INSTRUMENTS (in HUF mn)

Reclassification from securities held-for-trading to securities measured at fair value through other comprehensive income

As at 31 December 2020

Date of reclassification	Reason	Type of securities	Nominal value	Fair value	EIR at the date	Interest income
1 September 2018	Change in business model	retail hungarian government bonds	1,069	1,087	2%-3%	28

During the year 2018, securities issued by the Hungarian Government with the nominal value of HUF 66.506 million were transferred from the trading portfolio to the securities measured at fair value through other comprehensive income, of which HUF 1,087 million remaining amount was presented as at 31 December 2020. The Bank has previously held retail government bonds in the portfolio measured at fair value through other comprehensive income. During 2018 the Bank changed the business model of the retail government bonds to manage all on the basis of a single business model aimed at collecting the future contractual cash flows and/or selling them.

In 2018, the terms and conditions of sale of retail government bonds and the pricing environment have changed significantly, as a result of which the Bank is no longer able to maintain its sole trading intent with these securities that the Bank applied earlier. Furthermore there is an option-agreement between the Bank and the Government Debt Management Agency ("GDMA") that GDMA will buy back this portfolio therefore it has been reclassified.

Financial assets transferred but not derecognised

	2020		2019	
	Transferred assets	Associated liabilities	Transferred assets	Associated liabilities
	Carrying amount			
Securities measured at fair value through other comprehensive income	-	-	110	111
Securities measured at amortised cost	125,244	109,612	438,846	462,510
Total	**125,244**	**109,612**	**438,956**	**462,621**

As at 31 December 2020 and 2019, the Bank had obligation from repurchase agreements about HUF 110 billion and HUF 463 billion respectively. Securities sold temporarily under repurchase agreements will continue to be recognized in the Statement of Financial Position of the Bank in the appropriate securities category. The related liability is measured at amortized cost in the Statement of Financial Position as 'Amounts due to banks and deposits from the National Bank of Hungary and other banks'. Under these repurchase agreements only Hungarian and foreign government bonds were transferred.

NOTE 37: OFF-BALANCE SHEET ITEMS (in HUF mn)

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

Contingent liabilities and commitments

	2020	2019
Loan commitments	1,441,060	1,494,508
Guarantees arising from banking activities	1,419,543	1,087,300
from this: Payment undertaking liabilities (related to issue of mortgage bonds) of OTP Mortgage Bank	683,736	558,100
Factoring loan commitments	305,269	228,145
Confirmed letters of credit	5,039	749
Contingent liabilities and commitments total in accordance with IFRS 9	**3,170,911**	**2,810,702**
Legal disputes (disputed value)	4,720	5,233
Liabilities due to venture capital fund contribution	32,712	17,142
Other	602	2,665
Contingent liabilities and commitments total in accordance with IAS 37	**38,034**	**25,040**
Total	**3,208,945**	**2,835,742**

Legal disputes

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

The Bank believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation.
Provision due to legal disputes was HUF 199 million and HUF 663 million as at 31 December 2020 and 2019, respectively. (See Note 24.)

Commitments to extend credit, guarantees and letter of credit

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

Guarantees, irrevocable letters of credit and undrawn loan commitments are subject to similar credit risk monitoring and credit policies as utilised in the extension of loans. The Management of the Bank believes the market risk associated with guarantees, irrevocable letters of credit and undrawn loan commitments are minimal.

NOTE 37: OFF-BALANCE SHEET ITEMS (in HUF mn) [continued]

Guarantees, payment undertakings arising from banking activities

Payment undertaking is a promise by the Bank to assume responsibility for the debt obligation of a borrower if that borrower defaults until a determined amount and until a determined date, in case of fulfilling conditions, without checking the underlying transactions. The guarantee's liability is joint and primary with the principal, in case of payment undertaking, while the Bank assumes the obligation derived from guarantee independently by the conditions established by the Bank. A guarantee is most typically required when the ability of the primary obligor or principal to perform its obligations under a contract is in question, or when there is some public or private interest which requires protection from the consequences of the principal's default or delinquency. A contract of guarantee is subject to the statute of frauds (or its equivalent local laws) and is only enforceable if recorded in writing and signed by the surety and the principal.

If the surety is required to pay or perform due to the principal's failure to do so, the law will usually give the surety a right of subrogation, allowing the surety to use the surety's contractual rights to recover the cost of making payment or performing on the principal's behalf, even in the absence of an express agreement to that effect between the surety and the principal.

Contingent liabilities related to OTP Mortgage Bank Ltd.

Under a syndication agreement with its wholly owned subsidiary, OTP Mortgage Bank Ltd., the Bank had guaranteed, in return for an annual fee, to purchase all mortgage loans held by OTP Mortgage Bank Ltd. that become non-performing. The repurchase guarantee contract of non-performing loans between OTP Mortgage Bank Ltd. and OTP Bank Plc. was modified in 2010. According to the new arrangement the repurchase guarantee was cancelled and OTP Bank Plc. gives bail to the loans originated or purchased by the Bank.

NOTE 38: SHARE-BASED PAYMENT AND EMPLOYEE BENEFIT (in HUF mn)

Previously approved option program required a modification thanks to the introduction of the Bank Group Policy on Payments accepted in resolution of Annual General Meeting regarding to the amendment of CRD III. Directives and Act on Credit Institutions and Financial Enterprises.

Key management personnel affected by the Bank Group Policy receive compensation based on performance assessment generally in the form of cash bonus and equity shares in a ratio of 50-50%. Assignment is based on OTP shares, furthermore performance based payments are deferred in accordance with the rules of Credit Institutions Act.

OTP Bank ensures the share-based payment part for the management personnel of OTP Group members.

During implementation of the Remuneration Policy of the Group it became apparent that in case of certain foreign subsidiaries it is not possible to ensure the originally determined share-based payment because of legal reasons – incompatible with relevant EU-directives –, therefore a decision was made to cancel the share-based payment in affected countries, and virtual share based payment – cash payment fixed to share price - was made from 2017.

The quantity of usable shares for individuals calculated for settlement of share-based payment shall be determined as the ratio of the amount of share-based payment and share price determined by Supervisory Board[1].

The value of the share-based payment at the performance assessment is determined within 10 days by Supervisory Board based on the average of the three previous trade day's middle rate of OTP Bank's equity shares fixed on the Budapest Stock Exchange.

At the same time the conditions of discounted share-based payment are determined, and share-based payment shall contain maximum HUF 2,000 discount at the assessment date, and earnings for the shares at the payment date is maximum HUF 4,000.

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. IAS 19 Employee Benefits shall be applied in accounting for all employee benefits, except those to which IFRS 2 Share-based Payment applies.

[1] Until the end of 2014 Board of Directors

NOTE 38: SHARE-BASED PAYMENT AND EMPLOYEE BENEFIT (in HUF mn) [continued]

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Post-employment benefits are employee benefits (other than termination and short-term employee benefits) that are payable after the completion of employment. Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees. Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans, depending on the economic substance of the plan as derived from its principal terms and conditions.

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either: an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. Other long-term employee benefits are all employee benefits other than short-term employee benefits, postemployment benefits and termination benefits.

The parameters for the share-based payment relating to the years from 2015 by Supervisory Board for periods of each year as follows:

Year	Share purchasing at a discounted price		Price of remuneration exchanged to share	Share purchasing at a discounted price		Price of remuneration exchanged to share	Share purchasing at a discounted price		Price of remuneration exchanged to share
	Exercise price	Maximum earnings per share		Exercise price	Maximum earnings per share		Exercise price	Maximum earnings per share	
	HUF per share								
	for the year 2015			for the year 2016			for the year 2017		
2016	4,892	2,500	6,892	-	-	-	-	-	-
2017	4,892	3,000	6,892	7,200	2,500	9,200	-	-	-
2018	4,892	3,000	6,892	7,200	3,000	9,200	8,064	3,000	10,064
2019	4,892	3,000	6,892	7,200	3,500	9,200	8,064	3,500	10,064
2020	-	-	-	7,200	4,000	9,200	8,064	4,000	10,064
2021	-	-	-	-	-	-	8,064	4,000	10,064
2022	-	-	-	-	-	-	8,064	4,000	10,064

Year	Share purchasing at a discounted price		Price of remuneration exchanged to share	Share purchasing at a discounted price		Price of remuneration exchanged to share
	Exercise price	Maximum earnings per share		Exercise price	Maximum earnings per share	
	HUF per share					
	for the year 2018			for the year 2019		
2019	10,413	4,000	12,413	-	-	-
2020	10,413	4,000	12,413	9,553	4,000	11,553
2021	10,413	4,000	12,413	9,553	4,000	11,553
2022	10,913	4,000	12,413	9,553	4,000	11,553
2023	10,913	4,000	12,413	9,553	4,000	11,553
2024	10,913	4,000	12,413	9,553	4,000	11,553
2025	10,913	4,000	12,413	9,553	4,000	11,553
2026	-	-	-	9,553	4,000	11,553

NOTE 38: SHARE-BASED PAYMENT AND EMPLOYEE BENEFIT (in HUF mn) [continued]

Based on parameters accepted by Supervisory Board, relating to the year **2016** effective pieces are follows as at 31 December 2020:

	Approved pieces of shares	Exercised until 31 December 2020	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable at 31 December 2020
Share-purchasing period started in 2017	147,984	147,984	9,544	-	-
Remuneration exchanged to share provided in 2017	4,288	4,288	9,194	-	-
Share-purchasing period started in 2018	321,528	321,528	10,387	-	-
Remuneration exchanged to share provided in 2018	8,241	8,241	10,098	-	-
Share-purchasing period started in 2019	161,446	161,446	12,415	-	-
Remuneration exchanged to share provided in 2019	4,033	4,033	11,813	-	-
Share-purchasing period starting in 2020	166,231	164,039	13,585	-	2,192
Remuneration exchanged to share applying in 2020	4,303	4,303	11,897	-	-

Based on parameters accepted by Supervisory Board, relating to the year **2017** effective pieces are follows as at 31 December 2020:

	Approved pieces of shares	Exercised until 31 December 2020	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable at 31 December 2020
Share-purchasing period started in 2018	108,243	108,243	11,005	-	-
Remuneration exchanged to share provided in 2018	11,926	11,926	10,098	-	-
Share-purchasing period started in 2019	212,282	212,282	12,096	-	-
Remuneration exchanged to share provided in 2019	26,538	26,538	11,813	-	-
Share-purchasing period starting in 2020	101,571	94,830	11,878	-	6,741
Remuneration exchanged to share applying in 2020	11,584	11,584	11,897	-	-
Share-purchasing period starting in 2021	-	-	-	-	120,981
Remuneration exchanged to share applying in 2021	-	-	-	-	12,838
Share-purchasing period starting in 2022	-	-	-	-	42,820
Remuneration exchanged to share applying in 2022	-	-	-	-	3,003

NOTE 38: SHARE-BASED PAYMENT AND EMPLOYEE BENEFIT (in HUF mn) [continued]

Based on parameters accepted by Supervisory Board, relating to the year **2018** effective pieces are follows as at 31 December 2020:

	Approved pieces of shares	Exercised until 31 December 2020	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable at 31 December 2020
Share-purchasing period started in 2019	82,854	82,854	13,843	-	-
Remuneration exchanged to share provided in 2019	17,017	17,017	11,829	-	-
Share-purchasing period starting in 2020	150,230	3,448	12,471	-	146,782
Remuneration exchanged to share applying in 2020	33,024	33,024	11,897	-	-
Share-purchasing period starting in 2021	-	-	-	-	74,529
Remuneration exchanged to share applying in 2021	-	-	-	-	16,167
Share-purchasing period starting in 2022	-	-	-	-	99,341
Remuneration exchanged to share applying in 2022	-	-	-	-	17,042
Share-purchasing period starting in 2023	-	-	-	-	45,155
Remuneration exchanged to share applying in 2023	-	-	-	-	4,114
Remuneration exchanged to share applying in 2024	-	-	-	-	864
Remuneration exchanged to share applying in 2025	-	-	-	-	432

Based on parameters accepted by Supervisory Board, relating to the year **2019** effective pieces are follows as at 31 December 2020:

	Approved pieces of shares	Exercised until 31 December 2020	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable at 31 December 2020
Share-purchasing period started in 2019	91,403	91,403	12,218	-	-
Remuneration exchanged to share provided in 2019	22,806	22,806	11,897	-	-
Share-purchasing period starting in 2020	-	-	-	-	202,386
Remuneration exchanged to share applying in 2020	-	-	-	-	32,238
Share-purchasing period starting in 2021	-	-	-	-	109,567
Remuneration exchanged to share applying in 2021	-	-	-	-	15,554
Share-purchasing period starting in 2022	-	-	-	-	125,771
Remuneration exchanged to share applying in 2022	-	-	-	-	18,025
Share-purchasing period starting in 2023	-	-	-	-	44,421
Remuneration exchanged to share applying in 2023	-	-	-	-	6,279
Remuneration exchanged to share applying in 2024	-	-	-	-	1,000
Remuneration exchanged to share applying in 2025	-	-	-	-	500

Effective pieces relating to the periods starting in 2021-2026 settled during valuation of performance of year 2017-2019, can be modified based on risk assessment and personal changes,

In connection with the share-based compensation for Board of Directors and connecting compensation, shares given as a part of payments detailed above and for the year 2020 based on performance assessment accounted as equity-settled share based transactions HUF 3,394 million was recognized as expense for the year ended 31 December 2020.

NOTE 39: RELATED PARTY TRANSACTIONS (in HUF mn)

The Bank provides loans to related parties, and collects deposits.

Transactions with related parties (subsidiaries), other than increases in share capital or dividend received, are summarized below:

39.1. Loans provided to related parties

	2020		2019	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
OTP Financing Malta Company Ltd. (Malta)	726,619	(3,903)	716,721	(4,053)
OTP Mortgage Bank Ltd.	585,732	(1,356)	676,761	(956)
Merkantil Bank Ltd.	341,436	(2,161)	361,671	(1,348)
OTP banka dioničko drustvo (Croatia)	114,385	-	-	-
OTP Employee Stock Ownership Program (OTP ESOP)	53,580	-	-	-
Crnogorska komercijalna banka a.d. (Montenegro)	50,635	(351)	3,304	-
OTP Real Estate Leasing Ltd.	48,555	(505)	32,936	(566)
OTP banka Srbija a.d. (Serbia)	37,670	(128)	123,244	(523)
Vojvodanska Banka ad Novi Sad	37,556	(171)	86,756	(347)
OTP Bank Romania S.A. (Romania)	1,544	(1,461)	9,911	-
Air-Invest Llc.	1,150	(1,150)	-	-
JN Parkolóház Llc.	4,324	(628)	4,284	(30)
Other	82,699	(490)	202,888	(432)
Total	**2,085,885**	**(12,304)**	**2,218,476**	**(8,255)**

39.2. Deposits from related parties

	2020	2019
OTP Funds Servicing and Consulting Ltd.	126,867	84,035
JSC "OTP Bank" (Russia)	79,685	108,691
Merkantil Bank Ltd.	29,866	7,289
OTP Building Society Ltd.	25,982	41,383
Bank Center Llc.	21,938	22,214
Inga Kettő Ltd.	18,404	10,615
OTP Factoring Ltd.	16,112	16,064
OTP Holding Ltd. / OTP Financing Ciprus Co. Ltd. (Ciprus)	7,937	17,095
Air-Invest Llc.	6,904	4,033
OTP Employee Stock Ownership Program (OTP ESOP)	6,284	7,089
Balansz Private Open-end Investment Fund	5,662	6,745
OTP Mortgage Bank Ltd.	4,692	31,789
OTP Real Estate Investment Fund Management Ltd.	4,411	4,370
Crnogorska komercijalna banka a.d. (Montenegro)	1,988	8,864
OTP banka Hrvatska d.d. (Croatia)	1,736	21,964
DSK Bank EAD (Bulgaria)	1,125	363,072
OTP Bank JSC (Ukraine)	402	11,493
OTP Bank Romania S.A. (Romania)	331	43,608
Expressbank AD (Bulgaria)	-	134,235
Other	40,324	42,337
Total	**400,650**	**986,985**

NOTE 39: RELATED PARTY TRANSACTIONS (in HUF mn) [continued]

39.3. Interests received by the Bank[1]

	2020	2019
OTP Financing Malta Company Ltd. (Malta)	10,445	15,538
Merkantil Bank Ltd.	5,312	4,621
OTP Mortgage Bank Ltd.	3,931	1,416
Other	1,308	1,057
Total	**20,996**	**22,632**

39.4. Interests paid by the Bank[1]

	2020	2019
JSC "OTP Bank" (Russia)	4,790	7,688
Merkantil Bank Ltd.	287	12
OTP Funds Servicing and Consulting Ltd.	226	225
OTP Financial Point Ltd.	176	2
DSK Bank EAD (Bulgaria)	110	3,532
OTP banka Hrvatska d.d. (Croatia)	32	94
Expressbank AD (Bulgaria)	-	1,448
Other	603	472
Total	**6,224**	**13,473**

39.5. Commissions received by the Bank

	2020	2019
From OTP Building Society Ltd. (agency fee in relation to finalised customer contracts)	6,820	4,550
From OTP Real Estate Investment Fund Management Ltd. in relation to trading activity	3,941	4,886
From OTP Fund Management Ltd. in relation to trading activity	3,667	4,596
OTP Mobile Service Llc.	2,873	1,656
OTP Funds Servicing and Consulting Ltd.	554	512
From OTP Banka Srbija AD Beograd Ljubljana in relation to loans, deposits and money transfer	325	100
From SKB Banka d.d. Ljubljana in relation to loans, deposits and money transfer	286	-
Other	1,407	1,077
Total	**19,873**	**17,377**

39.6. Commissions paid by the Bank

	2020	2019
OTP Faktoring Ltd. related to commission fee	151	224
OTP Pénzügyi Pont Ltd.	593	173
Total	**744**	**397**

39.7. Transactions related to OTP Mortgage Bank Ltd.:

	2020	2019
Fees and commissions received from OTP Mortgage Bank Ltd. relating to the loans	8,725	11,836

[1] Derivatives and interest on securities are not included.

NOTE 39: RELATED PARTY TRANSACTIONS (in HUF mn) [continued]

39.8. Transactions related to OTP Factoring Ltd.:

	2020	2019
The gross book value of the loans sold	6,339	16,410
Loss allowance for loan losses on the loans sold	4,443	10,950
Loans sold to OTP Factoring Ltd. without recourse (including interest)	1,115	3,304
Loss on these transaction (recorded in the separate financial statements as loan and placement loss)	781	2,156

The underlying mortgage rights were also transferred to OTP Factoring Ltd.

39.9. Transactions related to OTP Banka Slovensko a.s. (Slovakia)

	2020	2019
Securities issued by OTP Banka Slovensko a.s. (Slovakia) held by OTP Bank (nominal value in HUF million)	-	14,873

39.10. Related party transactions with key management

The compensation of key management, such as the members of the Board of Directors, the members of the Supervisory Board and the employees involved in the decision-making process in accordance with the compensation categories defined in IAS 24 Related Party Disclosures, is summarised below:

	2020	2019
Short-term employee benefits	2,923	2,143
Share-based payment	2,619	2,732
Long-term employee benefits (on the basis of IAS 19)	278	304
Total	**5,820**	**5,179**

	2020	2019
Loans provided to companies owned by the Management (in the normal course of business)	87,791	54,325
Commitments to extend credit and bank guarantees	36,738	27,624

NOTE 39: RELATED PARTY TRANSACTIONS (in HUF mn) [continued]

39.10. Related party transactions with key management [continued]

Outstanding balances and of banking products provided to key management as at 31 December 2020

Type of product	Total	Members of Board of Directors and their close family members	Members of Supervisory board and their close family members	Executive and their close family members	Interest conditions	Handling charges	Annual fee	Collateral
Mastercard Bonus Gold/MasterCard Arany	87	12	2	73	26.37%-31.77%	-	12,038-20,596 HUF	Income received to bank account
Mastercard Bonus/Mastercard Klasszik	3	2	1	-	26.85%-30.45%	-	6,656 HUF	Income received to bank account
Visa Infinite	142	27	5	110	29.73%-29.85%	-	12,038-20,916 HUF	Income received to bank account
Credit cards total	232	41	8	183				
Overdraft loans	254	91	4	159	5,59%-30%	1%	-	Income received to bank account
Lombard loans	55,486	54,044	-	1.442	2.26%-3.26%	-	-	Government bond, Shares in investment funds
Personal loans	22	8	-	14	5.67%-11.99%	-	-	Income received to bank account
Baby expecting loans	75	9	-	66	0.00%	-	-	Income received to bank account and state guarantee
Mortgage loan	34	-	-	34	3.19%-3.56%	1%	-	Property

Outstanding balances and of banking products provided to key management as at 31 December 2019

Type of product	Total	Members of Board of Directors and their close family members	Members of Supervisory board and their close family members	Executive and their close family members	Interest conditions	Handling charges	Annual fee	Collateral
MasterCard Arany	12	11	-	1	floating, monthly 2.23%	-	15,834 HUF	Income received to bank account
Mastercard Bonus Gold	38	5	-	33	floating, monthly 2.46%	-	16,966 HUF	Income received to bank account
Visa Infinite	94	20	5	69	floating, monthly 2.49%	-	20,288 HUF	Income received to bank account
Credit cards total	144	36	5	103				
Overdraft loans	87	84	3	-	central bank base rate+5%	1%	-	Income received to bank account
Lombard loans	55,080	53,661	-	1,419	0.66% - 2.39%	-	-	Government bond, Long Term Investment Account, Shares in investment funds
Personal loans	7	-	-	7	11.99% - 17.99%	-	-	Income received to bank account

NOTE 39: RELATED PARTY TRANSACTIONS (in HUF mn) [continued]

An analysis of payment to Executives related to their activity in Board of Directors and Supervisory Board is as follows (in HUF mn):

	2020	2019
Members of Board of Directors	1,012	1,310
Members of Supervisory Board	116	113
Total	**1,128**	**1,423**

In the normal course of business, OTP Bank enters into other transactions with its subsidiaries, the amounts and volumes of which are not significant to these financial statements taken as a whole.

NOTE 40: TRUST ACTIVITIES (in HUF mn)

The Bank acts as a trustee for certain loans granted by companies or employers to their employees, mainly for housing purposes. The ultimate risk for these loans rests with the party advancing the funds. As these loans and related funds are not considered to be assets or liabilities of the Bank, they have been excluded from the accompanying separate statement of financial position.

	2020	2019
Loans managed by the Bank as a trustee	28,055	29,296

NOTE 41: CONCENTRATION OF ASSETS AND LIABILITIES

	2020	2019
In the percentage of the total assets		
Receivables from, or securities issued by the Hungarian Government or the NBH	22.69%	23.18%
Securities issued by the OTP Mortgage Bank Ltd.	2.24%	1.76%
Loans at amortised cost	6.48%	7.03%

There were no other significant concentrations of the assets or liabilities of the Bank as at 31 December 2020 or 31 December 2019.

OTP Bank continuously provides the Authority with reports on the extent of dependency on large depositors as well as the exposure of the largest 50 depositors towards OTP Bank. Further to this obligatory reporting to the Authority. OTP Bank pays particular attention on the exposure of its largest partners and cares for maintaining a closer relationship with these partners in order to secure the stability of the level of deposits.

The organisational unit of OTP Bank in charge of partner-risk management analyses the largest partners on a constant basis and sets limits on OTP Bank's and the Group's exposure separately partner-by-partner. If necessary, it modifies partner-limits in due course thereby reducing the room for manoeuvring of the Treasury and other business areas.

The Bank's internal regulation (Limit-management regulation) controls risk management which related to exposures of clients. Bank makes a difference between clients or clients who are economically connected with each other, partners, partners operating in the same geographical region or in the same economic sector, exposures from customers. Limit-management regulation includes a specific range provisions system used by Bank to control risk exposures. This regulation has to be used by the Bank for its business (lending) risk-taking activity in both the retail and corporate sector.

To specify credit risk limits, the Bank strives their clients get an acceptable margin of risk based on their financial situation. In the Bank limit system a lower level decision-making delegation has to be provided.

If an OTP group member takes risk against a client or group of clients (either inside the local economy or outside), the client will be qualified as a group level risk and these limits will be specified at group level.

The validity period of this policy is 12 months. The limit shall be reviewed prior to the expiry date but at least once a year based on the relevant information required to limit calculations.

The maximum credit exposure to any client or counterparty among Loans at amortised cost was HUF 722 billion and HUF 713 billion as at 31 December 2020 and 2019 respectively, before taking into account collateral or other credit enhancements.

NOTE 42: EARNINGS PER SHARE

Earnings per share attributable to the Bank's ordinary shares are determined by dividing Net profit for the year attributable to ordinary shareholders, after the deduction of declared preference dividends, by the weighted average number of ordinary shares outstanding during the year. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares.

	2020	2019
Net profit for the year attributable to ordinary shareholders (in HUF mn)	92,474	193,354
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	277,301,936	279,697,301
Basic Earnings per share (in HUF)	**333**	**691**
Separate net profit for the year attributable to ordinary shareholders (in HUF mn)	92,474	193,354
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	277,310,069	279,721,775
Diluted Earnings per share (in HUF)	333	691

	2020	2019
Weighted average number of ordinary shares	280,000,010	280,000,010
Average number of Treasury shares	(2,698,074)	(302,709)
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS	**277,301,936**	**279,697,301**
Dilutive effect of options issued in accordance with the Remuneration Policy / Management Option Program and convertible into ordinary shares[1]	8,133	24,474
The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS	**277,310,069**	**279,721,775**

The ICES bonds could potentially dilute basic EPS in the future, but were not included in the calculation of diluted EPS because they are antidilutive for the period presented.

[1] In 2020 and 2019 dilutive effect is in connection with the Remuneration Policy.

NOTE 43: NET GAIN OR LOSS REALISED ON FINANCIAL INSTRUMENTS (in HUF mn)

For the year ended 31 December 2020	Net interest income and expense	Net non-interest gain and loss	Loss allowance	Other comprehensive income
Financial assets measured at amortised cost				
Cash, amounts due from banks and balances with the National Bank of Hungary	4,369	-	-	-
Placements with other banks, net of allowance for placement losses	10,650	-	2,227	-
Repo receivables	49	-	286	-
Loans	143,650	23,298	55,444	-
Securities at amortised cost	48,654	360	1,845	-
Financial assets measured at amortised cost total	**207,372**	**23,658**	**59,802**	**-**
Financial assets measured at fair value	-	-	-	-
Securities held for trading	368	2,251	-	-
Securities at fair value through other comprehensive income	29,095	6,073[1]	3	(17,734)
Loans mandatorily measured at fair value through profit or loss	15,094	2,125	-	-
Financial assets measured at fair value total	**44,557**	**10,449**	**3**	**(17,734)**
Financial liabilities measured at amortised cost				
Amounts due to banks and deposits from the National Bank of Hungary and other banks	(9,862)	-	-	-
Repo liabilities	(1,476)	-	-	-
Deposits from customers	(3,985)	216,512	-	-
Leasing liabilities	(244)	-	-	-
Liabilities from issued securities	(598)	-	-	-
Subordinated bonds and loans	(8,327)	-	-	-
Financial liabilities measured at amortised cost total	**(24,492)**	**216,512**	**-**	**-**
Financial liabilities designated to measure at fair value through profit or loss	**(307)**	**1,270**	-	-
Derivative financial instruments[2]	(5,053)	5,818	-	-
Total	**222,077**	**257,707**	**59,805**	**(17,734)**

[1] For the year ended 31 December 2020 HUF 6,073 million net non-interest gain on securities at fair value through other comprehensive income was transferred from other comprehensive income to profit or loss.

[2] Gains/losses from derivative financial instruments recognised in net interest income as Income similar to interest income.

NOTE 43: NET GAIN OR LOSS REALISED ON FINANCIAL INSTRUMENTS (in HUF mn) [continued]

For the year ended 31 December 2019	Net interest income and expense	Net non-interest gain and loss	Loss allowance	Other comprehensive income
Financial assets measured at amortised cost				
Cash, amounts due from banks and balances with the National Bank of Hungary	1,188	-	-	-
Placements with other banks, net of allowance for placement losses	5,789	-	1,545	-
Repo receivables	95	-	(6)	-
Loans	137,161	19,674	7,680	-
Securities at amortised cost	47,119	714	(225)	-
Financial assets measured at amortised cost total	**191,352**	**20,388**	**8,994**	**-**
Financial assets measured at fair value				
Securities held for trading	231	739	-	-
Securities at fair value through other comprehensive income	40,329	8,408[1]	(176)	20,599
Loans mandatorily measured at fair value through profit or loss	5,106	(418)	-	-
Financial assets measured at fair value total	**45,666**	**8,729**	**(176)**	**20,599**
Financial liabilities measured at amortised cost	-	-	-	-
Amounts due to banks and deposits from the National Bank of Hungary and other banks	(11,300)	-	-	-
Repo liabilities	(3,995)	-	-	-
Deposits from customers	(3,726)	210,822	-	-
Leasing liabilities	(244)	-	-	-
Liabilities from issued securities	(2,214)	-	-	-
Subordinated bonds and loans	(5,323)	-	-	-
Financial liabilities measured at amortised cost total	**(26,802)**	**210,822**	**-**	**-**
Financial liabilities designated to measure at fair value through profit or loss	**(367)**	**(21)**	-	-
Derivative financial instruments[2]	**(5,064)**	**3,675**	-	-
Total	**204,785**	**243,593**	**8,818**	**20,599**

[1] For the year ended 31 December 2019 HUF 8,408 million net non-interest gain on securities at fair value through other comprehensive income was transferred from other comprehensive income to profit or loss.

[2] Gains/losses from derivative financial instruments recognised in net interest income as Income similar to interest income.

NOTE 44: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn)

In determining the fair value of a financial asset or liability the Bank in the case of instruments that are quoted on an active market uses the market price. In most cases market price is not publicly available so the Bank has to make assumptions or use valuation techniques to determine the fair value of a financial instrument. See Note 43. d) for more information about fair value classes applied for financial assets and liabilities measured at fair value in these financial statements.

To provide a reliable estimate of the fair value of those financial instrument that are originally measured at amortised cost, the Bank used the discounted cash flow analysis (loans, placements with other banks, amounts due to banks, deposits from customers). The fair value of issued securities and subordinated bonds is based on quoted prices (e,g, Reuters), Cash and amounts due from banks and balances with the National Bank of Hungary represent amounts available immediately thus the fair value equals to the cost.

The assumptions used when calculating the fair value of financial assets and liabilities when using valuation technique are the following:

- the discount rates are the risk free rates related to the denomination currency adjusted by the appropriate risk premium as of the end of the reporting period,
- the contractual cash flows are considered for the performing loans and for the non-performing loans, the amortised cost less impairment is considered as fair value,
- the future cash flows for floating interest rate instruments are estimated from the yield curves as of the end of the reporting period,
- the fair value of the deposit which can be due in demand cannot be lower than the amount payable on demand.

For classes of assets and liabilities not measured at fair value in the statement of financial position, the income approach was used to convert future cash flows to a single current amount. Fair value of current assets is equal to carrying amount, fair value of liabilities from issued securities and other bond-type classes of assets and liabilities not measured at fair value measured based on Reuters market rates and, fair value of other classes not measured at fair value of the statement of financial position are measured using the discounted cash flow method. Fair value of loans, net of allowance for loan losses measured using discount rate adjustment technique, the discount rate is derived from observed rates of return for comparable assets or liabilities that are traded in the market.

Fair value measurements – in relation to instruments measured not at fair value – are categorized in level 2 of the fair value hierarchy.

NOTE 44: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

a) *Fair value of financial assets and liabilities*

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash, amounts due from banks and balances with the National Bank of Hungary	579,120	579,120	289,686	289,686
Placements with other banks, net of allowance for placement losses	1,535,884	1,550,747	1,560,142	1,532,900
Repo receivables	183,364	183,664	45,539	45,546
Financial assets at fair value through profit or loss	160,483	160,483	172,229	172,229
Held for trading securities	*11,729*	*11,729*	*46,255*	*46,255*
Held for trading derivative financial instruments	*116,818*	*116,818*	*103,694*	*103,694*
Securities mandatorily measured at fair value through profit or loss	*31,936*	*31,936*	*22,280*	*22,280*
Securities at fair value through other comprehensive income	911,950	911,950	1,485,977	1,485,977
Loans at amortised cost	3,417,760	3,710,048	3,076,531	3,400,670
Loans mandatorily measured at fair value through profit or loss	480,937	480,937	238,538	238,538
Securities held-to-maturity	2,007,692	2,085,881	1,447,224	1,570,899
Derivative financial assets designated as hedging accounting	6,817	6,817	16,677	16,677
Other financial assets	127,179	127,179	89,482	89,482
FINANCIAL ASSETS TOTAL	**9,411,186**	**9,796,826**	**8,422,025**	**8,842,604**
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	766,977	754,573	738,054	737,235
Deposits from customers	7,895,735	7,895,211	6,573,550	6,574,041
Repo receivables	109,612	111,548	462,621	464,901
Leasing liabilities	14,106	14,105	13,660	13,660
Liabilities from issued securities	28,435	31,588	43,284	49,282
Derivative financial liabilities designated as hedging accounting	3,104	3,104	10,023	10,023
Financial liabilities at fair value through profit or loss	25,902	25,902	28,861	28,861
Financial liabilities from OTP-MOL transaction	99,987	99,987	83,088	83,088
Subordinated bonds and loans	304,243	295,218	279,394	276,838
Other financial liabilities	167,540	167,540	191,091	191,091
FINANCIAL LIABILITIES TOTAL	**9,415,641**	**9,398,776**	**8,423,626**	**8,429,020**

b) *Derivative financial instruments*

OTP Bank regularly enters into hedging transactions in order to decrease its financial risks. However some economically hedging transaction do not meet the criteria to account for hedge accounting, therefore these transactions were accounted as derivatives held for trading. Net investment hedge in foreign operations is not applicable in separate financial statements.

The assessment of the hedge effectiveness (both for fair value hedges and cash flow hedges) to determine the economic relationship between the hedged item and the hedging instrument is accomplished with prospective scenario analysis via different rate shift scenarios of the relevant risk factor(s) of the hedged risk component(s). The fair value change of the hedged item and the hedging instrument is compared in the different scenarios. Economic relationship is justified if the change of the fair value of the hedged item and the hedging instrument are in the opposite direction and the absolute changes are similar amounts. The hedge ratio is determined as the ratio of the notional of the hedged item and the notional of the hedging instrument. The sources of hedge ineffectiveness are the not hedged risk components (e,g, change of cross currency basis spreads in case of interest rate risk hedges), slight differences in maturity dates and interest payment dates in case of fair value hedges, and differences between the carrying amount of the hedged item and the carrying amount of the hedging instrument in case of FX hedges (e,g, caused by interest rate risk components in the fair value of the hedging instrument).

NOTE 44: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

b) Derivative financial instruments [continued]

Fair value of derivative financial instruments

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

	2020					2019	
	Before netting		Netting[1]	After netting			
	Assets	Liabilities		Assets	Liabilities	Assets	Liabilities
Held for trading derivative financial instruments							
Interest rate derivatives							
Interest rate swaps	30,216	(28,474)	8,984	21,232	(19,490)	29,008	(26,622)
Cross currency interest rate swaps	7,315	(7,285)	-	7,315	(7,285)	1,141	(1,037)
OTC options	356	(356)	-	356	(356)	298	(298)
Forward rate agreement	-	-	-	-	-	13	(32)
Total interest rate derivatives (OTC derivatives)	**37,887**	**(36,115)**	**8,984**	**28,903**	**(27,131)**	**30,460**	**(27,989)**
From this: Interest rate derivatives cleared by NBH	*5*	*(72)*	-	*5*	*(72)*	-	*(61)*
Foreign exchange derivatives							
Foreign exchange swaps	39,644	(30,374)	-	39,644	(30,374)	31,666	(24,607)
Foreign exchange forward	6,990	(9,869)	-	6,990	(9,869)	2,538	(4,839)
OTC options	3,909	(3,836)	-	3,909	(3,836)	3,126	(3,129)
Foreign exchange spot conversion	619	(704)	-	619	(704)	18	(50)
Total foreign exchange derivatives (OTC derivatives)	**51,162**	**(44,783)**	-	**51,162**	**(44,783)**	**37,348**	**(32,625)**
From this: Foreign exchange derivatives cleared by NBH	*5,211*	*(1,852)*	-	*5,211*	*(1,852)*	*4,166*	*(259)*

[1] Certain derivative financial assets and liabilities are offset and the net amount is presented in accordance with IAS 32 in the Statement of Financial Position. The Bank has the ability and the intention to settle those instruments on a net basis, which are settled through the same clearing house.

NOTE 44: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

b) Derivative financial instruments [continued]

Fair value of derivative financial instruments [continued]

	2020					2019	
	Before netting		Netting[1]	After netting			
	Assets	Liabilities		Assets	Liabilities	Assets	Liabilities
Equity stock and index derivatives							
Commodity Swaps	13,999	(12,901)	-	13,999	(12,901)	1,213	(960)
Equity swaps	7,071	(560)	-	7,071	(560)	4,530	(558)
OTC derivatives	**21,070**	**(13,461)**	-	**21,070**	**(13,461)**	**5,743**	**(1,518)**
Exchange traded futures and options	379	(1,262)	-	379	(1,262)	5	(248)
Total equity stock and index derivatives	**21,449**	**(14,723)**	-	**21,449**	**(14,723)**	**5,748**	**(1,766)**
Derivatives held for risk management not designated in hedges							
Interest rate swaps	25,760	(22,058)	12,736	13,024	(9,322)	23,508	(16,219)
Foreign exchange swaps	2,208	(3,953)	-	2,208	(3,953)	6,547	(4,477)
Forward	28	(75)	-	28	(75)	8	(12)
Cross currency interest rate swaps	44	-	-	44	-	75	-
Total derivatives held for risk management not designated in hedges	**28,040**	**(26,086)**	**12,736**	**15,304**	**(13,350)**	**30,138**	**(20,708)**
From this: Total derivatives cleared by NBH held for risk management	*759*	*(6,269)*	-	*759*	*(6,269)*	*1,305*	*(6,689)*
Total Held for trading derivative financial instruments	**138,538**	**(121,707)**	**21,720**	**116,818**	**(99,987)**	**103,694**	**(83,088)**
Derivative financial instruments designated as hedge accounting relationships							
Derivatives designated in cash flow hedges							
Interest rate swaps	8,027	-	8,027	-	8,027	9,214	-
Total derivatives designated in cash flow hedges	**8,027**	-	**8,027**	-	**8,027**	**9,214**	-
Derivatives designated in fair value hedges							
Interest rate swaps	2,432	(7,061)	1,795	637	(5,266)	3,758	(8,265)
Cross currency interest rate swaps	6,180	(5,865)	-	6,180	(5,865)	3,705	(1,758)
Total derivatives designated in fair value hedges	**8,612**	**(12,926)**	**1,795**	**6,817**	**(11,131)**	**7,463**	**(10,023)**
From this: Total derivatives cleared by NBH held for hedging	-	*(1,691)*	-	-	*(1,691)*	-	*(2,886)*
Total derivatives held for risk management (OTC derivatives)	**16,639**	**(12,926)**	**9,822**	**6,817**	**(3,104)**	**16,677**	**(10,023)**
Total	**155,177**	**(134,633)**	**31,542**	**123,635**	**(103,091)**	**120,371**	**(93,111)**

[1] Certain derivative financial assets and liabilities are offset and the net amount is presented in accordance with IAS 32 in the Statement of Financial Position. The Bank has the ability and the intention to settle those instruments on a net basis, which are settled through the same clearing house.

NOTE 44: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Hedge accounting

Interest rate risk management is centralized at OTP Group. Interest rate risk exposures in major currencies are managed at HQ on consolidated level. Although risk exposures in local currencies are managed at subsidiary level, the respective decisions are subject to HQ approval. Interest rate risk is measured by simulating NII and EVE under different stress and plan scenarios, the established risk limits are described in „OTP Bank's Group-Level Regulations on the Management of Liquidity Risk and Interest Rate Risk of Banking Book". The interest rate risk management activity aims to stabilize NII within the approved risk limits.

The risk management objective of these hedge relationships is to mitigate the risk of clean fair value (i.e. excluding accrued interest) change of MIRS loans due to the change of interest rate reference indexes (BUBOR, EURIBOR, LIBOR, etc.) of the respective currency.

NOTE 44: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Hedge accounting [continued]

Amount, timing and uncertainty of future cash flows - hedging instruments as at 31 December 2020

Type of hedge	Type of risk	Type of instrument	Within one month	Within three months and over one month	Within one year and over three months	Within five years and over one year	More than five years	Total
Fair Value Hedge	Interest rate risk	Interest rate swap						
		HUF						
		Notional	-	-	60,000	(89,622)	173,810	144,188
		Average Interest Rate (%)	-	-	1.31%	1.06%	1.35%	
		EUR						
		Notional	15	-	5	102	10	132
		Average Interest Rate (%)	(0.11%)	-	0.09%	0.24%	0.22%	
		USD						
		Notional	-	-	21	171	29	221
		Average Interest Rate (%)	-	-	2.00%	2.38%	2.35%	
		RUB						
		Notional	-	-	-	2,100	-	2,100
		Average Interest Rate (%)	-	-	-	7.38%	-	
Fair Value Hedge	FX & IR risk	Cross currency interest rate swap						
		EUR/HUF						
		Notional	-	-	2	12	14	28
		Average Interest Rate (%)	(1.55%)	(1.59%)	(1.60%)	(1.63%)	(1.67%)	
		Average FX Rate	311.08	310.95	310.82	310.14	308.15	
Fair Value Hedge	FX risk	Cross currency interest rate swap						
		EUR/HUF						
		Notional	1	92	123	613	-	829
		Average FX Rate	360.19	354.92	360.47	356.03	-	
		RON/HUF						
		Notional	-	-	-	1,550	-	1,550
		Average FX Rate	-	-	-	72.60	-	
		RUB/HUF						
		Notional	-	-	-	4,100	-	4,100
		Average FX Rate	-	-	-	4.46	-	
Fair Value Hedge	Other	Interest rate swap						
		HUF						
		Notional	-	(183)	6,940	8,342	-	15,099
Cash flow hegdes	Interest rate risk	Interest rate swap						
		HUF						
		Notional	-	-	-	12,194	28,027	40,221
		Average FX Rate	-	-	-	1.77	2.46	

NOTE 44: **FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]**

c) ***Hedge accounting [continued]***

Amount, timing and uncertainty of future cash flows - hedging instruments as at 31 December 2019

Type of hedge	Type of risk	Type of instrument	Within one month	Within three months and over one month	Within one year and over three months	Within five years and over one year	More than five years	Total
Fair Value Hedge	Interest rate risk	Interest rate swap						
		HUF						
		Notional	-	-	229,600	65,268	145,510	440,378
		Average Interest Rate (%)	-	-	1.84%	1.29%	1.26%	
		EUR						
		Notional	-	20	-	177	27	224
		Average Interest Rate (%)	-	3.88%	-	0.14%	0.61%	
		USD						
		Notional	-	-	8	437	29	474
		Average Interest Rate (%)	-	-	2.64%	1.92%	2.35%	
		RUB						
		Notional	-	-	-	2,100	-	2,100
		Average Interest Rate (%)	-	-	-	7.38%	-	
Fair Value Hedge	FX & IR risk	Cross currency interest rate swap						
		EUR/HUF						
		Notional	-	-	2	15	14	31
		Average Interest Rate (%)	-	-	(1.60%)	(1.63%)	(1.66%)	
		Average FX Rate	-	-	310.37	309.79	308.69	
Fair Value Hedge	FX risk	Cross currency interest rate swap						
		RON/HUF						
		Notional	-	-	150	1,050	-	1,200
		Average FX Rate	-	-	67.50	68.83	-	
		RUB/HUF						
		Notional	-	-	2,000	9,100	-	11,100
		Average FX Rate	-	-	4.20	4.33	-	
Fair Value Hedge	Other	Interest rate swap						
		HUF						
		Notional	-	(310)	13,644	15,763	-	29,097
Cash flow hegdes	Interest rate risk	Interest rate swap						
		HUF						
		Notional	-	-	-	12,194	28,027	40,221
		Average FX Rate	-	-	-	1.77	2.46	

NOTE 44: **FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]**

c) Hedge accounting [continued]

Derivative financial instruments designated as hedge accounting as follows:

Type of instrument	Type of risk	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument for the year ended 31 December 2020 – Before netting – Assets	Before netting – Liabilities	Netting	After netting – Assets	After netting – Liabilities	Line item in the statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge ineffectiveness for the year ended 31 December 2020
Fair value hedge									
Interest rate swap	Interest rate risk	468,574	1,900	(7,062)	1,795	105	(5,267)	Derivative assets (liabilities) held for risk management	(370)
Cross-currency swap	FX & IR risk	8,874	-	(1,408)	-	-	(1,408)	Derivative assets (liabilities) held for risk management	(36)
Cross-currency swap	FX risk	438,401	6,182	(4,456)	-	6,182	(4,456)	Derivative assets (liabilities) held for risk management	(809)
Interest rate swap	Other	16,224	530	-	-	530	-	Derivative assets (liabilities) held for risk management	2
Cash flow hedge									-
Interest rate swap	Interest rate risk	133,379	8,027	-	8,027	-	8,027	Derivative assets (liabilities) held for risk management	(85)

31 December 2020	Type of risk	Carrying amount of the hedged item – Assets	Carrying amount of the hedged item – Liabilities	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item – Assets	Accumulated amount – Liabilities	Line item in the statement of financial position in which the hedged item is included
Fair value hedges						
- Loans	***Interest rate risk***	35,256	(100,299)	507	(151)	Loans
- Goverment bonds	***Interest rate risk***	177,888	-	884	-	Securities at amortised cost
- Goverment bonds	***Interest rate risk***	91,950	-	1,154	-	Securities at fair value through other comprehensive income
- Goverment bonds	***Interest rate risk***	-	-	-	-	Financial assets at fair value through profit or loss
- Other securities	***Interest rate risk***	47,560	-	793	-	Securities at fair value through other comprehensive income
- Loans	***FX & IR risk***	10,378	-	9	-	Loans
- Loans	***FX risk***	303,572	-	10,855	-	Loans
- Other securities	***Other risk***	-	(15,032)	-	(3,144)	Liabilities from issued securities
Fair value hedges total		666,604	(115,331)	14,202	(3,295)	
Cash flow hedges						
- Loans	***Interest rate risk***	40,221	-	58	-	Loans

NOTE 44: **FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]**

c) Hedge accounting [continued]

Derivative financial instruments designated as hedge accounting as follows:

	Type of instrument	Type of risk	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument for the year ended 31 December 2019		Line item in the statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge ineffectiveness for the year ended 31 December 2019
				Assets	Liabilities		
Fair value hedge							
	Interest rate swap	Interest rate risk	663,949	2,251	(8,265)	Derivative assets (liabilities) held for risk management	341
	Cross-currency swap	FX & IR risk	9,523	-	(376)	Derivative assets (liabilities) held for risk management	(113)
	Cross-currency swap	FX risk	137,390	3,705	(1,382)	Derivative assets (liabilities) held for risk management	(271)
	Interest rate swap	Other	30,983	1,507	-	Derivative assets (liabilities) held for risk management	7
Cash flow hedge							
	Interest rate swap	Interest rate risk	133,379	9,214	-	Derivative assets (liabilities) held for risk management	(98)

	Type of risk	Carrying amount of the hedged item for the year ended 31 December 2019		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item for the year ended 31 December 2019		Line item in the statement of financial position in which the hedged item is included
		Assets	Liabilities	Assets	Liabilities	
Fair value hedges						
- Loans	***Interest rate risk***	36,709	-	521		- Loans
- Government bonds	***Interest rate risk***	578,026	-	109		- Securities at amortised cost
- Government bonds	***Interest rate risk***	144,234	-	1,074		- Securities at fair value through other comprehensive income
- Government bonds	***Interest rate risk***	-	-	-		- Financial assets at fair value through profit or loss
- Other securities	***Interest rate risk***	85,231	-	166		- Securities at fair value through other comprehensive income
- Loans	***FX & IR risk***	10,076	-	2		- Loans
- Loans	***FX risk***	136,088	-	1,465		- Loans
- Other securities	***Other risk***	-	(29,018)	-	(5,765)	Liabilities from issued securities
Fair value hedges total		**990,364**	**(29,018)**	**3,337**	**(5,765)**	
Cash flow hedges						
- Loans	***Interest rate risk***	40,221	-	32		- Loans

NOTE 44: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Hedge accounting [continued]

31 December 2020

Type of instrument	Type of risk	Change in the value of the hedging instrument recognised in cash flow hedge reserve	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
Interest rate swap	Interest rate risk	296	(85)	Interest Income from Placements with other banks, net of allowance for placement losses

31 December 2019

Type of instrument	Type of risk	Change in the value of the hedging instrument recognised in cash flow hedge reserve	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
Interest rate swap	Interest rate risk	2,086	(98)	Interest Income from Placements with other banks, net of allowance for placement losses

d) Fair value classes

Methods and significant assumptions used to determine fair value of the different classes of financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly, Fair value measurements – in relation with instruments measured not at fair value – are categorized in level 2;
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

As at 31 December 2020	Total	Level 1	Level 2	Level 3
Loans at fair value through other comprehensive income	480,937	-	-	480,937
Financial assets at fair value through profit or loss	160,483	34,643	123,064	2,776
from this: securities held for trading	*11,729*	*10,453*	*1,276*	-
from this: positive FVA of derivative financial instruments designated as held for trading	*116,818*	*378*	*116,440*	-
from this: securities mandatorily measured at fair value through profit or loss	*31,936*	*23,812*	*5,348*	*2,776*
Securities at fair value through other comprehensive income	911,950	426,566	485,384	-
Positive fair value of derivative financial instruments designated as hedge accounting	6,817	-	6,817	-
Financial assets measured at fair value total	**1,560,187**	**461,209**	**615,265**	**483,713**
Financial liabilities at fair value through profit or loss	25,902	-	-	25,902
Negative fair value of derivative financial instruments classified as held for trading	99,987	1,263	98,724	-
Short position	9,131	9,131	-	-
Negative fair value of derivative financial instruments designated as hedge accounting	3,104	-	3,104	-
Financial liabilities measured at fair value total	**138,124**	**10,394**	**101,828**	**25,902**

NOTE 44: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

d) *Fair value classes [continued]*

As at 31 December 2019	Total	Level 1	Level 2	Level 3
Loans at fair value through other comprehensive income	238,538	-	-	238,538
Financial assets at fair value through profit or loss	172,229	52,247	119,982	-
from this: securities held for trading	*46,255*	*29,961*	*16,294*	-
from this: positive FVA of derivative financial instruments designated as held for trading	*103,694*	*6*	*103,688*	-
from this: securities mandatorily measured at fair value through profit or loss	*22,280*	*22,280*	-	-
Securities at fair value through other comprehensive income	1,485,977	1,082,071	399,171	4,735
Positive fair value of derivative financial instruments designated as hedge accounting	16,677	-	16,677	-
Financial assets measured at fair value total	**1,704,614**	**1,134,318**	**535,830**	**34,466**
Financial liabilities at fair value through profit or loss	28,861	-	-	28,861
Negative fair value of derivative financial instruments classified as held for trading	83,088	249	82,839	-
Short position	7,040	7,040	-	-
Negative fair value of derivative financial instruments designated as hedge accounting	10,023	-	10,023	-
Financial liabilities measured at fair value total	**129,012**	**7,289**	**92,862**	**28,861**

Valuation techniques and sensitivity analysis on Level 3 instruments

Sensitivity analysis is performed on products with significant unobservable inputs (Level 3) to generate a range of reasonably possible alternative valuations. The sensitivity methodologies applied take account of the nature of the valuation techniques used, as well as the availability and reliability of observable proxy and historical date and the impact of using alternative models.
The calculation is based on range or spread data of reliable reference source or a scenario based on relevant market analysis alongside the impact of using alternative models. Sensitivities are calculated without reflecting the impact of any diversification in the portfolio.

Unobservable inputs used in measuring fair value

Type of financial instrument	Valuation technique	Significant unobservable input	Range of estimates for unobservable input
VISA C shares	Market approach combined with expert judgement	Discount applied due to illiquidity and litigation	+/-12%
Loans mandatory measured at fair value through profit and loss	Discounted cash flow model	Probability of default	+/- 20%

NOTE 44: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

d) Fair value classes [continued]

The effect of unobservable inputs on fair value measurement

Although the Bank believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3 changing the assumptions used to reasonably possible alternative assumptions would have the following effects.

as at 31 December 2020	Fair values		Effect on profit and loss	
	Favourable	Unfavourable	Favourable	Unfavourable
VISA C shares	1,514	1,154	180	(180)
Loans mandatory measured at fair value through profit and loss	28,656	28,430	113	(113)
Total:	**30,170**	**29,584**	**293**	**(293)**

as at 31 December 2019	Fair values		Effect on profit and loss	
	Favourable	Unfavourable	Favourable	Unfavourable
VISA C shares	2,609	1,983	313	(313)
Loans mandatory measured at fair value through profit and loss	29,951	29,511	220	(220)
Total	**32,560**	**31,494**	**533**	**(533)**

The favourable and unfavourable effects of using reasonably possible alternative assumptions for the valuation of Visa C shares have been calculated by modifying the discount rate used for the valuation by +/-12% as being the best estimates of the management as at 31 December 2020 and 31 December 2019 respectively.

In the case of loans mandatory measured at fair value through profit and loss the Bank calculated the favourable and unfavourable effects of using reasonably possible alternative assumptions by modifying the rates of probability of default by +/- 20% as the most significant unobservable input.

Reconciliation of the opening and closing balances of Level 3 instruments for the year ended 31 December 2020

	Opening balance	Issuance/ Disbursement	FVA	Reclassification	Settlement	Closing balance
Loans at fair value through other comprehensive income	238,538	257,055	(2,555)	-	(12,101)	480,937
Securities mandatorily measured at fair value through profit or loss	-	-	523	5,188	(2,935)	2,776
Securities at fair value through other comprehensive income	4,735	-	453	(5,188)	-	-
Financial liabilities at fair value through profit or loss	(28,861)	-	1,270	-	1,689	(25,902)
Total	**214,412**	**257,055**	**(309)**	**-**	**(13,347)**	**457,811**

NOTE 44: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

d) Fair value classes [continued]

Reconciliation of the opening and closing balances of Level 3 instruments for the year ended 31 December 2019

	Opening balance	Issuance/ Disbursement	FVA	Settlement	Closing balance
Loans at fair value through other comprehensive income	42,037	208,952	(6,198)	(6,253)	238,538
Securities at fair value through other comprehensive income	3,146	-	1,589	-	4,735
Financial liabilities at fair value through profit or loss	(32,231)	-	21	3,349	(28,861)
Total	**12,952**	**208,952**	**(4,588)**	**(2,904)**	**214,412**

NOTE 45: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2020

1) Sale of the Slovakian subsidiary

See details about the event above in Note 11.

NOTE 46: SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Compliance with the executive circular issued in January 2021 by the National Bank of Hungary on the "*use of macroeconomic information in applying IFRS 9 and factors indicating a significant increase in credit risk*" does not significantly impact the determination of expected credit losses as at 31 December 2020.