OTP BANK PLC

ANNUAL REPORT 2020

(AS DEFINED IN ACT CXX OF 2001 ON THE CAPITAL MARKET)

BUDAPEST, 16 APRIL 2021

Dear Shareholders!

OTP Bank Plc. hereby provides you with the Annual Report of OTP Bank Plc. for the year 2020, which is based on the audited financial statements approved by the Board of Directors − in accordance with Subsection (1) of Section 9 of Government Decree no. 502/2020. (XI. 16.) on divergent provisions concerning the operation of personal and property pooling organizations during the State of Danger − acting in the competency of the Annual General Meeting on 16 April 2021.

On behalf of OTP Bank Plc. we declare that, to the best of our knowledge, the separate and consolidated financial statements which have been prepared in accordance with the applicable accounting standards, present a true and fair view of the assets, liabilities, financial position and profit and loss of OTP Bank Plc. and its consolidated subsidiaries and associates, and give a fair view of the position, development and performance of OTP Bank Plc. and its consolidated subsidiaries and associates, describing the principal risks and uncertainties, and do not conceal facts or information which are relevant to the evaluation of the Issuer's position.

16 April 2021, Budapest

dr. Sándor Csányi
Chairman & CEO

László Bencsik
Deputy CEO

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BUSINESS REPORT 2020 (SEPARATE)

Based on the judgment of the Bank's management, the separate business report's data can be interpreted fully only together with the consolidated processes and figures, so this business report contains consolidated data as well.

CONSOLIDATED FINANCIAL HIGHLIGHTS[1] AND SHARE DATA

Main components of the adjusted Statement of recognised income	2019 HUF million	2020 HUF million	Change %
Consolidated after tax profit	**412,582**	**259,636**	**(37)**
Adjustments (total)	(6,470)	(50,631)	683
Consolidated adjusted after tax profit without the effect of adjustments	**419,052**	**310,268**	**(26)**
Pre-tax profit	465,973	351,802	(25)
Operating profit	510,045	537,437	5
Total income	1,077,727	1,169,920	9
Net interest income	706,298	788,079	12
Net fees and commissions	282,504	293,112	4
Other net non-interest income	88,926	88,729	0
Operating expenses	(567,682)	(632,483)	11
Total risk costs	(47,107)	(187,995)	299
One off items	3,034	2,360	(22)
Corporate taxes	(46,921)	(41,534)	(11)
Main components of the adjusted balance sheet closing balances	2019	2020	%
Total assets	20,121,767	23,335,841	16
Total customer loans (net, FX adjusted)	**12,902,518**	**13,528,586**	**5**
Total customer loans (gross, FX adjusted)	**13,605,264**	**14,363,281**	**6**
Allowances for possible loan losses (FX adjusted)	(702,746)	(834,695)	19
Total customer deposits (FX adjusted)	**16,260,599**	**17,890,863**	**10**
Issued securities	393,167	464,213	18
Subordinated loans	249,938	274,704	10
Total shareholders' equity	2,291,288	2,537,112	11
Indicators based on adjusted earnings	2019	2020	pps
ROE (from accounting net earnings)	20.3%	10.9%	(9.4)
ROE (from adjusted net earnings)	20.6%	13.0%	(7.6)
ROA (from adjusted net earnings)	2.4%	1.4%	(1.0)
Operating profit margin	2.97%	2.47%	(0.51)
Total income margin	6.28%	5.37%	(0.92)
Net interest margin	4.12%	3.61%	(0.50)
Cost-to-asset ratio	3.31%	2.90%	(0.41)
Cost/income ratio	52.7%	54.1%	1.4
Provision for impairment on loan and placement losses-to-average gross loans ratio	0.28%	1.15%	0.87
Total risk cost-to-asset ratio	0.27%	0.86%	0.59
Effective tax rate	10.1%	11.8%	1.7
Net loan/(deposit+retail bond) ratio (FX adjusted)	79%	76%	(3)
Capital adequacy ratio[2] (consolidated, IFRS) - Basel3	16.8%	17.7%	1.0
Tier1 ratio[2] - Basel3	14.4%	15.4%	1.0
Common Equity Tier 1 ('CET1') ratio[2] - Basel3	14.4%	15.4%	1.0
Share Data	2019	2020	%
EPS diluted (HUF) (from unadjusted net earnings)	1,575	1,003	(36)
EPS diluted (HUF) (from adjusted net earnings)	1,602	1,200	(25)
Closing price (HUF)	15,430	13,360	(13)
Highest closing price (HUF)	15,600	15,630	0
Lowest closing price (HUF)	11,270	8,010	(29)
Market Capitalization (EUR billion)	13.1	10.2	(22)
Book Value Per Share (HUF)	8,183	9,061	11
Tangible Book Value Per Share (HUF)	7,362	8,436	15
Price/Book Value	1.9	1.5	(21)
Price/Tangible Book Value	2.1	1.6	(24)
P/E (trailing, from accounting net earnings)	10.5	14.4	37
P/E (trailing, from adjusted net earnings)	10.3	12.1	17
Average daily turnover (EUR million)	16	22	38
Average daily turnover (million share)	0.4	0.7	75

[1] Structural adjustments made on consolidated IFRS profit and loss statement as well as balance sheet, together with the calculation methodology of adjusted indicators are detailed in the Supplementary data section of this Report.

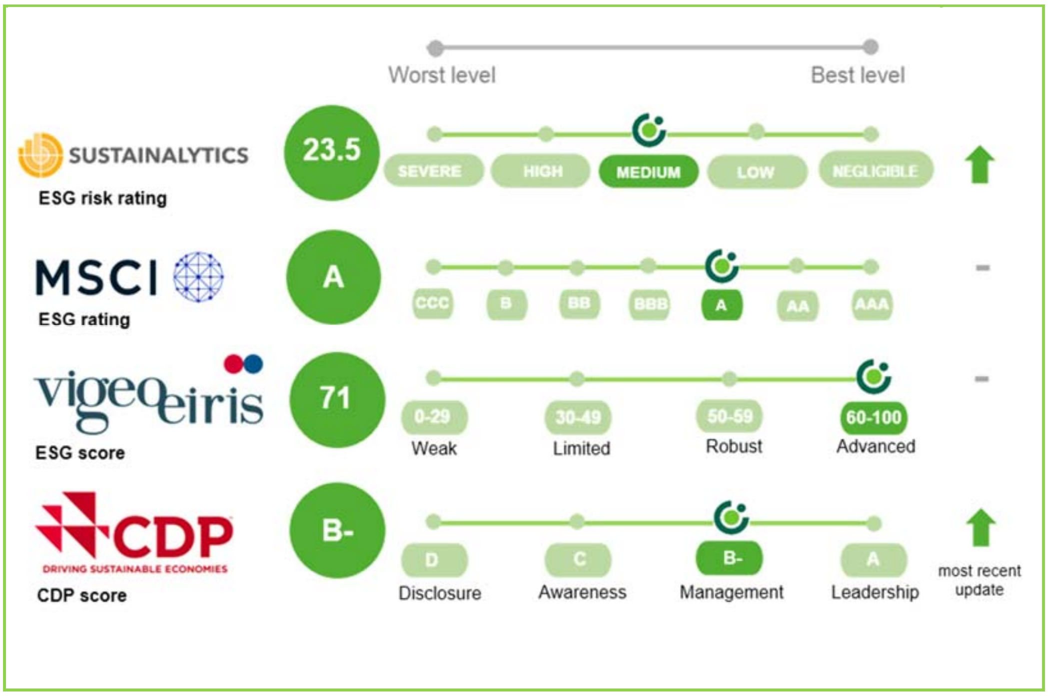
[2] Concerning 4Q 2019 capital adequacy ratios, the figures presented in this report do not include deducted dividend. This is consistent with the decision made by the Board of Directors on the 30th of April 2020, acting on behalf of the AGM, about the retainment of profit generated in 2019. These capital adequacy ratios differ from those presented in the Summary of the Group's 4Q 2019 results, and the 2019 Annual Report.

General note: in the tables of the Business Report those changes aren't presented that are deemed not to carry a meaningful economic substance (for example, if the absolute value of the change exceeds 1,000%).

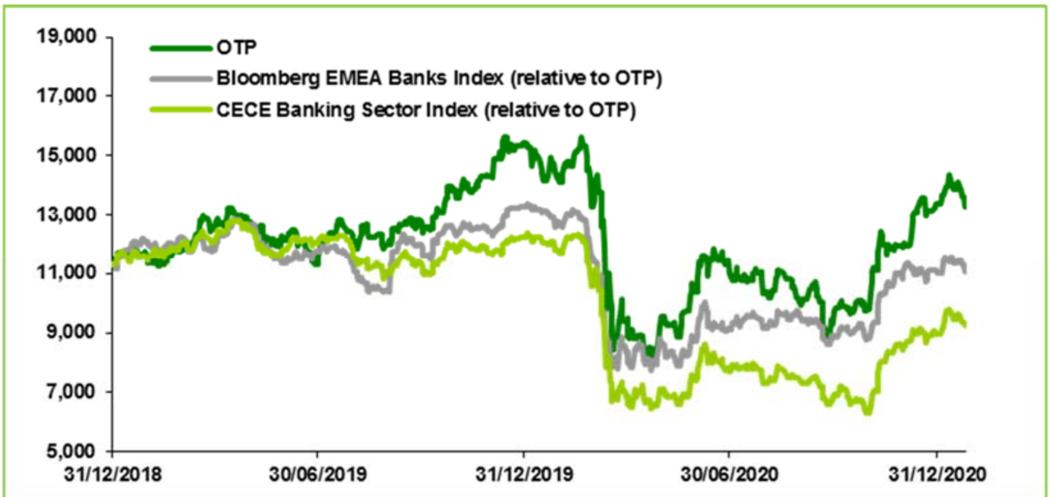
ACTUAL CREDIT RATINGS

S&P GLOBAL RATINGS	
OTP Bank and OTP Mortgage Bank – FX Long term credit rating	BBB
MOODY'S	
OTP Bank – FX long term deposits	Baa1
OTP Bank – Subordinated Foreign Currency Debt	Ba1
OTP Mortgage Bank – Covered mortgage bond	A2
FITCH	
OTP Bank Russia – Long term credit rating	BB+

ACTUAL ESG RATINGS



SHARE PERFORMANCE



MANAGEMENT'S ANALYSIS OF THE FULL-YEAR 2020 RESULTS OF OTP GROUP

According to the detailed GDP data published on 2 March 2021, in 4Q the Hungarian economy grew by 1.4% q-o-q, as a result, the annual GDP declined by 5.0% y-o-y.

The lower than expected erosion was mainly due to the targeted and successful measures implemented by the Government and the National Bank of Hungary (NBH) in order to contain the economic contraction. Those steps were essential to moderate the increase of unemployment; by the end of 2020 employment level practically matched the previous year's figure. The family supporting schemes and housing subsidies, as well as measures boosting local ventures created the preconditions for a meaningful economic kick start in 2021.

Monetary policy conditions remained loose in 2020, and the NBH increased the available amounts within the framework of both the *Funding for Growth Go!* scheme and the Bond Funding for Growth programme, and increased the weight of government bonds in its balance sheet. With temporary easing of the capital buffer requirements, NBH supported the lending activity of banks.

Out of the numerous measures made at the end of 2020, the extension of the payment moratorium by the Parliament on 20 December until 30 June 2021, leaving participation conditions unchanged, had a paramount importance.

The average inflation for 2020 was 3.3%. The policy rate came down by 30 bps to 60 bps, while interbank rates shifted upward: the reference rate (3M BUBOR) increased y-o-y from 16 bps to 75 bps. The Hungarian Forint on average weakened against the euro by 8% y-o-y amid substantial volatility.

According to the Central Bank's report published on 3 February 2021, despite the economic recession caused by the pandemic, in 2020 both household and corporate loan volumes expanded dynamically: the former increased by 14%, while the latter by 13%, respectively. The payment moratorium had a positive impact on exposures, since there was no principal amortization. Within household volumes the key engine was the subsidized baby loans, the total outstanding book grew by 130% y-o-y on sector level and their volumes reached HUF 1,064.5 billion by the end of 2020. Cash loans advanced by 12%, housing loans by 10%, respectively; on the other hand, home equity loans eroded by 5% y-o-y.

Most of the local economies within OTP Group suffered lower contraction than originally anticipated, especially in countries with a relatively low weight of tourism or service sector, like Russia, Ukraine and Serbia. In order to efficiently cure the recession, massive government measures were implemented, and in several countries, that was coupled with numerous and larger scale interest rate cuts by the central banks. Moreover, with the exception of Ukraine, all other countries introduced payment moratoriums with different conditions and duration.

Consolidated earnings: HUF 310 billion adjusted annual after tax profit, stable portfolio quality, 9% y-o-y performing FX-adjusted organic loan growth

Despite the extraordinary challenges triggered by the pandemic, in 2020 the overall operation of the Group remained uninterrupted. It was quite an achievement that out of the previous acquisitions, the Bulgarian integration was completed in early May 2020, as well as the Montenegrin one in December. The sale of the Slovakian subsidiary was completed by the end of November.

The total volume of adjustment items in 2020 represented -HUF 50.6 billion (after tax) within the HUF 260 billion accounting profit, underpinning a sizeable increase y-o-y. The larger adjustment items occurring in 2020 were as follows:

- In 2020 as a whole the one-off impact of the loan repayment moratoria was -HUF 28.3 billion. In Hungary the first phase of the moratorium on loan payments was effective from 19 March 2020 to 31 December 2020. The moratorium was extended in unchanged form for the period between 1 January 2021 – 30 June 2021. During the term of the moratorium OTP Bank accrues the unpaid interest in its statement of recognized income, amongst the revenues. At the same time, due to the fact that interest cannot be charged on the unpaid interest, and the unpaid interest will be repaid later, altogether HUF 28.3 billion (after tax) loss emerged in Hungary and Serbia. Out of this amount the expected one-off negative impact of the extended moratorium in Hungary (effective from 1 January to 30 June 2021) represented -HUF 9.1 billion (after tax), calculated on the base of year-end participation rate: at the end of December 37% of the combined gross loan portfolio at OTP Core and Merkantil Group was under the moratorium representing HUF 1,881 billion. This amount was recognized in December 2020. Also, within that amount there was a -HUF 1.7 billion (after tax) negative impact in relation to the Serbian deferral scheme, as the original interest calculation method was changed by the local regulator (originally the compound interest method was allowed by the law in Serbia, but charging interest on deferred interest was retrospectively disallowed by the regulator). In case of other foreign subsidiaries the Bank didn't assume any meaningful negative NPV impact as a result of the moratoria.

- -HUF 17.4 billion negative impact of banking tax paid at the Hungarian and Slovakian subsidiaries (after tax), the latter was paid only until 30 June 2020;
- -HUF 6.9 billion appeared on the effect of acquisitions line (after tax) which, among others, incorporated the integration costs in Bulgaria, Serbia, Slovenia, Albania, Moldova and Montenegro; also, provisions made in 4Q 2019 for the divestment of the subsidiary were released with a positive impact of HUF 6 billion (after tax);

The full-year 2020 consolidated adjusted after tax profit exceeded HUF 310 billion (-26% y-o-y). The adjusted ROE stood at 13%.

Since the after tax results were heavily distorted by the volume of total risk costs (HUF 188 billion related mainly to the pandemic situation), general trends are better illustrated and easier compared to base periods through the development of operating income.

In 2020 OTP Group posted HUF 537.4 billion consolidated operating income underpinning a 5% y-o-y increase (-4%, without acquisitions, FX-adjusted[3]). Total income increased dynamically (+9% y-o-y) with net interest income surging by 12% y-o-y, while net fees & commissions grew at a slower pace (+4%) and other net non-interest income remained flat y-o-y. The weaker increase in net fees & commissions on one hand was shaped by a drop in business activity in the first half of the year induced by the pandemic, and also by a lower success fee income compared to a record high performance in 2019 at OTP Fund Management (Hungary).

The consolidated NIM eroded substantially (2020: 3.61%, -50 bps y-o-y) due to several reasons: on one hand the interest rate environment declined substantially in a few countries (Russia, Ukraine, Romania, Serbia); furthermore, new subsidiaries consolidated into OTP Group usually operated with lower margins than the Group as a whole. Also, as a side-effect of the pandemic, demand for the higher margin consumer loans dropped, while the competition intensified. That was only partially offset by the positive impact of FX rate moves related to weaker HUF. The annual net interest income adjusted for acquisitions effects grew by 2% y-o-y (FX-adjusted), as a result of higher performing loan volumes.

Consolidated annual operating costs nominally advanced by 11% y-o-y, however adjusted for the acquisitions (2Q 2019: the Albanian subsidiary, 2H 2019: the Montenegrin, Moldovan, Serbian and from January 2020 the Slovenian subsidiaries) and for the sale of Slovakia, the FX-adjusted expense growth was only 2.4% y-o-y. The COVID-related measures, as well as the donations resulted in around HUF 7.5 billion extra expenses on a Group level. The consolidated cost-to-income ratio stood at 54.1% (+1.4 pps y-o-y).

Except the Moldovan operation, adjusted earnings declined everywhere across the Group y-o-y. Out of the adjusted annual profit the contribution of the non-Hungarian operations dropped from 46% to 41%.

Apart from Russian performing (Stage 1+2) loan book where the y-o-y drop exceeded 10%, and the marginal decline of the Slovenian portfolio, all other Group members demonstrated loan growth (FX-adjusted). Out of the major Group members the Hungarian (+17%), Serbian (+16%), Romanian (+13%) and Ukrainian (+11%) organic loan expansion rates were the most remarkable. In Hungary the excellent volume dynamics were coupled with improving market share in most of the loan categories.

As for the major credit categories in 2020 the FX-adjusted Stage 1+2 micro and small enterprise book advanced organically the fastest y-o-y (+11%), followed by the mortgage loan portfolio (+10%), the consumer exposures (+9%) and the large corporate book (+8%).

During the course of 2020 lending activity to a great extent was shaped by easing/lifting lockdowns and limitations, but targeted Government programmes helped, too. The second wave of COVID-19 pandemic had a more limited impact on business activity, also, seasonality affected lending.

One of the side effects of the pandemic was that while household consumption and investment activity of corporates suffered setback, savings demonstrated steady growth. The FX-adjusted deposit portfolio grew by 10% y-o-y. Such yearly increase translated into more than HUF 2,000 billion deposit volume surge (already adjusted for the Slovakian deposit volumes). Out of the major operations the Ukrainian, Romanian, Hungarian, Slovenian and Serbian subsidiaries captured double digit volume increase. The consolidated net loan-to-deposit ratio declined to 76% q-o-q.

[3] On 11 December 2020, Podgoricka banka AD Podgorica was merged into Crnogorska komercijalna banka AD, thus separate financial statements for Podgoricka were not available for December. Therefore, profit dynamics without acquisitions are based on estimated numbers.

At the end of 2020 the gross operative liquidity reserves of the Group comprised EUR 8.9 billion equivalent. The NBH acting as resolution authority on 16 October 2020 informed the Bank about the consolidated minimum requirement for own funds and eligible liabilities (MREL requirement) of OTP Group. NBH didn't set intermediate target to be met by end of 2020, but determined a mandatory intermediate target for the consolidated MREL requirement that OTP Group has to comply with by 1 January 2022. This level is 11.55% of the Group's total liabilities and own funds (TLOF) which corresponds to 17.16% of the Group's total risk exposure amount (TREA or RWA). In 2020 no international bond transaction was executed.

The consolidated loan portfolio quality – partly due to the existing or extended payment moratorium – remained relatively stable in 2020: the DPD90+ volume growth (adjusted for FX and the effect of sales and write-offs, as well as for the revaluation of Factoring claims in Hungary) amounted to HUF 85 billion, against HUF 66 billion in 2019. The consolidated DPD90+ ratio declined below 4% (3.8%, -0.4 pp y-o-y).

The Stage 1+2 exposures (HUF 13,544 billion) comprised 94.3% of total gross loans. Within that Stage 1 loans represented 80.4% of total gross loans and the Stage 2 ratio was 13.9%.

The Stage 3 ratio under IFRS 9 was 5.7% at end of 2020 (-0.2 pp y-o-y). The own coverage of Stage 1, 2 and 3 exposures was 1.0%, 10.4% and 62.3%, respectively.

Within the consolidated loan portfolio in 1Q a significant volume of corporate exposures was shifted from Stage 1 into the riskier Stage 2 category on a collective base, whereas in case of retail exposures the Bank implemented higher provision coverage during the first two quarters. In 3Q a practice similar to that used in the case of corporate exposures was followed in case of the household portfolio. Mainly those exposures were reclassified where the Bank presumed higher potential risk, though this had not materialized yet due to the moratoria, in particular at the Hungarian, Bulgarian, Croatian, Romanian and Serbian operations.

In 4Q the Group further fine-tuned its Stage 2 classification methodology: in case of corporate exposures it identified clients with higher risk profile within the framework of its monitoring process on a case by case basis, whereas for household loans it rather used its internal ratings. As a result, Stage 2 volumes increased at certain operations. The extension of the moratorium and the EBA guidance issued on 2 December 2020 on the treatment of exposures within existing or extended payment moratoria schemes (EBA/GL/2020/15) induced further tightening in the methodology compared to 3Q; particularly in the case of OTP Core.

The adjusted total risk costs represented -HUF 188 billion in 2020 as a whole. Within that credit risk costs increased to -HUF 158.4 billion and the annual credit risk cost rate was 1.15% of the average gross loan volumes.

Consolidated capital adequacy ratio (in accordance with BASEL III)

At the end of December 2020 the consolidated Common Equity Tier 1 ratio under IFRS was 15.4% (+1 pp y-o-y). This ratio equals to the Tier 1 ratio.

The amount of eligible profit included into regulatory capital equals to the annual profit (HUF 259 billion) reduced by the deducted dividend (HUF 119 billion). The deducted dividend amount for 2020 was determined in accordance with the Commission Delegated Regulation (EU) No. 241/2014. Article 2. (7) Paragraph. Accordingly, in the absence of a stated dividend policy, the amount of the dividend to be deducted should be calculated as follows: out of the previous three years' average dividend payment ratio and that of the preceding year the higher ratio must be applied. The dividend amount must be calculated from OTP Group's consolidated accounting profit, and this must be deducted from the consolidated regulatory capital. However, the deducted dividend also included HUF 69.44 billion, the original dividend proposal by the management after the 2019 fiscal year, which wasn't paid out in accordance with the National Bank of Hungary's recommendation.

Credit rating, shareholder structure

On 27 January 2020 S&P Global Ratings upgraded OTP Bank Plc's and OTP Mortgage Bank's short- and long-term issuer credit ratings from 'BBB-/A-3' to 'BBB/A-2'. At the same time S&P affirmed its 'BBB/A-2' long- and short-term resolution counterparty ratings on OTP and OTP Mortgage Bank. The outlook remained stable for both banks.

On 29 September 2020 Moody's changed the outlook from stable into positive on OTP Bank Plc's long-term FX deposit rating; furthermore, on 10 December Moody's upgraded OTP Bank Plc's long-term FX deposit rating from 'Baa3' to 'Baa1' with stable outlook. On 2 April 2020 Moody's changed the outlook on OTP Mortgage Bank's issuer rating ('Baa2') from stable into negative. OTP Mortgage Bank's covered bond rating remained 'Baa1'.

OTP Bank Russia's 'BB+' rating by Fitch is unchanged, on 23 April 2020, however, the outlook was changed from stable to negative. Regarding the ownership structure of the Bank, on 31 December 2020 the following investors had more than 5% influence (voting rights) in the Company: MOL (the Hungarian Oil and Gas Company, 8.71%), the Kafijat Group (7.20%), OPUS Securities SA (5.26%) and Groupama Group (5.20%).

POST-BALANCE SHEET EVENTS

Post-balance sheet events cover the period until 19 February 2021.

Hungary

- 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. The scope of eligible entities will be discussed with the Hungarian Chamber of Commerce and Industry.
- On 16 February 2021 the Hungarian Statistical Office revealed the preliminary 4Q 2020 GDP statistics. Accordingly, in the fourth quarter the Hungarian economy grew by 1.1% q-o-q (seasonally and working day adjusted), but contracted by 5.1% y-o-y in 2020 as a whole.

Bulgaria

- On 19 February 2021 Fitch Ratings reaffirming Bulgaria's sovereign 'BBB' debt rating, and changed the outlook from stable to positive.

Croatia

- On 4 February 2021 the European Central Bank and the Croatian National Bank agreed to extend the euro liquidity line until the end of March 2022.

Serbia

- On 4 February 2021, the European Central Bank extended the maintenance of a repo facility providing euro-based liquidity to the National Bank of Serbia in order to help with possible liquidity needs in euros during post-epidemic market disruptions.

Romania

- On 15 January 2021 the National Bank of Romania decided to reduce the key interest rate by 25 bps to 1.25%.

Russia

- On 20 January 2021 the Central Bank of Russia published its 2021-2022 road map for regulating consumer lending, as a result loosening measures taken in 2020 to facilitate lending will be reversed through higher risk weights being introduced.

CONSOLIDATED AFTER TAX PROFIT BREAKDOWN BY SUBSIDIARIES (IFRS)[4]

	2019 HUF million	2020 HUF million	Change %
Consolidated after tax profit	**412,582**	**259,636**	**(37)**
Adjustments (total)	**(6,470)**	**(50,631)**	**683**
Consolidated adjusted after tax profit without the effect of adjustments	**419,052**	**310,268**	**(26)**
Banks total[1]	382,144	285,103	(25)
OTP Core (Hungary)[2]	190,956	159,303	(17)
DSK Group (Bulgaria)[3]	67,879	40,957	(40)
OBH (Croatia)[4]	30,719	14,830	(52)
OTP Bank Serbia[5]	10,430	7,298	(30)
SKB Banka (Slovenia)	-	9,665	
OTP Bank Romania[6]	6,309	1,558	(75)
OTP Bank Ukraine[7]	35,223	26,104	(26)
OTP Bank Russia[8]	28,127	16,317	(42)
CKB Group (Montenegro)[9]	6,377	4,307	(32)
OTP Bank Albania	2,616	1,959	(25)
Mobiasbanca (Moldova)	1,936	3,973	105
OBS (Slovakia)[10]	1,575	(1,169)	(174)
Leasing	7,115	7,661	8
Merkantil Group (Hungary)[11]	7,115	7,661	8
Asset Management	15,208	9,824	(35)
OTP Asset Management (Hungary)	15,104	9,747	(35)
Foreign Asset Management Companies (Ukraine, Romania, Bulgaria)[12]	104	77	(26)
Other Hungarian Subsidiaries	9,498	8,241	(13)
Other Foreign Subsidiaries[13]	232	108	(53)
Corporate Centre[14]	3,478	(569)	(116)
Eliminations	1,377	(101)	(107)
Total adjusted after tax profit of HUNGARIAN subsidiaries[15]	227,527	184,282	(19)
Total adjusted after tax profit of FOREIGN subsidiaries[16]	191,525	125,986	(34)
Share of foreign profit contribution	46%	41%	(5)

[4] Belonging footnotes are in the Supplementary data section of the Report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Main components of the adjusted Statement of recognized income	2019	2020	Change %
Consolidated after tax profit	**412,582**	**259,636**	**(37)**
Adjustments (total)	**(6,470)**	**(50,631)**	**683**
Dividends and net cash transfers (after tax)	505	213	(58)
Goodwill/investment impairment charges (after tax)	(8,427)	886	(111)
Special tax on financial institutions (after corporate income tax)	(16,170)	(17,365)	7
Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia (after corporate income tax)	0	(28,262)	
Impact of fines imposed by the Hungarian Competition Authority (after tax)	0	749	
Effect of acquisitions (after tax)	19,265	(6,852)	(136)
One-off impact of regulatory changes related to FX consumer contracts in Serbia	(1,644)	0	(100)
Consolidated adjusted after tax profit without the effect of adjustments	**419,052**	**310,268**	**(26)**
Before tax profit	**465,973**	**351,802**	**(25)**
Operating profit	**510,045**	**537,437**	**5**
Total income	**1,077,727**	**1,169,920**	**9**
Net interest income	**706,298**	**788,079**	**12**
Net fees and commissions	**282,504**	**293,112**	**4**
Other net non-interest income	**88,926**	**88,729**	**0**
Foreign exchange result, net	45,177	44,927	(1)
Gain/loss on securities, net	12,372	14,193	15
Net other non-interest result	31,376	29,610	(6)
Operating expenses	**(567,682)**	**(632,483)**	**11**
Personnel expenses	(280,002)	(312,495)	12
Depreciation	(56,383)	(70,286)	25
Other expenses	(231,298)	(249,702)	8
Total risk costs	**(47,107)**	**(187,995)**	**299**
Provision for impairment on loan and placement losses	(29,474)	(158,421)	437
Other provision	(17,633)	(29,574)	68
Total one-off items	**3,034**	**2,360**	**(22)**
Gain on the repurchase of own Upper and Lower Tier2 Capital	0	0	
Result of the treasury share swap agreement at OTP Core	3,034	2,360	(22)
Corporate taxes	**(46,921)**	**(41,534)**	**(11)**
Indicators	2019	2020	%/pps
ROE (from accounting net earnings)	20.3%	10.9%	(9.4)
ROE (from adjusted net earnings)	20.6%	13.0%	(7.6)
ROA (from adjusted net earnings)	2.4%	1.4%	(1.0)
Operating profit margin	2.97%	2.47%	(0.50)
Total income margin	6.28%	5.37%	(0.91)
Net interest margin	4.12%	3.61%	(0.51)
Net fee and commission margin	1.65%	1.34%	(0.31)
Net other non-interest income margin	0.52%	0.41%	(0.11)
Cost-to-asset ratio	3.31%	2.90%	(0.41)
Cost/income ratio	52.7%	54.1%	1.4
Provision for impairment on loan and placement losses-to-average gross loans	0.28%	1.15%	0.87
Total risk cost-to-asset ratio	0.27%	0.86%	0.59
Effective tax rate	10.1%	11.8%	1.7
Non-interest income/total income	34%	33%	(1)
EPS base (HUF) (from unadjusted net earnings)	1,576	1,004	(36)
EPS diluted (HUF) (from unadjusted net earnings)	1,575	1,003	(36)
EPS base (HUF) (from adjusted net earnings)	1,602	1,200	(25)
EPS diluted (HUF) (from adjusted net earnings)	1,602	1,200	(25)
Comprehensive Income Statement	2019	2020	%
Consolidated after tax profit	412,582	259,636	(37)
Fair value changes of financial instruments measured at fair value through other comprehensive income	30,224	(4,764)	(116)
Fair value adjustment of derivative financial instruments designated as cash-flow hedge	11	(2)	(118)
Net investment hedge in foreign operations	(2,526)	(8,591)	240
Foreign currency translation difference	79,440	68,593	(14)
Change of actuarial costs (IAS 19)	(161)	144	(189)
Net comprehensive income	**519,570**	**315,016**	**(39)**
o/w Net comprehensive income attributable to equity holders	518,802	315,239	(39)
Net comprehensive income attributable to non-controlling interest	768	(223)	(129)
Average exchange rate[1] of the HUF	2019 HUF	2020 HUF	Change %
HUF/EUR	325	351	7
HUF/CHF	292	328	11
HUF/USD	291	308	6

[1] Exchange rates presented in the tables of this report should be interpreted as follows: the value of a unit of the other currency expressed in Hungarian forint terms, i.e. HUF/EUR represents the HUF equivalent of one EUR.

ASSET-LIABILITY MANAGEMENT

Similar to previous periods OTP Group maintained a strong and safe liquidity position…

The primary objective of OTP Group in terms of asset-liability management has not changed, that is to ensure that the Group's liquidity is maintained at a safe level.

Refinancing sources of the European Central Bank are still available for OTP (ECB repo eligible security portfolio on Group level is close to EUR 1.3 billion).

Total liquidity reserves of OTP Bank remained steadily and substantially above the safety level. As of 31 December 2020 the gross liquidity buffer was around EUR 8.9 billion equivalent. In addition to this, significant part of the Bulgarian excess liquidity (ca. EUR 1.2 billion) was placed locally due to the Bulgarian regulation at the end of December. Level of these buffers is significantly higher than the maturing debt within one year and the reserves required to protect against possible liquidity shocks.

The volume of issued securities increased by HUF 150 billion y-o-y, mainly because of the change of net volume of mortgage bonds issued by OTP Mortgage bank due to the issuance and cancellation of mortgage bonds in 2020. In 2020 HUF 22 billion retail and structured bond have been matured, now the volume is HUF 16 billion.

The volume of subordinated debt increased by HUF 17 billion y-o-y, mainly due to the HUF weakening against the EUR, since subordinated bond issuance did not happen in 2020.

…and kept its interest-rate risk exposures low

Interest-rate risk exposure of OTP Group is determined primarily by the positions of OTP Bank Plc. and OTP Mortgage Bank Ltd. Due to the forint liabilities on OTP Bank's balance sheet, which respond to yield changes only to a moderate extent, the Bank has an interest-rate risk exposure resulting from its business operations. The Bank considers the reduction and closing of this exposure as a strategic matter. Consequently, it has been reducing its interest-rate risk exposure through the purchase of fixed-rate government securities in order to offset the negative impact of declining yields on net interest income.

Market Risk Exposure of OTP Group

The consolidated capital requirement of the trading book positions, the counterparty risk and the FX risk exposure represented HUF 28.9 billion in total.

OTP Group is an active participant of the international FX and derivative market. Open FX positions of group members are restricted to individual and global net open position limits (overnight and intraday), and to stop-loss limits. The open positions of the group members outside Hungary except for the Bulgarian DSK Bank – the EUR/BGN exposure of DSK under the current exchange rate regime does not represent real risk – were negligible measured against either the balance sheet total or the regulatory capital. Therefore, the group level FX exposure was concentrated at OTP Bank.

The main part of the FX exposure booked at OTP Bank – in line with the previous years' practice – was the strategic open FX position (EUR 310 million), kept to hedge the currency risk of the expected FX-denominated net earnings of the main foreign subsidiaries. The strategic open FX position was partially closed in 4Q 2020.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF OTP GROUP

Main components of the adjusted balance sheet	2019 HUF million	2020 HUF million	Change %
TOTAL ASSETS	**20,121,767**	**23,335,841**	**16**
Cash, amounts due from Banks and balances with the National Banks	1,841,963	2,432,314	32
Placements with other banks, net of allowance for placement losses	410,433	1,148,987	180
Financial assets at fair value through profit or loss	251,991	235,194	(7)
Securities at fair value through other comprehensive income	2,427,537	2,140,118	(12)
Net customer loans	12,247,519	13,528,586	10
Net customer loans (FX adjusted[1])	**12,902,518**	**13,528,586**	**5**
Gross customer loans	12,942,009	14,363,281	11
Gross customer loans (FX adjusted[1])	**13,605,264**	**14,363,281**	**6**
o/w Retail loans	7,930,058	8,309,033	5
Retail mortgage loans (incl. home equity)	3,671,413	3,818,847	4
Retail consumer loans	3,235,843	3,484,172	8
SME loans	1,022,802	1,006,014	(2)
Corporate loans	5,101,177	5,409,732	6
Loans to medium and large corporates	4,694,688	4,935,682	5
Municipal loans	406,490	474,049	17
Car financing loans	574,029	644,516	12
Allowances for loan losses	(694,490)	(834,695)	20
Allowances for loan losses (FX adjusted[1])	(702,746)	(834,695)	19
Associates and other investments	20,822	52,443	152
Securities at amortized costs	1,995,627	2,625,952	32
Tangible and intangible assets, net	605,673	589,878	(3)
o/w Goodwill, net	105,298	101,393	(4)
Tangible and other intangible assets, net	500,375	488,485	(2)
Other assets	320,201	582,368	82
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**20,121,767**	**23,335,841**	**16**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks, and Financial liabilities designated at fair value through profit or loss	846,158	1,219,446	44
Deposits from customers	15,522,654	17,890,863	15
Deposits from customers (FX adjusted[1])	**16,260,599**	**17,890,863**	**10**
o/w Retail deposits	11,805,158	12,810,762	9
Household deposits	9,722,990	10,614,696	9
SME deposits	2,082,168	2,196,066	5
Corporate deposits	4,440,881	5,071,626	14
Deposits to medium and large corporates	3,637,487	4,218,727	16
Municipal deposits	803,394	852,899	6
Accrued interest payable related to customer deposits	14,560	8,474	(42)
Liabilities from issued securities	393,167	464,213	18
o/w Retail bonds	3,237	1,326	(59)
Liabilities from issued securities without retail bonds	389,930	462,888	19
Other liabilities	818,561	949,502	16
Subordinated bonds and loans[2]	249,937	274,704	10
Total shareholders' equity	**2,291,288**	**2,537,112**	**11**
Indicators	2019	2020	pps
Loan/deposit ratio (FX adjusted[1])	84%	80%	(4)
Net loan/(deposit + retail bond) ratio (FX adjusted[1])	79%	76%	(3)
Stage 1 loan volume under IFRS 9	11,489,554	11,544,766	0
Stage 1 loans under IFRS9/gross customer loans	88.8%	80.4%	(8.4)
Own coverage of Stage 1 loans under IFRS 9	1.1%	1.0%	0.0
Stage 2 loan volume under IFRS 9	685,885	1,998,867	191
Stage 2 loans under IFRS9/gross customer loans	5.3%	13.9%	8.6
Own coverage of Stage 2 loans under IFRS 9	10.7%	10.4%	(0.3)
Stage 3 loan volume under IFRS 9	766,570	819,647	7
Stage 3 loans under IFRS9/gross customer loans	5.9%	5.7%	(0.2)
Own coverage of Stage 3 loans under IFRS 9	65.2%	62.3%	(2.9)
90+ days past due loan volume	541,467	543,713	0
90+ days past due loans/gross customer loans	4.2%	3.8%	(0.4)
Consolidated capital adequacy - Basel3	2019	2020	%/pps
Capital adequacy ratio (consolidated, IFRS)	16.8%	17.7%	1.0
Tier1 ratio	14.4%	15.4%	1.0
Common Equity Tier 1 ('CET1') capital ratio	14.4%	15.4%	1.0
Regulatory capital (consolidated)	2,390,688	2,669,806	12
o/w Tier1 Capital	2,055,106	2,316,118	13
o/w Common Equity Tier 1 capital	2,055,106	2,316,118	13
Tier2 Capital	335,582	353,688	5
o/w Hybrid Tier2	89,935	89,935	0
Consolidated risk weighted assets (RWA) (Credit&Market&Operational risk)	14,262,197	15,046,888	6
o/w RWA (Credit risk)	12,529,878	13,389,536	7
RWA (Market & Operational risk)	1,732,319	1,657,352	(4)
Closing exchange rate of the HUF	2019 HUF	2020 HUF	Change %
HUF/EUR	331	365	10
HUF/CHF	304	337	11
HUF/USD	295	297	1

[1] For the FX adjustment, the closing cross currency rates for the current period were used to calculate the HUF equivalent of loan and deposit volumes in the base periods.
[2] The ICES bonds are considered as Tier2 debt, but accounting-wise they are treated as part of the shareholders' equity.

OTP BANK'S HUNGARIAN CORE BUSINESS

OTP Core Statement of recognized income:

Main components of the Statement of recognised income	2019 HUF million	2020 HUF million	Change %
After tax profit without the effect of adjustments	190,956	159,303	(17)
Corporate income tax	(12,668)	(16,558)	31
Pre-tax profit	203,624	175,860	(14)
Operating profit	173,995	181,178	4
Total income	432,013	453,634	5
Net interest income	261,754	286,448	9
Net fees and commissions	126,911	130,470	3
Other net non-interest income	43,349	36,717	(15)
Operating expenses	(258,018)	(272,457)	6
Total risk costs	26,594	(7,677)	(129)
Provision for impairment on loan and placement losses	30,332	2,374	(92)
Other provisions	(3,737)	(10,052)	169
Total one-off items	3,034	2,360	(22)
Revaluation result of the treasury share swap agreement	3,034	2,360	(22)
Indicators	2019	2020	pps
ROE	11.7%	9.3%	(2.4)
ROA	2.1%	1.5%	(0.6)
Operating profit margin	1.9%	1.7%	(0.2)
Total income margin	4.82%	4.34%	(0.48)
Net interest margin	2.92%	2.74%	(0.18)
Net fee and commission margin	1.42%	1.25%	(0.17)
Net other non-interest income margin	0.48%	0.35%	(0.13)
Operating costs to total assets ratio	2.9%	2.6%	(0.3)
Cost/income ratio	59.7%	60.1%	0.3
Provision for impairment on loan and placement losses/average gross loans[1]	(0.88%)	(0.06%)	0.82
Effective tax rate	6.2%	9.4%	3.2

[1] Negative Provision for impairment on loan and placement losses/average gross loans ratio implies positive amount on the Provision for impairment on loan and placement losses line.

Main components of OTP Core's Statement of financial position:

Main components of balance sheet closing balances	2019 HUF million	2020 HUF million	Change %
Total Assets	9,641,692	11,492,949	19
Net customer loans	3,740,975	4,415,778	18
Net customer loans (FX adjusted)	**3,809,093**	**4,415,778**	**16**
Gross customer loans	3,883,412	4,631,974	19
Gross customer loans (FX adjusted)	**3,954,333**	**4,631,974**	**17**
Retail loans	2,377,561	2,955,288	24
Retail mortgage loans (incl. home equity)	1,383,805	1,534,013	11
Retail consumer loans	746,272	1,043,634	40
SME loans	247,483	377,642	53
Corporate loans	1,576,772	1,676,685	6
Loans to medium and large corporates	1,475,017	1,577,900	7
Municipal loans	101,756	98,785	(3)
Provisions	(142,437)	(216,196)	52
Provisions (FX adjusted)	**(145,240)**	**(216,196)**	**49**
Deposits from customers + retail bonds	6,770,161	8,083,488	19
Deposits from customers + retail bonds (FX adjusted)	**6,861,433**	**8,083,488**	**18**
Retail deposits + retail bonds	4,562,600	5,369,294	18
Household deposits + retail bonds	3,609,460	4,231,931	17
o/w: Retail bonds	3,237	1,326	(59)
SME deposits	953,140	1,137,363	19
Corporate deposits	2,298,834	2,714,194	18
Deposits to medium and large corporates	1,658,191	1,961,483	18
Municipal deposits	640,643	752,711	17
Liabilities to credit institutions	445,301	858,230	93
Issued securities without retail bonds	436,340	513,860	18
Total shareholders' equity	1,720,872	1,766,639	3
Loan Quality	2019	2020	%/pps
Stage 1 loan volume under IFRS 9 (in HUF million)	3,550,841	3,606,490	2
Stage 1 loans under IFRS 9/gross customer loans	91.4%	77.9%	(13.5)
Own coverage of Stage 1 loans under IFRS 9	0.8%	0.8%	0.0
Stage 2 loan volume under IFRS 9 (in HUF million)	163,954	833,163	408
Stage 2 loans under IFRS 9/gross customer loans	4.2%	18.0%	13.8
Own coverage of Stage 2 loans under IFRS 9	12.4%	10.1%	(2.3)
Stage 3 loan volume under IFRS 9 (in HUF million)	168,618	192,321	14
Stage 3 loans under IFRS 9/gross customer loans	4.3%	4.2%	(0.1)
Own coverage of Stage 3 loans under IFRS 9	55.4%	54.5%	(0.9)
90+ days past due loan volume (in HUF million)	123,895	144,816	17
90+ days past due loans/gross customer loans	3.2%	3.1%	(0.1)
Market Share	2019	2020	pps
Loans	22.2%	23.0%	0.8
Deposits	27.7%	25.4%	(2.3)
Total Assets	28.8%	25.7%	(3.1)
Performance Indicators	2019	2020	pps
Net loans to (deposits + retail bonds) (FX adjusted)	56%	55%	(1)
Leverage (closing Shareholder's Equity/Total Assets)	17.8%	15.4%	(2.5)
Leverage (closing Total Assets/Shareholder's Equity)	5.6x	6.5x	0.9x
Capital adequacy ratio (OTP Bank, non-consolidated, Basel3, IFRS)	27.6%	26.7%	(0.8)
Common Equity Tier 1 ratio (OTP Bank, non-consolidated, Basel3, IFRS)	23.6%	22.5%	(1.0)

- ***In 2020 as a whole, OTP Core's adjusted profit amounted to HUF 159.3 billion, marking a y-o-y decline of 17%, owing to higher risk costs***
- ***All components of the total income margin declined in 2020 (-48 bps y-o-y)***
- ***Whereas the underlying loan quality trends remained favourable, the rise in the ratio of Stage 2 loans stemmed from the Bank's more conservative customer assessment. The ratio of Stage 3 loans even decreased y-o-y***
- ***Performing loans grew dynamically (+19% y-o-y FX-adjusted), mostly driven by the subsidized baby loans and FGS Go! loans. Deposits rose by 18% y-o-y***

Starting from 1Q 2020, OTP eBIZ Ltd became part of OTP Core. It reported HUF 0.4 billion loss in full-year 2019.

Starting from 1Q 2020, the accounting method of the termination of swap contracts has changed. Upon the termination of swap deals, until the end of 2019, the FVA booked within other income was shifted to the net interest income line. From 1Q 2020 this shift does not occur. In the case of OTP Core, the intra-group swaps, typically with DSK Bank, are being terminated. In 2019 the other income of OTP Core was boosted, whereas the net interest income was reduced by the above accounting method.

P&L developments

In 2020, **OTP Core's** adjusted after-tax profit amounted to HUF 159.3 billion, 17% less than a year earlier. The drop owed a lot to higher total risk costs, while operating profit improved by 4%, largely benefiting from a continued dynamic loan growth.

Within full-year total income, net interest income grew at the strongest rate, 9%, thanks to a dynamic organic growth in loans – this was somewhat offset by the 18 bps y-o-y erosion of net interest margin. The latter was reasoned mainly by lower lending interest rate levels, owing to the strong competition. In the fourth quarter, net interest income benefited a total HUF 0.5 billion from items that arose in 4Q when, under the modification of its accounting policy, the Bank re-classified retail loans with subsidized interest rates from loans at amortized cost to loans measures at fair value through profit or loss[5].

Short-term interbank rates, which are the reference rates for variable rate loans, rose overall in 2020: the 3M BUBOR's closing value rose to 75 bps by end-2020, from 16 bps at the end of 2019, while its annual average rate rose by 50 bps, to 69 bps.

The annual net fees and commissions grew by HUF 3.6 billion, or 3% y-o-y. The main reason for the modest growth was the pandemic-induced decline in economic activity and transaction volumes: reversing a 15% y-o-y growth in 1Q, there was 7% decline in 2Q, 3% drop in 3Q from the previous year, but the growth rate returned to positive territory in 4Q, even without a one-off item booked in 4Q 2020: the shifting of subsidized retail loans to loans at fair value had HUF 2.7 billion positive effect[6] on net fees. Among the components of the annual fee income, deposits, transactions- and card-related fee revenues rose modestly, while commissions from securities dropped, particularly those relating to the distribution of investment funds[7] and retail government bonds. The latter was partly explained by base effect: thanks to the outstanding sales performance, the volume of the *MÁP Plus* retail government bonds expanded significantly after its launch in June 2019. Secondly, revenues realized in 2020 declined in relation to the distribution fee structure, largely as average retail government bond volumes shrank q-o-q in the second quarter of 2020, bringing down retail government bond distribution fee revenues in 2Q.

Full-year other net non-interest income (without one-offs) dropped by 15% y-o-y, or HUF 6.6 billion, dragged down by lower gain on securities in 1Q 2020, and by the fact that recoveries realized on claims bought by OTP Factoring from non-Group parties were presented under risk costs, rather than other income, starting from 2020. In 2020, nearly HUF 3.8 billion revaluation result appeared within other income in the wake of the revision of Visa Inc.'s class C shares' accounting classification.

In 2020, operating expenses grew by 6%, or HUF 14.4 billion, chiefly because of higher depreciation, and to a lesser extent due to administrative expenses, including hardware and office equipment costs, as well as supervisory fees (the latter jumped by HUF 3 billion y-o-y, to HUF 13.3 billion). In 2020 as a whole, the extra cost of protection against the pandemic and OTP Bank's donations entailed HUF 4 billion extra expenses. As a favourable development, personnel expenses slightly dropped y-o-y, in part because of lower bonus payments and partly as employers' contributions were reduced by a further two percentage points from July 2020. The average number of employees grew by 5% y-o-y.

In 2020, total risk costs amounted to -HUF 7.7 billion, as opposed to +HUF 26.6 billion in 2019. The main reason for the higher risk costs was that the pandemic-induced change in the macroeconomic environment was incorporated in the calculation of impairments. As a result, the IFRS 9 impairment model parameters were revised several times in the course of 2020, entailing higher risk costs. Throughout 2020, the Bank steadily monitored changes to customers' financial position and behaviour even during the loan repayment moratorium, and sought to identify debtors with increased risk profile. As a result, certain exposures – some of them under the debt repayment moratorium – were reclassified as Stage 2 during 2020, which also added to risk costs. These effects were mitigated by the positive risk costs booked in relation to the portfolio managed by OTP Factoring, the Hungarian work-out company, largely relating to claims toward households. This included the continued recoveries realized on these claims, whereas in 4Q 2020 another positive item emerged as a result of the revision of the expected future recoveries from OTP Factoring's claims; the upward revaluation of such

[5] The modification of the accounting policy was applied retroactively: the P&L items that concerned the previous years were accounted against shareholders' equity, while the reporting year's items were booked in the P&L, in one lump sum in 4Q 2020.

[6] Because of the reclassification of loans, two major items appeared among net fees: first, the commissions due in 2020, which would have been amortized over the whole maturity according to the previous method, were recognized in the P&L in one lump sum in December (HUF 1.3 billion). Second, the fees received after the end-of-the-year volume of baby loans were recorded amongst the net fees and commissions (HUF 1.4 billion), while under the previous accounting policy, this amount would have been recognized in the outstanding baby loan volumes at amortized cost.

[7] In 2Q 2020, because of technical reasons, lower fee income was booked from the sales of investment funds. At OTP Core, much of this type of income is related to the funds managed by the Group's Hungarian fund managers, and is presented at these asset management companies as commission expenditure, thus at Group level, this item did not affect the q-o-q dynamics of net fees and commissions.

claims also resulted in a growth in net loan volumes classified as Stage 3 (while the stock of impairments in the balance sheet did not change).

Regarding loan quality trends, new defaults did not seem to have jumped: while the volume of more than 90 days past due (DPD90+) loans grew by HUF 4 billion in 1Q 2020, these volumes contracted by HUF 3 billion each in 2Q, 3Q, and 4Q (FX-adjusted, without sales/write-offs, adjusted for the revaluation of OTP Factoring's claims in 4Q). This led to a HUF 5 billion decrease in full-year 2020, the same as the 2019 figure. In the whole of 2020, HUF 10 billion non-performing loans were sold/written off (FX-adjusted).

Predominantly as a result of the abovementioned reclassifications, the ratio of Stage 2 loans grew to 18% by the end of December, up from 4.2% at the end of 2019, and from 11.7% in the previous quarter. Even though those reclassifications into Stage 2 reduced the own coverage of both Stage 1 and Stage 2 loans in 2020, but the total Stage 1+2 portfolio's own provision coverage nearly doubled in 2020 (2019: 1.3%, 2020: 2.5%).

Balance sheet trends

In 2020, the balance sheet total expanded by 19% (+HUF 1.851 billion). A larger part of that growth came from customer deposits (+HUF 1.315 billion), and a smaller increase was caused by a y-o-y growth in liabilities to credit institutions (+HUF 413 billion). One reason for the latter was that the repo volumes, previously presented on the medium and large corporate deposits line, picked up from zero at the end of 2019, and was moved to this line, starting from 2020.

Gross loans and performing (Stage 1+2) loans grew at similar rates, by 17% in 2020 (FX-adjusted), while performing loans surged 21% in 2019.

OTP Core's performing loans rose by 5% q-o-q in 1Q, by 2% in 2Q, by 5% in 3Q, and by 4% 4Q (all FX-adjusted) – that is, the pandemic and the related restrictions somewhat decelerated loan growth in 2Q, but it could climb back to average pre-pandemic quarterly levels in the second half-year. This was mostly the result of the effective economy protection measures, particularly of the government's and the National Bank of Hungary's subsidized lending programs: in full-year 2020, growth in subsidized loans (baby loans, FGS Go!, CSOK Housing Subsidy for Families scheme) contributed 84% of the total FX-adjusted increase in performing loans. Meanwhile, the dynamic lending activity helped OTP Bank preserve, or in some cases even improve, its market share in the main loan categories.

In addition, starting from the second quarter of 2020, existing loan volumes also benefited from the fact that, in the case of loans that participated in the debt repayment moratorium, the principal was not amortized, and the deferred interest was presented as part of the gross loan volume (however, the regulation bans charging interest on the unpaid interest).

Regarding the individual product categories, the subsidized baby loan was the engine of consumer loan growth: in 2020, the contractual amount of baby loans at OTP Bank hit HUF 257 billion, thus the Bank's market share reached 41.7% in 2020. In line with expectations, the quarterly contractual amount of baby loans has been following a slightly declining path since the product was launched in July 2019, owing to the features of the structure (1Q 2020: HUF 72 billion, 2Q: HUF 59 billion, 3Q: HUF 65 billion, 4Q: HUF 61 billion).

Market-based cash loan disbursements fell by 46% overall in 2020. The declining disbursements from 2Q 2020 can be attributed to the introduction of a cap on interest rates on newly disbursed, non-mortgage-backed consumer loans, effective from 19 March 2020 until end-2020, as well as to the related tightening in lending standards. OTP Bank's markets share calculated from cash loan placements was 34.8% in full-year 2020, down from 38.9% in 2019. The stock of performing cash loans expanded by 15% y-o-y, partly supported by the declining amortization due to the repayment moratorium.

As for mortgage loans, the steady growth in performing volumes continued, bringing the y-o-y dynamics to 11%. Within that, housing loans, which make up 85% of the overall mortgage stock, expanded by 14% y-o-y, while home equity loans, which were less popular in recent years, shrank further (-6% y-o-y).

In full year 2020, applications for mortgage loans subsided 7% y-o-y. However, the disbursed amount grew by 15% y-o-y in 2020, owing to the surge in subsidized loan placement.

OTP Bank's market share in new mortgage loan contractual amounts hit 32.0% in 2020 (up from 31.4% in 2019). The improvement owed mainly to the CSOK family housing benefit scheme, which was expanded in July 2019, thus bolstering demand for subsidized loans: in the subsidized housing loan segment, OTP's market share has been traditionally strong.

Regarding corporate lending activity, performing corporate loans reversed the strong growth seen in recent years and in the first quarter of 2020 (+5% q-o-q): they declined by 1% q-o-q in 2Q 2020, then picked up that much in 3Q, and grew 3% q-o-q in 4Q. This brought the annual growth rate to 7% in 2020.

The outstanding expansion in loans to micro and small enterprises continued: their performing loan volumes grew by 55% y-o-y (FX-adjusted), marking an impressive acceleration from the 14% growth in 2019. This owed a lot to the National Bank of Hungary’s *Funding for Growth Go!* scheme, which has been available at OTP Bank since the end of April 2020. By the end of December 2020, their contractual amount reached HUF 362 billion, thus OTP Bank's market share has surpassed 25% since the programme started.

The share of investments in subsidiaries, held on OTP Core's asset side, within the balance sheet total rose by an average of 1 pp y-o-y in 2020, to 13.1%, fundamentally driving the growing share of non-interest-bearing assets in the balance sheet.

OTP Core's customer deposits increased by 18% y-o-y (FX-adjusted). Household deposits remained on a dynamic growth path (+3% q-o-q in 1Q 2020, +6% in 2Q, +2% in 3Q, and +5% in 4Q). The net loan / (deposit + retail bond) ratio stood at 55% at the end of 2020, which is consistent with 1 pp y-o-y decline.

OTP Bank's capital adequacy ratio (CAR) stood at 26.7% at the end of 2020, while the CET1 = Tier 1 ratio was at 22.5%. The Bank's regulatory capital at the end of the reporting period did not include the eligible profit made in the reporting period.

OTP FUND MANAGEMENT (HUNGARY)

Changes in assets under management and financial performance of OTP Fund Management:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit without the effect of adjustments	15,104	9,747	(35)
Income tax	(1,438)	(915)	(36)
Profit before income tax	16,542	10,662	(36)
Operating profit	16,542	10,662	(36)
Total income	20,433	14,453	(29)
Net interest income	0	0	0
Net fees and commissions	19,800	14,154	(29)
Other net non-interest income	633	299	(53)
Operating expenses	(3,891)	(3,791)	(3)
Other provision	0	(1)	0
Main components of balance sheet closing balances	2019	2020	%
Total assets	33,688	33,210	(1)
Total shareholders' equity	24,828	16,425	(34)
Asset under management	2019 HUF billion	2020 HUF billion	%
Assets under management, total (w/o duplicates)[1]	**1,119**	**1,201**	**7**
Volume of investment funds (closing, w/o duplicates)	793	828	4
Volume of managed assets (closing)	326	373	14
Volume of investment funds (closing, with duplicates)[2]	**1,073**	**1,183**	**10**
absolute return fund	434	374	(14)
bond	315	376	19
security	188	248	32
mixed	73	133	82
commodity market	30	28	(7)
guaranteed	28	20	(29)
money market	6	5	(17)
derivative	0	0	0
other	0	0	0

[1] The cumulative net asset value of investment funds and managed assets of OTP Fund Management, eliminating the volume of own investment funds (duplications) being managed in other investment funds and managed assets of OTP Fund Management.
[2] The cumulative net asset value of investment funds with duplications managed by OTP Fund Management.

In 2020, **OTP Fund Management** generated HUF 9.7 billion profit, 35% less than in the previous year.

The y-o-y drop in full-year net fees and commissions was caused by a base effect: it largely reflected the effect of the income from an outstanding success fee at the end of 2019.

Unlike in 2019, when the success fee was mostly related to the OTP Supra Derivative Fund's performance, in 2020 it was the OTP Treasures of the Earth Derivative Fund, and a number of other derivative and absolute return funds' performance that determined it. The OTP Treasures of the Earth Derivative Fund absolute return fund's yield exceeded 49% in 2020, and the success fee is 20% of the positive difference between the fund's yield and the ZMAX benchmark index.

The main reason for the y-o-y drop in the annual other income was the negative fair value adjustment of own investment units, recorded in 1Q 2020.

Operating expenses dropped by 3% y-o-y in 2020.

In Hungary, the market environment for investment funds was rather hectic; following the lows hit in the first quarter, the situation consolidated, and the turbulent changes reshuffled investment funds' structure as well.

Following its extraordinary performance in 2019, Hungary's largest absolute return fund, OTP Supra Derivative Fund made negative yield in 2020, but it worked off some of the losses after hitting its lowest in March. Absolute return funds, as well as technology and climate change related funds were particularly popular in 2020.

The positive capital flow and yields helped OTP Fund Management increase the total wealth managed in y-o-y terms (by +4%).

Of the funds managed, demand for bond funds remained steady; their volume expanded by nearly 20% y-o-y. Following the slump in stock prices in March, demand for equity funds has increased, thus their volumes grew by 32% y-o-y, on account of capital inflow and favourable yield developments.

The Company's market share rose by 1 pp y-o-y, to 24.6% by the end of December 2020, thus preserving its top position in the domestic securities funds market.

MERKANTIL GROUP (HUNGARY)

Performance of Merkantil Group:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit without the effect of adjustments	7,115	7,661	8
Income tax	(632)	(956)	51
Profit before income tax	7,747	8,617	11
Operating profit	7,372	10,280	39
Total income	14,369	21,283	48
Net interest income	14,013	17,688	26
Net fees and commissions	(104)	40	(138)
Other net non-interest income	461	3,555	671
Operating expenses	(6,997)	(11,004)	57
Total provisions	375	(1,663)	(543)
Provision for impairment on loan and placement losses	143	(1,491)	
Other provision	232	(171)	(174)
Main components of balance sheet closing balances	**2019**	**2020**	**%**
Total assets	491,399	667,120	36
Gross customer loans	366,064	416,987	14
Gross customer loans (FX-adjusted)	368,689	416,987	13
Retail loans	30,528	57,018	87
Corporate loans	128,707	119,725	(7)
Car financing loans	209,454	240,244	15
Allowances for possible loan losses	(10,072)	(12,874)	28
Allowances for possible loan losses (FX-adjusted)	(10,143)	(12,874)	27
Deposits from customers	10,414	9,344	(10)
Deposits from customer (FX-adjusted)	10,414	9,344	(10)
Retail deposits	8,051	6,071	(25)
Corporate deposits	2,364	3,273	38
Liabilities to credit institutions	420,076	584,944	39
Total shareholders' equity	44,441	52,553	18
Loan Quality	**2019**	**2020**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	345,339	343,668	0
Stage 1 loans under IFRS 9/gross customer loans	94.3%	82.4%	(11.9)
Own coverage of Stage 1 loans under IFRS 9	0.4%	0.2%	(0.1)
Stage 2 loan volume under IFRS 9 (in HUF million)	7,459	58,592	686
Stage 2 loans under IFRS 9/gross customer loans	2.0%	14.1%	12.0
Own coverage of Stage 2 loans under IFRS 9	4.7%	3.8%	(0.8)
Stage 3 loan volume under IFRS 9 (in HUF million)	13,267	14,727	11
Stage 3 loans under IFRS 9/gross customer loans	3.6%	3.5%	(0.1)
Own coverage of Stage 3 loans under IFRS 9	63.4%	66.5%	3.1
Provision for impairment on loan and placement losses/average gross loans	(0.04%)	0.38%	0.42
90+ days past due loan volume (in HUF million)	7,364	8,971	22
90+ days past due loans/gross customer loans	2.0%	2.2%	0.1
Performance Indicators	**2019**	**2020**	**pps**
ROA	1.6%	1.3%	(0.3)
ROE	17.4%	15.7%	(1.6)
Total income margin	3.20%	3.58%	0.37
Net interest margin	3.12%	2.97%	(0.15)
Cost/income ratio	48.7%	51.7%	3.0

The column for 2020 in the table display the partially consolidated performance of Merkantil Group, including Merkantil Bank Ltd., Merkantil Bérlet Ltd., NIMO 2002 Ltd., SPLC-P Ingatlanfejlesztő, Ingatlanhasznosító Ltd., SPLC Vagyonkezelő Ltd., and OTP Ingatlanlízing Ltd. In the 2019 base period, the standalone performance of Merkantil Bank Ltd. was presented.

In 2020 **Merkantil Group** generated HUF 7.7 billion adjusted after-tax profit, of which HUF 6.7 billion was Merkantil Bank's contribution, which therefore showed a decrease y-o-y. In 2020, the Group's ROE stood at 15.7%.

The main reason for the y-o-y rise in the income and expense lines is that, starting from 1Q 2020, the figures reflect the performance of the entire Hungarian leasing group. Merkantil Bank's individual net interest income rose by 4% y-o-y, and its operating expenses dropped by 5%. Merkantil Group's total risk cost amounted to -HUF 1.7 billion in 2020.

The stock of DPD90+ loans did not change over 2020 (FX-adjusted, without sales/write-offs).

The ratio of Stage 2 loans grew by 4.6 pps q-o-q. The own provision coverage of Stage 2 loans stood at 3.8% (-0.7 pp q-o-q). Stage 3 loans made up 3.5% of gross loan volumes (-0.7 pp q-o-q), and their own provision coverage was 66.5% (+10.4 pps q-o-q).

Merkantil Group's FX-adjusted performing (Stage 1+2) loans increased by 12% y-o-y. Merkantil Bank's individual performing loan stock grew by 4% y-o-y. The full-year dynamics was positively affected by the National Bank of Hungary's *FGS Go!* programme, made available in April 2020. By the end of December 2020, contractual amount reached HUF 41 billion at Merkantil Bank. Merkantil Bank retained its market leading position both in terms of new disbursements and outstanding leasing volumes.

IFRS REPORTS OF THE MAIN FOREIGN SUBSIDIARIES OF OTP BANK

DSK GROUP (BULGARIA)

Performance of DSK Group:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit without the effect of adjustments	67,879	40,957	(40)
Income tax	(7,199)	(3,707)	(49)
Profit before income tax	75,078	44,665	(41)
Operating profit	83,495	89,775	8
Total income	155,567	166,668	7
Net interest income	109,030	111,239	2
Net fees and commissions	42,019	45,453	8
Other net non-interest income	4,517	9,975	121
Operating expenses	(72,071)	(76,893)	7
Total provisions	(8,418)	(45,110)	436
Provision for impairment on loan and placement losses	(5,216)	(44,875)	760
Other provision	(3,201)	(235)	(93)
Main components of balance sheet closing balances	**2019**	**2020**	**%**
Total assets	3,669,766	4,283,625	17
Gross customer loans	2,350,694	2,634,870	12
Gross customer loans (FX-adjusted)	2,596,088	2,634,870	1
Retail loans	1,597,408	1,614,561	1
Corporate loans	953,025	938,117	(2)
Car financing loans	45,655	82,191	80
Allowances for possible loan losses	(135,640)	(185,829)	37
Allowances for possible loan losses (FX-adjusted)	(149,830)	(185,829)	24
Deposits from customers	3,015,805	3,587,364	19
Deposits from customers (FX-adjusted)	3,315,475	3,587,364	8
Retail deposits	2,780,781	3,012,074	8
Corporate deposits	534,694	575,290	8
Liabilities to credit institutions	59,867	17,010	(72)
Total shareholders' equity	528,759	620,379	17
Loan Quality	**2019**	**2020**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	2,081,790	2,142,644	3
Stage 1 loans under IFRS 9/gross customer loans	88.6%	81.3%	(7.3)
Own coverage of Stage 1 loans under IFRS 9	1.1%	1.0%	(0.1)
Stage 2 loan volume under IFRS 9 (in HUF million)	99,917	297,292	198
Stage 2 loans under IFRS 9/gross customer loans	4.3%	11.3%	7.0
Own coverage of Stage 2 loans under IFRS 9	8.5%	12.6%	4.1
Stage 3 loan volume under IFRS 9 (in HUF million)	168,986	194,934	15
Stage 3 loans under IFRS 9/gross customer loans	7.2%	7.4%	0.2
Own coverage of Stage 3 loans under IFRS 9	62.0%	65.6%	3.6
Provision for impairment on loan and placement losses/average gross loans	0.24%	1.79%	1.55
90+ days past due loan volume (in HUF million)	108,600	126,242	16
90+ days past due loans/gross customer loans	4.6%	4.8%	0.2
Performance Indicators	**2019**	**2020**	**pps**
ROA	1.9%	1.0%	(0.9)
ROE	13.7%	7.0%	(6.7)
Total income margin	4.28%	4.13%	(0.15)
Net interest margin	3.00%	2.75%	(0.25)
Cost/income ratio	46.3%	46.1%	(0.2)
Net loans to deposits (FX-adjusted)	74%	68%	(6)
FX rates	**2019 HUF**	**2020 HUF**	**Change %**
HUF/BGN (closing)	169.0	186.7	10
HUF/BGN (average)	166.3	179.5	8

- ***The Bulgarian banking group generated HUF 41.0 billion adjusted profit, 40% less than a year earlier, owing to the higher provisions.***
- ***The integration of Expressbank was successfully completed at the beginning of May 2020. The number of branches dropped by 24%, and the headcount fell by 9% y-o-y.***

The P&L of the Bulgarian operation was adjusted for the one-off items directly related to the Expressbank acquisition; these corrections are presented at consolidated level, among adjustment items. The balance sheet items were not adjusted for these effects.

In 2020 **DSK Group** generated HUF 41.0 billion after-tax profit, 40% less than in 2019.

The integration of Expressbank was successfully completed at the beginning of May 2020. Certain cost synergies had already been extracted during the integration process, and this has continued since then. The number of branches in Bulgaria fell by 143 units (-30%) since the end of 1Q 2019, when Expressbank became part of the Group. The number of employees dropped by 566 (-9%) in 2020. Full-year operating expenses declined by 1% y-o-y in local currency.

The Bulgarian operation's full-year operating profit grew by 8% in HUF (but dropped 1% in BGN terms). Within total income, cumulated net interest income declined by 6% in BGN terms, as a result of the 24 bps erosion in net interest margin. The full-year net interest income was also negatively affected by a regulatory change that banned charging penalty interest on late payment during the emergency, from 13 March to 14 May 2020.

In 2020, net fees and commissions stagnated y-o-y in BGN, predominantly in connection with the drop in economic and business activity from the second quarter.

In 2020, other net non-interest income surged by 121% y-o-y, chiefly because of higher swap result and foreign exchange gains. Another reason was that, following the revision of Visa Inc.'s class C shares' accounting classification, the equivalent of HUF 0.7 billion positive amount boosted other income in 2Q 2020.

The Stage 2 ratio has significantly increased over the past 12 months (+7 pps y-o-y), predominantly because the Bank reclassified the loans most exposed to the pandemic, first corporate and then retail loans were reclassified from Stage 1 (performing) category under IFRS 9 into Stage 2 (increased risk).

The ratio of Stage 3 loans increased by 0.2 pp over the previous year. The own provision coverage of Stage 3 loans rose in y-o-y terms.

In 2020, HUF 45.1 billion total risk costs weighed on profit. The reason for the y-o-y higher figure was the extra provisioning owing to the pandemic. The 12-month credit risk cost ratio was 1.79% of average gross loan volumes.

Overall, loan quality indicators have improved: the more than 90 days past due (DPD90+) loans grew by HUF 22 billion (FX-adjusted, without sales/write-offs) in full year 2020 (of which 4Q: +HUF 5 billion). During 2019 this volume increased by HUF 11 billion without the technical effect of the acquisition of Expressbank. In 2020 as a whole HUF 13 billion worth of problem loans were sold/written off.

Regarding the lending activity, performing (Stage 1+2) loans rose by an FX-adjusted 1% in y-o-y terms. In 2020, car financing loans grew by 80% y-o-y, partly because of the reclassification of some leasing exposures from corporate loans onto this line.

The Bulgarian operation's liquidity position remained stable. The FX-adjusted net loan/deposit ratio stood at 68% at the end of December. At the end of December 2020, the capital adequacy ratio of DSK Bank, calculated according to local rules, stood at 21.4%. In the course of 2020, DSK Bank did not pay dividend to OTP Bank from its 2019 profit, in accordance with the Bulgarian National Bank's recommendation.

OTP BANK CROATIA

Performance of OTP Bank Croatia:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit without the effect of adjustments	30,719	14,830	(52)
Income tax	(6,681)	(2,771)	(59)
Profit before income tax	37,400	17,600	(53)
Operating profit	42,925	40,329	(6)
Total income	85,069	84,907	0
Net interest income	56,812	58,199	2
Net fees and commissions	17,032	16,093	(6)
Other net non-interest income	11,225	10,615	(5)
Operating expenses	(42,144)	(44,578)	6
Total provisions	(5,525)	(22,728)	311
Provision for impairment on loan and placement losses	(2,835)	(19,491)	588
Other provision	(2,691)	(3,238)	20
Main components of balance sheet closing balances	2019	2020	%
Total assets	2,098,951	2,325,669	11
Gross customer loans	1,370,057	1,642,170	20
Gross customer loans (FX-adjusted)	1,503,015	1,642,170	9
Retail loans	812,239	853,245	5
Corporate loans	617,623	722,320	17
Car financing loans	73,152	66,606	(9)
Allowances for possible loan losses	(68,701)	(100,920)	47
Allowances for possible loan losses (FX-adjusted)	(75,254)	(100,920)	34
Deposits from customers	1,478,223	1,634,652	11
Deposits from customers (FX-adjusted)	1,613,110	1,634,652	1
Retail deposits	1,213,410	1,231,516	1
Corporate deposits	399,700	403,136	1
Liabilities to credit institutions	253,176	287,647	14
Total shareholders' equity	292,649	328,165	12
Loan Quality	2019	2020	%/pps
Stage 1 loan volume under IFRS 9 (in HUF million)	1,140,495	1,257,492	10
Stage 1 loans under IFRS 9/gross customer loans	83.2%	76.6%	(6.7)
Own coverage of Stage 1 loans under IFRS 9	0.8%	0.8%	0.0
Stage 2 loan volume under IFRS 9 (in HUF million)	143,843	241,962	68
Stage 2 loans under IFRS 9/gross customer loans	10.5%	14.7%	4.2
Own coverage of Stage 2 loans under IFRS 9	3.5%	5.7%	2.2
Stage 3 loan volume under IFRS 9 (in HUF million)	85,719	142,716	66
Stage 3 loans under IFRS 9/gross customer loans	6.3%	8.7%	2.4
Own coverage of Stage 3 loans under IFRS 9	63.6%	53.9%	(9.6)
Provision for impairment on loan and placement losses/average gross loans	0.22%	1.27%	1.05
90+ days past due loan volume (in HUF million)	51,012	68,712	35
90+ days past due loans/gross customer loans	3.7%	4.2%	0.5
Performance Indicators	2019	2020	pps
ROA	1.6%	0.7%	(0.9)
ROE	10.9%	4.7%	(6.2)
Total income margin	4.35%	3.93%	(0.42)
Net interest margin	2.91%	2.69%	(0.21)
Cost/income ratio	49.5%	52.5%	3.0
Net loans to deposits (FX-adjusted)	89%	94%	6
FX rates	2019 HUF	2020 HUF	Change %
HUF/HRK (closing)	44.4	48.4	9
HUF/HRK (average)	43.9	46.6	6

- ***Full-year 2020 profit neared HUF 15 billion (-52% y-o-y), with 6% lower operating profit and a jump in risk costs***
- ***Net interest income rose by 2% y-o-y; performing (Stage 1+2) loans increased in FX-adjusted terms and interest margin shrank 21 bps in 2020***
- ***As to loan quality, the Stage 3 ratio upped 2.4 pps, to 8.7% y-o-y***

In 2020, the **Croatian operation** generated HUF 14.8 billion after-tax profit, 52% less than a year earlier, owing to a jump in risk costs and a decline in operating profit.

Following a halt in lending activity in the second quarter, disbursement dynamics have been steadily improving. In 4Q 2020, mortgage loan disbursements grew by 72% q-o-q; this brought the full-year disbursement growth to 8% y-o-y. Even though cash loans rebounded after the first wave of the coronavirus pandemic, the full-year disbursed volume was 25% short of its 2019 level.

Performing (Stage 1+2) loans grew by an FX-adjusted 6% y-o-y

Beside loan volume growth, and the Croatian bank's liquidity position remained stable. Deposit volumes rose by an FX-adjusted 1% y-o-y, thus the net loan/deposit ratio went up by 6 pps y-o-y, to 94%, in FX-adjusted terms.

In 2020, operating profit was 6% (in local currency terms 11%) less than a year earlier. Core banking income dropped in y-o-y terms, as a combined effect of the 21 bps erosion in net interest margin (2.69%), and the pandemic's effect on business and economic activity. Net fees and commissions were dragged down by the lost revenue from tourism-related activities. Despite the HUF 1.5 billion one-off revaluation result on Visa Inc.'s class C shares booked in 2Q 2020, other non-interest income was 5% short of the base period.

In 2020, operating expenses surged by 6% y-o-y in HUF, and were stable in local currency. The 3 pps rise in full-year cost/income ratio brought the y-o-y figure to 52.5%.

In 2020, nearly HUF 23 billion risk cost weighed on profit, which was four times the figure posted in 2019. A smaller part of that was recorded in 1Q, in view of the possible effects of the pandemic, while loan loss provision in 3Q was even higher than in 1Q, owing to the revision of the IFRS 9 impairment model parameters. In 4Q 2020 under the instruction of the local regulator exposures with longer than 9 months moratorium participation in total shall be classified as Stage 3.

The stock of more than 90 days past due loans grew by HUF 15 billion (FX-adjusted, without sales/write-offs) in 2020. This brought the DPD90+ ratio to 4.2% by the end of December (+0.5 pp y-o-y). The Stage 3 ratio rose by more than 2 pps in y-o-y terms (4Q: 8.7%), as the Bank reclassified the exposures with longer than 9 months moratorium participation to Stage 3 (forborne) category, in accordance with local regulation.

In March and April 2020, the Croatian National Bank issued a set of recommendations, based on the EBA's guidance, on the basis of which commercial banks developed rules for their own loan repayment moratorium. On 1 October 2020, a new moratorium period was opened; the deadline for receiving applications is 31 March 2021.

OTP BANK SERBIA

Performance of OTP Bank Serbia:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit without the effect of adjustments	10,430	7,298	(30)
Income tax	459	(1,157)	(352)
Profit before income tax	9,970	8,455	(15)
Operating profit	13,143	35,898	173
Total income	43,276	79,001	83
Net interest income	30,809	59,514	93
Net fees and commissions	9,506	14,766	55
Other net non-interest income	2,962	4,721	59
Operating expenses	(30,133)	(43,102)	43
Total provisions	(3,173)	(27,443)	765
Provision for impairment on loan and placement losses	(1,634)	(22,170)	
Other provision	(1,539)	(5,273)	243
Main components of balance sheet closing balances	2019	2020	%
Total assets	1,659,483	2,052,332	24
Gross customer loans	1,199,580	1,539,738	28
Gross customer loans (FX-adjusted)	1,325,734	1,539,738	16
Retail loans	633,684	747,715	18
Corporate loans	642,532	737,969	15
Car financing loans	49,518	54,054	9
Allowances for possible loan losses	(18,904)	(43,597)	131
Allowances for possible loan losses (FX-adjusted)	(20,907)	(43,597)	109
Deposits from customers	910,623	1,147,712	26
Deposits from customers (FX-adjusted)	1,003,698	1,147,712	14
Retail deposits	604,453	676,599	12
Corporate deposits	399,245	471,112	18
Liabilities to credit institutions	436,449	548,354	26
Subordinated debt	24,460	31,033	27
Total shareholders' equity	249,461	273,046	9
Loan Quality	2019	2020	%/pps
Stage 1 loan volume under IFRS 9 (in HUF million)	1,151,763	1,367,313	19
Stage 1 loans under IFRS 9/gross customer loans	96.0%	88.8%	(7.2)
Own coverage of Stage 1 loans under IFRS 9	0.4%	0.8%	0.4
Stage 2 loan volume under IFRS 9 (in HUF million)	21,447	132,427	517
Stage 2 loans under IFRS 9/gross customer loans	1.8%	8.6%	6.8
Own coverage of Stage 2 loans under IFRS 9	5.8%	8.5%	2.7
Stage 3 loan volume under IFRS 9 (in HUF million)	26,370	39,998	52
Stage 3 loans under IFRS 9/gross customer loans	2.2%	2.6%	0.4
Own coverage of Stage 3 loans under IFRS 9	50.0%	53.6%	3.6
Provision for impairment on loan and placement losses/average gross loans	0.25%	1.62%	1.37
90+ days past due loan volume (in HUF million)	20,702	22,697	10
90+ days past due loans/gross customer loans	1.7%	1.5%	(0.2)
Performance Indicators	2019	2020	pps
ROA	1.1%	0.4%	(0.7)
ROE	7.6%	2.7%	(4.9)
Total income margin	4.70%	4.25%	(0.45)
Net interest margin	3.35%	3.20%	(0.15)
Cost/income ratio	69.6%	54.6%	(15.1)
Net loans to deposits (FX-adjusted)	130%	130%	0
FX rates	2019 HUF	2020 HUF	Change %
HUF/RSD (closing)	2.8	3.1	11
HUF/RSD (average)	2.8	3.0	8

- ***The annual after-tax profit amounted to HUF 7.3 billion in 2020 (-30%); in 4Q, HUF 3.1 billion loss emerged and nearly HUF 13 billion provision was put aside***
- ***The integration is progressing well, the full-year cost/income ratio sank to 54.6%***
- ***Performing (Stage1+2) loansexpanded by 3% y-o-y***

The financial closure of Societe Generale banka Srbija transaction was completed on 24 September 2019. Following the transaction, the name of the acquired bank was changed to OTP banka Srbija. The Serbian financial statements present the acquired bank's balance sheet starting from 3Q 2019, and its P&L account starting from 4Q 2019.

The Serbian P&L account was adjusted for the one-off items directly related to the acquisition; these corrections are shown at consolidated level, among the adjustment items. The balance sheet items were not adjusted for these effects.

In 2020, the **Serbian banking group** generated HUF 7.3 billion adjusted after-tax profit.

Following the financial closure of the acquisition at the end of September 2019, the Serbian operation's total markets share by balance sheet total jumped to 13.5% on pro forma basis, based on the latest available data from end-September 2020.

The integration of the bank acquired in 2019 is in progress. Since the end of September 2019, the total number of branches in Serbia dropped by 23 (-10%). The number of employees declined by 140 workers y-o-y (-4%).

Both deposits and performing loans (Stage 1+2) showed double-digit y-o-y growth rates (FX-adjusted), thus the Serbian bank's net loan/deposit ratio remained flat at 130% y-o-y.

Both the retail and the corporate loan segments posted growth: consumer loans expanded by 22% y-o-y (FX-adjusted), and mortgage loans increased by 13%, while corporate loans, which make up nearly half of the performing (Stage 1+2) portfolio, rose by 14% y-o-y. Recovering from the low hit in the second quarter, the volume of new loan disbursements has been steadily rising.

The y-o-y dynamics of P&L lines were predominantly determined by the acquisition, and they were also affected by the 8% weakening of the HUF's average exchange rate against the Serbian dinar.

The underlying business development trends can be captured the best by analysing the 4Q 2020 y-o-y developments, as those are comparable with the base period and undistorted by the acquisition effects. The 4Q operating profit improved by 16% y-o-y, as income rose by 6% and operating expenses declined. In 4Q, the y-o-y dynamics of net interest income was positively affected by the outstanding expansion of (Stage 1+2) loan volumes (+16% y-o-y; FX-adjusted), even as net interest margin eroded by 32 bps y-o-y, to 3.1%, reflecting the effect of the lower interest rate environment. Net fees and commissions were stable y-o-y in 4Q 2020.

In 4Q, operating expenses dropped by 1% y-o-y, while the bank's cost/income ratio improved by 3.8 pps y-o-y, to 54.9% in the fourth quarter.

In 2020, total risk cost amounted to -HUF 27.4 billion, of which -HUF 12.5 billion was booked in the fourth quarter. In 2020, the credit risk cost ratio was 1.62%.

As regards loan quality, the volume of more than 90 days past due loans (FX-adjusted, without sales/write-offs) rose by HUF 3.3 billion in full year 2020.

The ratio of Stage 3 loans rose by 0.4 pp y-o-y, their own provision coverage ratio improved by 3.6 pps y-o-y, to 53.6% by the end of December. Stage 2 loans were affected by a number factors: in 1Q, the corporate portfolios most exposed to the pandemic were reclassified to Stage 2 (increased risk), while in the second quarter those were mostly retail loans that were shifted.

In Serbia, there were three phases of the loan repayment moratorium. The application deadline for the third one is the end of April 2021; the maximum term of the moratorium can be up to six months.

SKB BANKA (SLOVENIA)

Performance of SKB Banka (Slovenia):

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit w/o dividends and net cash transfer		9,665	
Income tax		(2,439)	
Profit before income tax		12,104	
Operating profit		19,787	
Total income		40,388	
Net interest income		28,103	
Net fees and commissions		11,127	
Other net non-interest income		1,158	
Operating expenses		(20,601)	
Total provisions		(7,683)	
Provision for impairment on loan and placement losses		(6,244)	
Other provision		(1,440)	
Main components of balance sheet closing balances	2019	2020	%
Total assets	1,130,871	1,353,772	20
Gross customer loans	831,139	909,439	9
Gross customer loans (FX-adjusted)	918,174	909,439	(1)
Retail loans	540,374	539,678	0
Corporate loans	249,584	248,855	0
Car financing loans	128,216	120,906	(6)
Allowances for possible loan losses	(4,051)	(14,876)	267
Allowances for possible loan losses (FX-adjusted)	(4,475)	(14,876)	232
Deposits from customers	880,839	1,136,666	29
Deposits from customers (FX-adjusted)	971,653	1,136,666	17
Retail deposits	853,172	973,276	14
Corporate deposits	118,481	163,390	38
Liabilities to credit institutions	94,909	29,524	(69)
Total shareholders' equity	132,667	166,124	25
Loan Quality	2019	2020	%/pps
Stage 1 loan volume under IFRS 9 (in HUF million)	822,118	753,584	(8)
Stage 1 loans under IFRS 9/gross customer loans	98.9%	82.9%	(16.0)
Own coverage of Stage 1 loans under IFRS 9	0.4%	0.5%	0.1
Stage 2 loan volume under IFRS 9 (in HUF million)	0	142,015	
Stage 2 loans under IFRS 9/gross customer loans	0.0%	15.6%	
Own coverage of Stage 2 loans under IFRS 9	0.0%	4.3%	
Stage 3 loan volume under IFRS 9 (in HUF million)	9,020	13,840	53
Stage 3 loans under IFRS 9/gross customer loans	1.1%	1.5%	0.4
Own coverage of Stage 3 loans under IFRS 9	8.7%	36.3%	27.6
Provision for impairment on loan and placement losses/average gross loans		0.70%	
90+ days past due loan volume (in HUF million)	2,967	3,620	22
90+ days past due loans/gross customer loans	0.4%	0.4%	0.0
Performance Indicators	2019	2020	pps
ROA		0.8%	
ROE		6.3%	
Total income margin		3.18%	
Net interest margin		2.21%	
Cost/income ratio		51.0%	
Net loans to deposits (FX-adjusted)	94%	79%	(15)
FX rates	2019 HUF	2020 HUF	Change %
HUF/EUR (closing)	330.5	365.1	10
HUF/EUR (average)	325.3	351.2	8

OTP Group's financial statements include the Slovenian bank's balance sheet starting from end-2019, and its P&L from the first quarter of 2020.

The Slovenian P&L account was adjusted for the one-off items directly related to the acquisition; these corrections are shown at consolidated level, among adjustment items. The balance sheet items were not adjusted for the acquisition effects.

OTP Group's **Slovenian** subsidiary generated HUF 9.7 billion adjusted after-tax profit in full year 2020. The full-year ROE was 6.3% in 2020, with 51% cost/income ratio, 2.21% net interest margin, and 70 bps credit risk cost ratio.

At the end of 2020, the ratio of Stage 3 loans remained steady at 1.5%. The own provision coverage ratio of Stage 3 loans stood at 36.3%. When the Slovenian bank was consolidated into the Group, Stage 3 loans were netted with the related provisions. In full year 2020, DPD90+ loan volumes (FX-adjusted, without sales/write-offs) grew by HUF 0.6 billion.

The FX adjusted volume of Stage 1+2 loans dropped by 1% y-o-y; within that, retail loans shrank by 9%, while corporate loan volumes expanded by 18%.

The FX-adjusted deposit stock grew by 17% y-o-y. The net loan/deposit ratio stood at 79%.

OTP BANK ROMANIA

Performance of OTP Bank Romania:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit without the effect of adjustments	6,309	1,558	(75)
Income tax	(598)	91	(115)
Profit before income tax	6,906	1,467	(79)
Operating profit	12,314	11,811	(4)
Total income	37,530	43,748	17
Net interest income	28,254	32,739	16
Net fees and commissions	3,180	3,813	20
Other net non-interest income	6,097	7,195	18
Operating expenses	(25,216)	(31,937)	27
Total provisions	(5,408)	(10,344)	91
Provision for impairment on loan and placement losses	(3,018)	(7,840)	160
Other provision	(2,390)	(2,504)	5
Main components of balance sheet closing balances	2019	2020	%
Total assets	953,345	1,162,183	22
Gross customer loans	708,299	861,393	22
Gross customer loans (FX-adjusted)	773,358	861,393	11
Retail loans	522,937	587,724	12
Corporate loans	237,111	257,860	9
Car financing loans	13,311	15,809	19
Allowances for possible loan losses	(39,327)	(48,174)	22
Allowances for possible loan losses (FX-adjusted)	(42,997)	(48,174)	12
Deposits from customers	546,350	710,047	30
Deposits from customers (FX-adjusted)	590,707	710,047	20
Retail deposits	442,397	506,773	15
Corporate deposits	148,310	203,274	37
Liabilities to credit institutions	257,404	284,173	10
Total shareholders' equity	116,432	127,238	9
Loan Quality	2019	2020	%/pps
Stage 1 loan volume under IFRS 9 (in HUF million)	593,922	690,664	16
Stage 1 loans under IFRS 9/gross customer loans	83.9%	80.2%	(3.7)
Own coverage of Stage 1 loans under IFRS 9	1.3%	1.0%	(0.3)
Stage 2 loan volume under IFRS 9 (in HUF million)	61,556	114,615	86
Stage 2 loans under IFRS 9/gross customer loans	8.7%	13.3%	4.6
Own coverage of Stage 2 loans under IFRS 9	5.7%	9.0%	3.3
Stage 3 loan volume under IFRS 9 (in HUF million)	52,821	56,113	6
Stage 3 loans under IFRS 9/gross customer loans	7.5%	6.5%	(1.0)
Own coverage of Stage 3 loans under IFRS 9	53.7%	54.6%	0.9
Provision for impairment on loan and placement losses/average gross loans	0.47%	0.99%	0.52
90+ days past due loan volume (in HUF million)	35,416	38,713	9
90+ days past due loans/gross customer loans	5.0%	4.5%	(0.5)
Performance Indicators	2019	2020	pps
ROA	0.7%	0.1%	(0.6)
ROE	6.6%	1.3%	(5.3)
Total income margin	4.37%	4.18%	(0.19)
Net interest margin	3.29%	3.13%	(0.16)
Cost/income ratio	67.2%	73.0%	5.8
Net loans to deposits (FX-adjusted)	124%	115%	(9)
FX rates	2019 HUF	2020 HUF	Change %
HUF/RON (closing)	69.1	75.0	9
HUF/RON (average)	68.6	72.6	6

OTP Bank Romania generated HUF 1.6 billion after-tax profit in 2020, 75% less than in the base period. In 2020, operating profit dropped by 4% in HUF (by 9% in local currency), as a result of a 17% y-o-y increase in total income, and a 27% surge in operating expenses. Net interest income grew by 16%, bolstered by a dynamic expansion in performing loan volumes, while the net interest margin dropped by 16 bps last year.

In 2020, operating expenses grew by 27% y-o-y (by 20% in local currency), largely because of the growth strategy launched in 2019: IT and digital developments boosted IT costs, while personnel expenses were 27% higher than a year earlier, owing to the general wage inflation, as well as the 15% rise in annual average headcount. As a result of the rising costs, the cost/income ratio increased by 5.8 pps, to 73.0% in 2020.

As a result of the growth strategy, both loan and deposit volumes grew dynamically in 2020. Due to the increased lending activity, performing (Stage 1+2) mortgage loan volumes increased by 15% y-o-y (FX-adjusted). Performing (Stage 1+2) loans to micro and small enterprises grew by 15%, and corporate exposures rose by 10% y-o-y. The FX-adjusted deposit volumes expanded by 20% y-o-y, supported by both the retail and corporate segments. The net loan/deposit ratio stood at 115% at the end of 2020 (-9 pps y-o-y). In 2020, OTP Bank Romania increased its market share in all segments. In the stock of housing loans, the Romanian operation increased its market share from 3.7% to 4.2% y-o-y.

Regarding loan quality, in 2020 the volume of DPD90+ loans grew by HUF 7 billion (FX-adjusted, without sales and write-offs), much of which was caused by corporate loans that slipped into delinquency in 2Q 2020.

The ratio of Stage 2 loans grew by 4.6 pps y-o-y, largely affected by the reclassification of Stage 1 loans (-3.7 pps y-o-y) owing to the pandemic. The own coverage of Stage 1+2 loans increased in y-o-y terms.

The ratio of Stage 3 loans remained on a downward trend in 2020. At the end of the year, Stage 3 loans made up 6.5% of gross loan volume (-0.9 pp y-o-y). Reasons for the decline included the sale/write-off of bad loans, as well as the rapid growth of loans. The own coverage of Stage 3 loans grew over the fourth quarter, bringing the ratio to 54.6% by the end of the year.

In 2020, total provisions grew by 91% y-o-y. Within that, loan loss provisions increased significantly (by HUF 4.8 billion) owing to the COVID-19 pandemic effects.

OTP BANK UKRAINE

Performance of OTP Bank Ukraine:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit without the effect of adjustments	35,223	26,104	(26)
Income tax	(6,937)	(5,485)	(21)
Profit before income tax	42,160	31,589	(25)
Operating profit	44,353	42,030	(5)
Total income	67,451	67,385	0
Net interest income	48,128	48,581	1
Net fees and commissions	14,877	13,540	(9)
Other net non-interest income	4,446	5,264	18
Operating expenses	(23,098)	(25,355)	10
Total provisions	(2,194)	(10,441)	376
Provision for impairment on loan and placement losses	(1,433)	(6,286)	339
Other provision	(761)	(4,155)	446
Main components of balance sheet closing balances	2019	2020	%
Total assets	646,295	729,012	13
Gross customer loans	468,715	443,031	(5)
Gross customer loans (FX-adjusted)	431,920	443,031	3
Retail loans	136,749	118,709	(13)
Corporate loans	252,194	274,187	9
Car financing loans	42,977	50,136	17
Allowances for possible loan losses	(69,785)	(46,200)	(34)
Allowances for possible loan losses (FX-adjusted)	(64,223)	(46,200)	(28)
Deposits from customers	431,944	493,884	14
Deposits from customers (FX-adjusted)	394,459	493,884	25
Retail deposits	176,949	222,112	26
Corporate deposits	217,509	271,772	25
Liabilities to credit institutions	79,331	91,059	15
Total shareholders' equity	109,128	117,071	7
Loan Quality	2019	2020	%/pps
Stage 1 loan volume under IFRS 9 (in HUF million)	345,955	365,266	6
Stage 1 loans under IFRS 9/gross customer loans	73.8%	82.4%	8.6
Own coverage of Stage 1 loans under IFRS 9	0.9%	1.9%	1.0
Stage 2 loan volume under IFRS 9 (in HUF million)	41,847	31,726	(24)
Stage 2 loans under IFRS 9/gross customer loans	8.9%	7.2%	(1.7)
Own coverage of Stage 2 loans under IFRS 9	8.3%	15.9%	7.6
Stage 3 loan volume under IFRS 9 (in HUF million)	80,913	46,039	(43)
Stage 3 loans under IFRS 9/gross customer loans	17.3%	10.4%	(6.9)
Own coverage of Stage 3 loans under IFRS 9	77.9%	74.3%	(3.6)
Provision for impairment on loan and placement losses/average gross loans	0.34%	1.39%	1.05
90+ days past due loan volume (in HUF million)	51,913	28,401	(45)
90+ days past due loans/gross customer loans	11.1%	6.4%	(4.7)
Performance Indicators	2019	2020	pps
ROA	7.0%	3.8%	(3.2)
ROE	42.5%	23.0%	(19.5)
Total income margin	13.38%	9.78%	(3.60)
Net interest margin	9.55%	7.05%	(2.50)
Cost/income ratio	34.2%	37.6%	3.4
Net loans to deposits (FX-adjusted)	93%	80%	(13)
FX rates	2019 HUF	2020 HUF	Change %
HUF/UAH (closing)	12.4	10.5	(15)
HUF/UAH (average)	11.3	11.4	1

OTP Bank Ukraine's financial data in HUF terms were affected by the HUF/UAH exchange rate moves: by the end of 2020, the UAH's closing rate against the HUF depreciated by 16% y-o-y. The full-year average rate firmed 1%. As a result, the balance sheet and P&L dynamics expressed in HUF terms differ from those in local currency.

OTP Bank Ukraine generated HUF 26.1 billion after-tax profit in 2020. The 26% y-o-y contraction stems from stronger provisioning, and a 6% drop in operating profit, in UAH.

After the second quarter, which was an intra-year low in lending, disbursement dynamics have steadily improved. Corporate loan disbursement expanded by an impressive 38% y-o-y in 2020. By the end of the year, performing (Stage 1+2) loans grew by 11% y-o-y (FX-adjusted). Net loan/deposit ratio stood at 80% at the end of 2020.

Operating profit dropped by 6% y-o-y in local currency in full-year 2020. In 2020, total income shrank by 1% y-o-y in local currency, chiefly because net fees and commissions fell by 10%. Net interest income was stable y-o-y, even if net interest margin shrank 2.5 pp, nearing 7%. This is predominantly due to the significantly lower interest rate environment: the base rate fell by a total of 750 bps, to 6% in 2020.

In 2020, operating expenses grew by 9% in UAH, largely because of higher wage costs, and a 7% rise in administrative expenses.

In 2020, total risk cost amounted to -HUF 10.4 billion. In 2020, risk cost ratio was at 1.39% (+105 bps y-o-y).

In Ukraine, there was no compulsory debt repayment moratorium. As to loan quality, more than 90 days past due loan volumes increased in 2020 by HUF 1 billion (FX-adjusted, without sales/write-offs), compared to HUF 4 billion in 2019.

In 2020 the Stage 3 loans' share in the whole portfolio shrank by 6.9 pps y-o-y to 10.4%. By the end of 2020, the own provision coverage of Stage 3 loans dropped by 3.6 pps y-o-y, to 74.3%, as loans with high coverage were the sold/written off. The own provision coverage of Stage 2 loans grew to 15.9%, and that of Stage 1 loans has nearly doubled y-o-y, to 1.9%. This is resulting from the following: as precautionary move in the first half of the year corporate loans were reclassified from Stage 1 to Stage 2. Now, in 4Q, these were returned to Stage 1 category, but the previously created higher impairment for these loans was retained, as general provisions.

OTP BANK RUSSIA

Performance of OTP Bank Russia

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit without the effect of adjustments	28,127	16,317	(42)
Income tax	(8,272)	(5,092)	(38)
Profit before income tax	36,399	21,409	(41)
Operating profit	84,946	65,068	(23)
Total income	146,582	123,198	(16)
Net interest income	113,572	99,872	(12)
Net fees and commissions	31,012	22,503	(27)
Other net non-interest income	1,998	823	(59)
Operating expenses	(61,636)	(58,130)	(6)
Total provisions	(48,547)	(43,659)	(10)
Provision for impairment on loan and placement losses	(46,123)	(41,160)	(11)
Other provision	(2,424)	(2,499)	3
Main components of balance sheet closing balances	2019	2020	%
Total assets	908,388	688,980	(24)
Gross customer loans	786,241	597,849	(24)
Gross customer loans (FX-adjusted)	661,721	597,849	(10)
Retail loans	573,592	505,902	(12)
Corporate loans	80,304	74,239	(8)
Car financing loans	7,825	17,708	126
Allowances for possible loan losses	(152,741)	(127,598)	(16)
Allowances for possible loan losses (FX-adjusted)	(128,479)	(127,598)	(1)
Deposits from customers	471,735	350,608	(26)
Deposits from customers (FX-adjusted)	403,021	350,608	(13)
Retail deposits	301,897	288,058	(5)
Corporate deposits	101,124	62,550	(38)
Liabilities to credit institutions	155,306	90,852	(42)
Total shareholders' equity	202,761	183,402	(10)
Loan Quality	2019	2020	%/pps
Stage 1 loan volume under IFRS 9 (in HUF million)	589,553	447,094	(24)
Stage 1 loans under IFRS 9/gross customer loans	75.0%	74.8%	(0.2)
Own coverage of Stage 1 loans under IFRS 9	5.3%	4.6%	(0.7)
Stage 2 loan volume under IFRS 9 (in HUF million)	94,413	67,394	(29)
Stage 2 loans under IFRS 9/gross customer loans	12.0%	11.3%	(0.7)
Own coverage of Stage 2 loans under IFRS 9	27.4%	43.1%	15.7
Stage 3 loan volume under IFRS 9 (in HUF million)	102,274	83,361	(18)
Stage 3 loans under IFRS 9/gross customer loans	13.0%	13.9%	0.9
Own coverage of Stage 3 loans under IFRS 9	93.4%	93.4%	0.0
Provision for impairment on loan and placement losses/average gross loans	6.61%	6.36%	(0.25)
90+ days past due loan volume (in HUF million)	96,484	77,929	(19)
90+ days past due loans/gross customer loans	12.3%	13.0%	0.7
Performance Indicators	2019	2020	pps
ROA	3.4%	2.1%	(1.3)
ROE	15.7%	8.9%	(6.8)
Total income margin	17.53%	16.03%	(1.50)
Net interest margin	13.58%	13.00%	(0.58)
Cost/income ratio	42.0%	47.2%	5.2
Net loans to deposits (FX-adjusted)	132%	134%	2
FX rates	2019 HUF	2020 HUF	Change %
HUF/RUB (closing)	4.7	4.0	(15)
HUF/RUB (average)	4.5	4.3	(4)

OTP Bank Russia's financial figures in HUF terms were affected by the moves in the HUF/RUB pair: at the end of 2020, the RUB's exchange rate against the HUF weakened 16% y-o-y. The average exchange rate depreciated by 5% in 2020. Therefore, the balance sheet and P&L dynamics in HUF terms differ from those in local currency.

OTP Bank Russia generated HUF 16.3 billion profit in 2020, which is 39% less than in the base period (in local currency). The y-o-y drop in after-tax profit is a result of a 20% fall in operating profit and a 6% decline in risk cost, in local currency.

Ending three quarters of decline in the first three quarters of 2020, the performing (Stage 1+2) loan volume grew by an FX-adjusted 9% q-o-q in 4Q, resulting in a 11% y-o-y decline for 2020 as a whole. Performing consumer loan volumes shrank by 14% y-o-y; while the mid- and large corporate segment fell by 6%. There was a steady growth in car financing throughout the year, resulting in a 126% y-o-y increase from a relatively low base, FX-adjusted.

Meanwhile, customer deposits declined by an FX-adjusted 13% y-o-y. The FX-adjusted net loan/deposit ratio rose by 2 pps y-o-y, to 134%.

In 2020, total income declined by 12% y-o-y in RUB terms, including an 8% drop in net interest income, and a 24% fall in net fees and commissions. Total income margin eroded by 1.5 pps y-o-y, while net interest margin came down 59 bps, to 13%.

Due to lower administrative expenses, operating expenses declined by 1% y-o-y in full year 2020 in RUB, thus the annual cost/income ratio rose by 5.1pps, to 47.2%.

In 2020, total risk cost dropped by 6% in RUB, and the credit risk cost ratio declined 0.25 pp y-o-y, to 6.36%.

The ratio of Stage 3 loans upped by 0.9 pp y-o-y, to 13.9%; while nearly HUF 38 billion non-performing loans were sold or written off in 2020 (FX-adjusted), which is 10% increase compared to full year 2019.

CKB GROUP (MONTENEGRO)

Performance of CKB Group:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit w/o dividends and net cash transfer	6,377	4,307	(32)
Income tax	(679)	(302)	(56)
Profit before income tax	7,056	4,609	(35)
Operating profit	5,692	8,353	47
Total income	16,120	22,095	37
Net interest income	11,464	17,188	50
Net fees and commissions	4,215	4,446	5
Other net non-interest income	441	461	5
Operating expenses	(10,428)	(13,743)	32
Total provisions	1,364	(3,743)	(374)
Provision for impairment on loan and placement losses	1,293	(3,434)	(366)
Other provision	71	(309)	(535)
Main components of balance sheet closing balances	**2019**	**2020**	**%**
Total assets	439,836	477,676	9
Gross customer loans	319,836	362,067	13
Gross customer loans (FX-adjusted)	353,327	362,067	2
Retail loans	178,523	173,693	(3)
Corporate loans	174,707	188,299	8
Car financing loans	97	75	(23)
Allowances for possible loan losses	(19,518)	(24,510)	26
Allowances for possible loan losses (FX-adjusted)	(21,562)	(24,510)	14
Deposits from customers	318,216	324,671	2
Deposits from customers (FX-adjusted)	350,637	324,671	(7)
Retail deposits	228,438	213,067	(7)
Corporate deposits	122,199	111,604	(9)
Liabilities to credit institutions	36,733	58,967	61
Total shareholders' equity	66,188	76,556	16
Loan Quality	**2019**	**2020**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	283,959	294,548	4
Stage 1 loans under IFRS 9/gross customer loans	88.8%	81.4%	(7.4)
Own coverage of Stage 1 loans under IFRS 9	1.1%	1.3%	0.2
Stage 2 loan volume under IFRS 9 (in HUF million)	12,509	41,390	231
Stage 2 loans under IFRS 9/gross customer loans	3.9%	11.4%	7.5
Own coverage of Stage 2 loans under IFRS 9	4.8%	9.3%	4.5
Stage 3 loan volume under IFRS 9 (in HUF million)	23,369	26,129	12
Stage 3 loans under IFRS 9/gross customer loans	7.3%	7.2%	(0.1)
Own coverage of Stage 3 loans under IFRS 9	68.2%	63.9%	(4.3)
Provision for impairment on loan and placement losses/average gross loans	(0.56%)	0.99%	1.55
90+ days past due loan volume (in HUF million)	17,058	17,538	3
90+ days past due loans/gross customer loans	5.3%	4.8%	(0.5)
Performance Indicators	**2019**	**2020**	**pps**
ROA	1.9%	0.9%	(1.0)
ROE	11.9%	6.0%	(5.9)
Total income margin	4.86%	4.70%	(0.16)
Net interest margin	3.45%	3.65%	0.20
Cost/income ratio	64.7%	62.2%	(2.5)
Net loans to deposits (FX-adjusted)	95%	104%	9
FX rates	**2019 HUF**	**2020 HUF**	**Change %**
HUF/EUR (closing)	330.5	365.1	10
HUF/EUR (average)	325.3	351.2	8

On 27 February 2019 Crnogorska komercijalna banka a.d. signed an agreement to purchase the 90.56% stake from Societe Generale banka Montenegro a.d., the Montenegrin subsidiary of the Societe Generale Group. The financial closure of the transaction was completed on 16 July 2019. On 11 December 2020, Podgoricka Banka AD Podgorica was merged into Crnogorska Komercijalna Banka AD.

The Montenegrin operation's P&L account was adjusted for the one-off items directly related to the acquisition; these corrections are presented at consolidated level, among the adjustment items. The balance sheet items were not adjusted for these effects.

In full year 2020, the Montenegrin **CKB Group** generated HUF 4.3 billion adjusted profit, which was 32% less than in the base period.

What affected the y-o-y comparability of P&L lines was that the financial closure of the acquisition was completed on 25 July 2019, therefore the acquired bank's contribution was consolidated from 3Q 2019. The operating profit surged by 47% (including the 50% jump in net interest income), and operating expenses grew by 32%. Furthermore, total provisions were released in the base period, while the pandemic necessitated creating provisions in 2020. In 2020, ROE (6.0%) and the cost/income ratio (62.2%) fell y-o-y, while net interest margin (3.65%) increased.

In full year 2020, DPD90+ loan volumes (FX-adjusted, without sales and write-offs) increased by HUF 1.5 billion. The DPD90+ ratio (4.8%) declined by 0.5 pp y-o-y; meanwhile HUF 2.8 billion non-performing loans were sold/written off in 2020. At the end of 2020, the ratio of Stage 3 loans stood at 7.2% (-0.1 pp y-o-y), their own provision coverage was at 63.9%.

Performing (Stage 1+2) loans expanded 3% y-o-y (FX-adjusted).

The FX-adjusted loan book contracted by 7% y-o-y. The net loan/deposit ratio stood at 104% at the end of year (+9 pps y-o-y).

OTP BANK ALBANIA (ALBANIA)

Performance of OTP Bank Albania:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit w/o dividends and net cash transfer	2,616	1,959	(25)
Income tax	(459)	(489)	7
Profit before income tax	3,075	2,448	(20)
Operating profit	3,702	5,904	59
Total income	7,953	11,597	46
Net interest income	6,697	9,824	47
Net fees and commissions	1,007	1,278	27
Other net non-interest income	248	495	100
Operating expenses	(4,250)	(5,693)	34
Total provisions	(627)	(3,455)	451
Provision for impairment on loan and placement losses	(249)	(2,515)	910
Other provision	(379)	(940)	148
Main components of balance sheet closing balances	2019	2020	%
Total assets	247,997	286,606	16
Gross customer loans	147,777	180,815	22
Gross customer loans (FX-adjusted)	161,373	180,815	12
Retail loans	72,937	83,948	15
Corporate loans	86,138	94,275	9
Car financing loans	2,299	2,592	13
Allowances for possible loan losses	(3,657)	(8,089)	121
Allowances for possible loan losses (FX-adjusted)	(4,001)	(8,089)	102
Deposits from customers	179,755	214,808	20
Deposits from customers (FX-adjusted)	196,492	214,808	9
Retail deposits	167,088	179,853	8
Corporate deposits	29,404	34,956	19
Liabilities to credit institutions	36,901	37,151	1
Total shareholders' equity	25,605	28,781	12
Loan Quality	2019	2020	%/pps
Stage 1 loan volume under IFRS 9 (in HUF million)	138,579	143,701	4
Stage 1 loans under IFRS 9/gross customer loans	93.8%	79.5%	(14.3)
Own coverage of Stage 1 loans under IFRS 9	1.2%	1.3%	0.1
Stage 2 loan volume under IFRS 9 (in HUF million)	4,593	31,620	588
Stage 2 loans under IFRS 9/gross customer loans	3.1%	17.5%	14.4
Own coverage of Stage 2 loans under IFRS 9	10.1%	10.4%	0.3
Stage 3 loan volume under IFRS 9 (in HUF million)	4,604	5,494	19
Stage 3 loans under IFRS 9/gross customer loans	3.1%	3.0%	(0.1)
Own coverage of Stage 3 loans under IFRS 9	33.1%	54.2%	21.1
Provision for impairment on loan and placement losses/average gross loans	0.23%	1.55%	1.32
90+ days past due loan volume (in HUF million)	2,270	3,984	76
90+ days past due loans/gross customer loans	1.5%	2.2%	0.7
Performance Indicators	2019	2020	pps
ROA	1.4%	0.7%	(0.7)
ROE	14.1%	7.3%	(6.8)
Total income margin	4.27%	4.32%	0.05
Net interest margin	3.59%	3.66%	0.07
Cost/income ratio	53.4%	49.1%	(4.3)
Net loans to deposits (FX-adjusted)	80%	80%	0
FX rates	2019 HUF	2020 HUF	Change %
HUF/ALL (closing)	2.7	2.9	7
HUF/ALL (average)	2.6	2.8	8

OTP Group's financial statements included the Albanian bank's P&L account since 2Q 2019.

The P&L statement of the Albanian operation was adjusted for the one-off items directly related to the acquisition; these corrections are presented at consolidated level, among adjustment items. The balance sheet items were not adjusted for these effects.

The y-o-y dynamics of balance sheet and P&L lines were predominantly determined by the acquisition. **OTP Bank Albania** generated HUF 2.0 billion after-tax profit in full year 2020, which was 25% less than in the base period, owing to higher risk costs; operating profit grew by 59% on yearly basis.

Full-year ROE (7.3%) declined, while cost/income ratio (49.1%) and net interest margin (3.66%) increased y-o-y.

At the end of 2020, the ratio of Stage 3 loans was 3.0%, reflecting a marginal y-o-y drop. The own provision coverage of Stage 3 loans improved to 54.2%. When the Albanian bank was consolidated, Stage 3 loans were netted with provisions. In full-year 2020, the volume of DPD90+ loans (FX-adjusted, without sales and write-offs) rose by HUF 1.5 billion.

The FX-adjusted volume of Stage 1+2 loans expanded by 12% y-o-y; within that, retail loans surged 15%, while corporate and car financing loans expanded by a combined 10%.

The FX-adjusted deposit ratio surged 9% y-o-y, mostly fuelled by the strong growth in large corporate deposits. The net loan/deposit ratio remained flat at 80% y-o-y.

MOBIASBANCA (MOLDOVA)

Performance of Mobiasbanca:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit w/o dividends and net cash transfer	1,936	3,973	105
Income tax	(174)	(540)	210
Profit before income tax	2,110	4,513	114
Operating profit	2,929	7,707	163
Total income	5,902	14,596	147
Net interest income	3,959	8,889	125
Net fees and commissions	891	2,137	140
Other net non-interest income	1,052	3,570	239
Operating expenses	(2,974)	(6,889)	132
Total provisions	(819)	(3,193)	290
Provision for impairment on loan and placement losses	(737)	(2,695)	266
Other provision	(82)	(499)	509
Main components of balance sheet closing balances	2019	2020	%
Total assets	211,043	249,921	18
Gross customer loans	104,763	132,081	26
Gross customer loans (FX-adjusted)	108,490	132,081	22
Retail loans	58,167	71,552	23
Corporate loans	48,781	58,467	20
Car financing loans	1,542	2,062	34
Allowances for possible loan losses	(1,790)	(4,578)	156
Allowances for possible loan losses (FX-adjusted)	(1,857)	(4,578)	147
Deposits from customers	161,071	203,176	26
Deposits from customers (FX-adjusted)	167,509	203,176	21
Retail deposits	115,397	133,395	16
Corporate deposits	52,111	69,781	34
Liabilities to credit institutions	12,342	5,906	(52)
Total shareholders' equity	34,518	37,287	8
Loan Quality	2019	2020	%/pps
Stage 1 loan volume under IFRS 9 (in HUF million)	102,460	121,459	19
Stage 1 loans under IFRS 9/gross customer loans	97.8%	92.0%	(5.8)
Own coverage of Stage 1 loans under IFRS 9	1.0%	1.1%	0.1
Stage 2 loan volume under IFRS 9 (in HUF million)	880	6,670	658
Stage 2 loans under IFRS 9/gross customer loans	0.8%	5.1%	4.3
Own coverage of Stage 2 loans under IFRS 9	23.6%	19.5%	(4.1)
Stage 3 loan volume under IFRS 9 (in HUF million)	1,424	3,952	178
Stage 3 loans under IFRS 9/gross customer loans	1.4%	3.0%	1.6
Own coverage of Stage 3 loans under IFRS 9	39.7%	48.0%	8.3
Provision for impairment on loan and placement losses/average gross loans	1.58%	2.23%	0.65
90+ days past due loan volume (in HUF million)	383	2,109	451
90+ days past due loans/gross customer loans	0.4%	1.6%	1.2
Performance Indicators	2019	2020	pps
ROA	2.1%	1.7%	(0.4)
ROE	12.6%	10.7%	(1.9)
Total income margin	6.31%	6.24%	(0.07)
Net interest margin	4.23%	3.80%	(0.43)
Cost/income ratio	50.4%	47.2%	(3.2)
Net loans to deposits (FX-adjusted)	64%	63%	(1)
FX rates	2019 HUF	2020 HUF	Change %
HUF/MDL (closing)	17.1	17.3	1
HUF/MDL (average)	16.6	17.8	7

The Moldovan bank was consolidated in 3Q 2019.

The P&L statement of the Moldovan operation was adjusted for the one-off items directly related to the acquisition; these corrections are shown at consolidated level, among adjustment items. The balance sheet items were not adjusted for these effects.

The y-o-y dynamics of balance sheet and P&L lines were basically determined by the acquisition. In full-year 2020, **Mobiasbanca** contributed to OTP Group's performance with HUF 4.0 billion after-tax profit. Full-year ROE (10.7%) and net interest margin (3.80%) declined, while cost/income ratio (47.2%) increased y-o-y.

In 2020, total provisions have nearly quadrupled y-o-y. This was affected by the fact that as the financial closure was completed on 25 July 2019, the acquired bank's contribution was consolidated from 3Q 2019. Also, in contrast to the provision release in 3Q 2019, in 2020 as a whole significant amount pf provisions were set aside in the wake of the pandemic. At the end of 3Q 2020, the ratio of Stage 3 loans was 3.0% (+1.6 pps y-o-y); their own provision coverage stood at 48.0%. When the Moldovan bank was consolidated, Stage 3 loans were netted with provisions. In full-year 2020, the volume of DPD90+ loans (FX-adjusted, without sales and write-offs) grew by HUF 1.7 billion.

At the end of 2020, the FX-adjusted volume of performing (Stage 1+2) loans grew by 20% y-o-y; within that, both retail and corporate loans surged 20%.

FX-adjusted deposit volumes grew by 21% y-o-y. The FX-adjusted 34% y-o-y growth in corporate deposits owes a lot to the Banks' new customers. The net loan/deposit ratio stood at 63%, below the Group's average.

At the end of December 2020, the market share of OTP Group's Moldovan operation by balance sheet total, was 13.8%. This ranks it the fourth largest bank in Moldova.

OTP BANKA SLOVENSKO (SLOVAKIA)

Performance of OTP Banka Slovensko:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit without the effect of adjustments	1,575	(1,166)	(174)
Income tax	(240)	(304)	27
Profit before income tax	1,815	(862)	(147)
Operating profit	1,625	1,677	3
Total income	14,714	12,419	(16)
Net interest income	10,505	8,523	(19)
Net fees and commissions	3,884	3,208	(17)
Other net non-interest income	325	688	112
Operating expenses	(13,089)	(10,742)	(18)
Total provisions	190	(2,539)	
Provision for impairment on loan and placement losses	604	(2,731)	(552)
Other provision	(414)	192	(146)
Main components of balance sheet closing balances	**2019**	**2020**	**%**
Total assets	473,660		
Gross customer loans	392,793		
Gross customer loans (FX-adjusted)	433,900		
Retail loans	371,538		
Corporate loans	62,355		
Car financing loans	7		
Allowances for possible loan losses	(24,338)		
Allowances for possible loan losses (FX-adjusted)	(26,886)		
Deposits from customers	351,722		
Deposits from customers (FX-adjusted)	387,890		
Retail deposits	353,851		
Corporate deposits	34,039		
Liabilities to credit institutions	50,669		
Total shareholders' equity	38,078		
Loan Quality	**2019**	**2020**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	336,650		
Stage 1 loans under IFRS 9/gross customer loans	85.7%		
Own coverage of Stage 1 loans under IFRS 9	0.7%		
Stage 2 loan volume under IFRS 9 (in HUF million)	29,307		
Stage 2 loans under IFRS 9/gross customer loans	7.5%		
Own coverage of Stage 2 loans under IFRS 9	11.7%		
Stage 3 loan volume under IFRS 9 (in HUF million)	26,836		
Stage 3 loans under IFRS 9/gross customer loans	6.8%		
Own coverage of Stage 3 loans under IFRS 9	68.8%		
Provision for impairment on loan and placement losses/average gross loans	(0.15%)	0.76%	0.91
90+ days past due loan volume (in HUF million)	21,890		
90+ days past due loans/gross customer loans	5.6%		
Performance Indicators	**2019**	**2020**	**pps**
ROA	0.3%	(0.3%)	(0.6)
ROE	5.2%	(3.4%)	(8.6)
Total income margin	3.20%	2.98%	(0.22)
Net interest margin	2.29%	2.04%	(0.25)
Cost/income ratio	89.0%	86.5%	(2.5)
Net loans to deposits (FX-adjusted)	105%		
FX rates	**2019 HUF**	**2020 HUF**	**Change %**
HUF/EUR (closing)	330.5	365.1	10
HUF/EUR (average)	325.3	351.2	8

On 26 November 2020, the sale of **OTP Banka Slovensko a.s.** to KBC Group N.V. was concluded.

The Slovak bank was deconsolidated at the end of November, so its end of 2020 balance sheet does not appear in the Group's end of 2020 balance sheet. Between January and October 2020, the Slovak entity realised an adjusted loss of HUF 1.2 billion.

STAFF LEVEL AND OTHER INFORMATION

	31/12/2019				31/12/2020			
	Branches	ATM	POS	Headcount (closing)	Branches	ATM	POS	Headcount (closing)
OTP Core	**361**	**1,936**	**77,962**	**10,083**	**362**	**1,920**	**125,800**	**10,189**
DSK Group (Bulgaria)	440	1,140	12,915	6,186	334	1,094	14,329	5,619
OBH (Croatia)	136	480	10,856	2,251	124	488	11,037	2,228
OTP Bank Serbia	231	338	18,424	3,162	217	323	16,657	3,022
SKB Banka (Slovenia)	53	83	3,982	863	51	83	4,167	889
OTP Bank Romania	95	141	5,125	1,496	95	149	6,256	1,693
OTP Bank Ukraine (w/o employed agents)	88	166	331	2,399	86	161	402	2,313
OTP Bank Russia (w/o employed agents)	134	223	715	5,343	135	280	704	5,127
CKB Group (Montenegro)	48	128	6,908	681	34	115	6,421	514
OTP Bank Albania	37	76	0	424	38	80	0	447
Mobiasbanca (Moldova)	53	145	0	755	54	148	0	830
OTP Banka Slovensko (Slovakia)	58	157	159	671	0	0	0	0
Foreign subsidiaries, total	**1,373**	**3,077**	**59,415**	**24,231**	**1,168**	**2,921**	**59,973**	**22,682**
Other Hungarian and foreign subsidiaries				590				557
OTP Group (w/o employed agents)				**34,902**				**33,427**
OTP Bank Russia - employed agents				5,083				4,402
OTP Bank Ukraine - employed agents				663				618
OTP Group (aggregated)	**1,734**	**5,013**	**137,377**	**40,650**	**1,530**	**4,841**	**185,773**	**38,448**

Definition of headcount number: closing, active FTE (full-time employee). The employee is considered as full-time employee in case his/her employment conditions regarding working hours are in line with a full time employment defined in the Labour Code in the reporting entity's country. Part-time employees are taken into account proportional to the full time working hours being effective in the reporting entity's country.

Definition of branch numbers: data reported from 2020 are not comparable with previous quarters at OTP Core due to a methodological change. The introduction of the new methodology increased the number of branches by 9 units (ceteris paribus).

According to the NBH's definition, from 3Q 2020 the number of POS terminals includes all terminals where OTP is the acquirer, including terminals that are not exclusively authorized by OTP.

STATEMENT ON CORPORATE GOVERNANCE PRACTICE

Corporate governance practice

OTP Bank Plc., being registered in Hungary, has a corporate governance policy that complies with the provisions on companies of the act applicable (Civil Code). As the company conducts banking operations, it also adheres to the statutory regulations pertaining to credit institutions.

Beyond fulfilling the statutory requirements, as a listed company on the Budapest Stock Exchange (BSE), the company also makes an annual declaration on its compliance with the BSE's Corporate Governance Recommendations. After being approved by the General Meeting, this declaration is published on the websites of both the Stock Exchange (www.bet.hu) and the Bank (www.otpbank.hu).

System of internal controls

OTP Bank Plc., as a provider of financial and investment services, operates a closely regulated and state-supervised system of internal controls.

OTP Bank Plc. has detailed risk management regulations applicable to all types of risks (liquidity, market, country, counterparty, credit, operational, compliance), which are in compliance with the legal regulations on prudent banking operations. Its risk management system extends to cover the identification of risks, the assessment and analysis of their impact, elaboration of the required action plans and the monitoring of their effectiveness and results. The business continuity framework is intended to provide for the continuity of services. Developed on the basis of international methodologies, the lifecycle model includes process evaluation, action plan development for critical processes, the regular review and testing of these, as well as related DRP activities.

To ensure effective auditing, the OTP Bank Plc.'s internal audit system is realised on several levels of control built on each other. The system of internal checks and balances includes a combination of process-integrated and management control, independent internal audit organisation and executive information system. The independent internal audit organisation as an element of internal lines of defence promotes the statutory and efficient management of assets and liabilities, the defence of property, the safe course of business, the efficient, economical and productive operation of internal control systems, the minimisation of risks, moreover – beside compliance organisation – it reveals and reports deviations from statutory regulations and internal rules, makes proposal to abolish deficiencies and follows up the execution of actions. The independent internal audit organisation annually and quarterly prepares group-level reports on control actions for the executive boards. Once a year, the internal audit organisation draws up, for the Supervisory Board, objective and independent reports in respect of the operation of risk management, internal control mechanisms and corporate governance functions and, in line with the provisions of the Credit Institutions Act, reports, once a year, to the Supervisory Board and the Board of Directors on the regularity of internal audit tasks, professional requirements and the conduct of audits, and on the review of compliance with IT and other technical conditions needed for the audits.

In line with the regulations of the European Union, the applicable Hungarian laws and supervisory recommendations, OTP Bank Plc. established an independent organisational unit with the task of identifying and managing compliance risks.

General meeting

The General Meeting is the supreme governing body of OTP Bank Plc. The regulations pertaining to its operation are set forth in the Company's Bylaws, and comply fully with both general and special statutory requirements. Information on the General Meeting is available in the Corporate Governance Report.

In accordance with the provisions of the Government Decree 102/2020 (IV.10.), the resolutions on the published agenda items were made by the Company's Board of Directors acting in the competence of the General Meeting, which was originally announced to be on 17 April 2020, but cancelled on 26 March 2020 and then convened again to be held on 30 April 2020.

Regulations and information to be presented in the Business Report concerning securities conferring voting rights issued by the Company and senior officials, according to the effective Articles of Association, and ownership structure

The Company's registered capital is HUF 28,000,001,000, that is twenty-eight thousand million one thousand Hungarian forint, divided into 280,000,010 that is Two hundred and eighty million and ten dematerialised ordinary shares with a nominal value of HUF 100 each, and a total nominal value of HUF 28,000,001,000, that is twenty eight billion one thousand Hungarian forint.

The ordinary shares of the Company specified all have the same nominal value and bestow the same rights in respect of the Company.

There are no restrictions in place concerning the transfer of issued securities constituting the registered capital of the Company.

No securities with special control rights have been issued by the Company.

The Company does not run control systems prescribed by an employee ownership program, where control rights are not exercised directly by the employees.

Rules on the restrictions of the voting rights:

The Company's ordinary shares confer one vote per share.

An individual shareholder or group of shareholders may not exercise voting rights in respect of in an extent exceeding 25%, or – if the voting rights of another shareholder or group of shareholders exceed 10% – exceeding 33% of the total voting rights represented by the shares conferring voting rights at the Company's General Meeting.

The shareholder is obliged to notify the Company's Board of Directors without delay if the shareholder directly or indirectly, or together with other shareholders in the same group of shareholders, holds more than 2% of the voting rights represented by the shares conferring voting rights at the Company's General Meeting. Concurrently with this, the shareholder is obliged to designate the shareholders through which the indirect voting right exists, or the members of the group of shareholders. In the event of a failure to provide such notification, or if there are substantive grounds for assuming that the shareholder has made a misleading declaration regarding the composition of the shareholder group, then the shareholder's voting right shall be suspended and may not be exercised until the shareholder has met the above obligations. The notification obligation stipulated in this paragraph and the related legal consequences are also incumbent upon individuals who are classified or may be classified as the Company's shareholders under Article 61 of the Capital Markets Act. The Company must also be provided with proof of the conditions for exemption from the notification obligation in accordance with Section 61 (7)-(8) and Section 61 (10)-(11)-(12), of the Capital Markets Act.

Shareholder group: the shareholder and another shareholder, in which the former has either a direct or indirect shareholding or has an influence without a shareholding (collectively: a direct and/or indirect influence); furthermore: the shareholder and another shareholder who is exercising or is willing to exercise its voting rights together with the former shareholder, regardless of what type of agreement between the participants underlies such concerted exercising of rights.

For determining the existence and extent of the indirect holding, the rules of the Credit Institutions Act relating to the calculation of indirect ownership shall be applied.

If the voting rights that may be exercised by a shareholder group exceed the threshold stipulated in the first paragraph of this section, the voting rights shall be reduced in such a way that the voting rights relating to the shares most recently acquired by the group of shareholders shall not be exercisable.

If there are substantive grounds to presume that the exercising of voting rights by any shareholder or shareholders might result in a breach of the rules of the Capital Markets Act relating to the acquisition of a controlling interest, the Board of Directors' authorised representative responsible for the registration of shareholders at the venue of the General Meeting, or the Chairman of the General Meeting, may exclude the affected shareholders from attending the General Meeting or exercising voting rights.

The General Meeting has exclusive authority with respect to the decision regarding the delisting of the shares (qualified majority). When making the decisions, shares embodying multiple voting rights shall represent one share.

The Company is not aware of any kind of agreements among the owners that could give rise to the restriction of the transfer of issued securities and/or the voting rights.

Rules on the appointment and removal of executive officers, and rules on amendment of the Articles of Association:

The Board of Directors has at least 5, and up to 11 members.

When making the decisions, shares embodying multiple voting rights shall represent one share. The members of the Board of Directors are elected by the General Meeting based on its decision uniformly either for an indefinite period or for five years; in the latter case the mandate ends with the General Meeting concluding the fifth financial year following the election. The mandate of a member elected during this period expires together with the mandate of the Board of Directors.

The Board of Directors elects a Chairman and, may elect one or more Deputy Chairmen, from among its own members, whose period of office shall be equal to the mandate of the Board of Directors. The Chairman of the Board of Directors is also the Chief Executive Officer (Chairman & CEO) of the Company, unless the Board of Directors decides within its competence that the position of Chairman of the Board of Directors and the Chief Executive Officer of the Company are held by separate persons.

The membership of the Board of Directors ceases to exist by

a. expiry of the mandate,
b. resignation,
c. recall,
d. death,
e. the occurrence of grounds for disqualification as regulated by law.
f. termination of the employment of internal (executive) Board members.

The General Meeting has exclusive authority with respect to the following matters:

- the recall of members of the Board of Directors, the Supervisory Board and Audit Committee, and of the auditor; (qualified majority)
  More than one third of the members of the Board of Directors and the non-executive members of the Supervisory Board may be recalled within a 12-month period only if any shareholder holds more than 33% of the shares issued by the Company, which have been obtained by the shareholder by way of a public purchase offer.
- except in the cases referred by these Articles of Association to the authority of the Board of Directors, the establishment and amendment of the Articles of Association; (qualified majority); the General Meeting decides on proposals concerning the amendment of the Articles of Association – based on a resolution passed by shareholders with a simple majority – either individually or en masse.

The Board of Directors is exclusively authorised to make decisions regarding any change in the Company's name, registered office, permanent establishments and branches, and in the Company's activities – with the exception of its core activity – and, in relation to this, to modify the Articles of Association should it become necessary to do so on the basis of the Civil Code or the Articles of Association.

The Board of Directors is obliged to

- prepare the Company's financial statements in accordance with the Accounting Act, and make a proposal for the use of the profit after taxation;
- prepare a report once a year for the General Meeting, and once every three months for the Supervisory Board, concerning management, the status of the Company's assets and business policy;
- provide for the proper keeping of the Company's business books;
- perform the tasks referred to its authority under the Credit Institutions Act, in particular:
  - ensuring the integrity of the accounting and financial reporting system;
  - elaborating the appropriate strategy and determining risk tolerance levels for each business unit concerned;
  - setting risk assumption limits;
  - providing the necessary resources for the management or risk, the valuation of assets, the use of external credit ratings and the application of internal models.

The following, in particular, come under the exclusive authority of the Board of Directors:

- election of the Chairman & Chief Executive Officer of the Company, and exercising employer's right in respect thereof;
- election of one or more Deputy Chairmen of the Board of Directors;
- determination of the annual plan;
- the analysis and assessment of the implementation of business-policy guidelines, on the basis of the Company's quarterly balance sheet;
- decisions on transactions referred to the authority of the Board of Directors by the Company's organisational and operational regulations;
- decision on launching, suspending, or terminating the performance of certain banking activities within the scope of the licensed activities of the Company;
- designation of the employees entitled to sign on behalf of the Company;

- decision on the increasing of registered capital at the terms set out in the relevant resolution of the General Meeting;
- decision to acquire treasury shares at the terms set out in the relevant resolution of the General Meeting;
- decision on approving internal loans in accordance with the Credit Institutions Act;
- decision on the approval of regulations that fundamentally determine banking operations, or are referred to its authority by the Credit Institutions Act. The following shall qualify as such regulations:
  - the collateral evaluation regulations,
  - the risk-assumption regulations,
  - the customer rating regulations,
  - the counterparty rating regulations,
  - the investment regulations,
  - the regulations on asset classification, impairment and provisioning,
  - the organisational and operational regulations, which contain the regulations on the procedure for assessing requests related to large loans,
  - the regulations on the transfer of signatory rights;
- the decision on approving the Rules of Procedure of the Board of Directors;
- decision on steps to hinder a public takeover procedure;
- decision on the acceptance of a public purchase offer received in respect of treasury shares;
- decision on the commencement of trading in the shares in a regulated market (flotation);
- decision on the cessation of trading in the shares in a given regulated market, provided that the shares are traded in another regulated market (hereinafter: transfer).

The Board of Directors is exclusively authorised to:

- decide, in the cases specified in the Civil Code, on acceptance of the Company's interim balance sheet, subject to the prior approval of the Supervisory Board;
- decide, instead of the General Meeting, to pay an advance on dividends, subject to the preliminary approval of the Supervisory Board;
- make decisions regarding any change in the Company's name, registered office, permanent establishments and branches, and in the Company's activities – with the exception of its core activity – and, in relation to this, to modify the Articles of Association should it become necessary to do so on the basis of the Civil Code or the Articles of Association;
- make decision on mergers (if, according to the provisions of the law on the transformation, merger and demerger of legal entities, the approval of the General Meeting is not required in order for the merger to take place).

The Board of Directors directly exercises employer's rights in respect of the Chairman & CEO. The person affected by a decision may not participate in the decision making. Employer rights in respect of the executive directors of the Company are exercised by the Board of Directors through the Chairman & CEO, with the proviso that the Board of Directors must be notified in advance of the appointment and dismissal of the Deputy CEOs. With regard to issues related to the exercising of employer's rights in respect of employees, the Company is represented by the Chief Executive Officer and by the senior company employees defined in the Organisational and Operational Regulations of the Company, in accordance with the delegation of authority approved by the Board of Directors. If the Chairman of the Board of Directors and the CEO are different persons, the employer rights in respect of the other executive directors of the Company (CEO, deputy CEOs) are exercised by the Board of Directors through the Chairman of Board of Directors, with the proviso that the Board of Directors shall be notified in advance of the appointment and dismissal of the CEO and Deputy CEOs. With regard to issues related to the exercising of employer's rights in respect of employees, the Company is represented by the persons defined in the Organisational and Operational Regulations of the Company, in accordance with the delegation of authority approved by the Board of Directors.

The Board of Directors may delegate, to individual members of the Board of Directors, to executive directors employed by the Company, and to the heads of the individual service departments, any task that does not come under the exclusive authority of the Board of Directors in accordance with these Articles of Association or a General Meeting resolution.

The Company may acquire treasury shares in accordance with the rules of the Civil Code. The prior authorisation of the General Meeting is not required for the acquisition of treasury shares if the acquisition of the shares is necessary in order to prevent a direct threat of severe damage to the Company (this provision is not applicable in the event of a public purchase offer aimed at buying up the Company's shares), as well as if the Company acquires the treasury shares in the context of a judicial procedure aimed at the settlement of a claim to which the Company is entitled, or in the course of a transformation.

The Company has not made agreements in the meaning of points (j) and (k) in paragraph 95/A of Act No. C of 2000 on Accounting.

Ownership structure of OTP Bank Plc.

Description of owner	Total equity					
	1 January 2020			31 December 2020		
	Ownership share	Voting rights[1]	Quantity	Ownership share	Voting rights[1]	Quantity
Domestic institution/company	18.84%	18.86%	52,750,611	20.93%	21.26%	58,605,628
Foreign institution/company	77.01%	77.10%	215,635,699	71.60%	72.73%	200,480,153
Domestic individual	2.98%	2.98%	8,344,202	4.79%	4.87%	13,424,090
Foreign individual	0.13%	0.13%	356,377	0.11%	0.12%	319,346
Employees, senior officers	0.80%	0.80%	2,240,465	0.85%	0.87%	2,393,390
Treasury shares[2]	0.12%	0.00%	323,520	1.55%	0.00%	4,334,140
Government held owner	0.08%	0.08%	219,372	0.08%	0.08%	219,800
International Development Institutions	0.04%	0.04%	122,218	0.04%	0.04%	108,981
Other[3]	0.00%	0.00%	7,546	0.04%	0.04%	114,482
TOTAL	**100.00%**	**100.00%**	**280,000,010**	**100.00%**	**100.00%**	**280,000,010**

[1] Voting rights in the General Meeting of the Issuer for participation in decision-making.

[2] Treasury shares do not include the OTP shares held by ESOP (OTP Bank Employee Stock Ownership Plan Organization). Pursuant to Act V of 2013 on the Civil Code, OTP shares held by the ESOP are not classified as treasury shares, but the ESOP must be consolidated in accordance with IFRS 10 Consolidated Financial Statements standard. On 31 December 2020 ESOP owned 5,097,255 OTP shares.

[3] Non-identified shareholders according to the shareholders' registry.

Number of treasury shares held in the year under review (2020)

	1 January	31 March	30 June	30 September	31 December
OTP Bank	323,520	1,667,632	2,313,939	4,395,242	4,334,140
Subsidiaries	0	0	0	0	0
TOTAL	323,520	1,667,632	2,313,939	4,395,242	4,334,140

Shareholders with over/around 5% stake as at 31 December 2020

Name	Number of shares	Ownership[1]	Voting rights[1,2]
MOL (Hungarian Oil and Gas Company Plc.)	24,000,000	8.57%	8.71%
KAFIJAT Group	19,835,748	7.08%	7.20%
OPUS Securities S.A.	14,496,476	5.18%	5.26%
Groupama Group	14,330,632	5.12%	5.20%

[1] Rounded to two decimals

[2] Voting rights in the General Meeting of the Issuer for participation in decision-making.

Committees[8]

Members of the Board of Directors
Dr. Sándor Csányi – Chairman
Mr. Tamás Erdei – Deputy Chairman
Mr. Mihály Baumstark
Dr. Tibor Bíró
Dr. István Gresa
Mr. Antal Kovács
Dr. Antal Pongrácz
Dr. László Utassy
Dr. József Vörös
Mr. László Wolf

Members of the Supervisory Board
Mr. Tibor Tolnay – Chairman
Dr. Gábor Horváth – Deputy Chairman
Mr. András Michnai
Ms. Klára Bella
Dr. Márton Gellért Vági
Mr. Olivier Péqueux

Members of the Audit Committee
Dr. Gábor Horváth – Chairman
Mr. Tibor Tolnay – Deputy Chairman
Dr. Márton Gellért Vági
Mr. Olivier Péqueux

The résumés of the committee and board members are available in the Corporate Governance Report/Annual Report.

Personal and organizational changes

Concerning the audit of OTP Bank Plc.'s separate and consolidated annual financial statements in accordance with International Financial Reporting Standards for the year 2020, the Board of Directors acting in the competency of the Annual General Meeting is electing Deloitte Auditing and Consulting Ltd. (000083, H-1068 Budapest, Dózsa György út 84/c) as the Bank's auditor from 1 May 2020 until 30 April 2021.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects Mr. Tibor Tolnay as member of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects dr. József Gábor Horváth as member of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects Mr. Olivier Péqueux as member of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects dr. Márton Gellért Vági as member of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects Mrs. Klára Bella as member of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects Mr. András Michnai as member of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

[8] Personal changes can be found in the „Personal and organizational changes" chapter.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects Mr. Tibor Tolnay as member of the Audit Committee of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects dr. József Gábor Horváth as member of the Audit Committee of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects Mr. Olivier Péqueux as member of the Audit Committee of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects dr. Márton Gellért Vági as member of the Audit Committee of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

On 20 July 2020 the labour contract of Dr. Zsolt Barna, Deputy Chief Executive Officer had been terminated by mutual agreement. Along with the termination of the labour contract with OTP Bank Plc, Dr. Zsolt Barna resigned from his positions held in different member companies of OTP Group.

Operation of the executive boards

OTP Bank Plc. has a dual governance structure, in which the Board of Directors is the Company's executive management body in its managerial function, while the Supervisory Board is the management body in its supervisory function of the Company. It controls the supervision of the lawfulness of the Company's operation, its business practices and management, performs oversight tasks and accepts the provisions of the Bank Group's Remuneration Policy. The effective operation of Supervisory Board is supported by the Audit Committee, as a committee, which also monitors the internal audit, the risk management, the reporting systems and the activities of the auditor.

In order to assist the performance of the governance functions the Board of Directors founded and operates, as permanent or other committees, such as the Management Committee, the Remuneration Committee, the Nomination Committee and the Risk Assumption and Risk Management Committee. To ensure effective operation OTP Bank Plc. also has a number of further permanent committees.

OTP Bank Plc. gives an account of the activities of the executive boards and the committees every year in its Corporate Governance Report.

The Board of Directors held 8, the Supervisory Board held 6 meetings, while the Audit Committee held 1 meeting in 2020. In addition, resolutions were passed by the Board of Directors on 155, by the Supervisory Board on 108 and by the Audit Committee on 39 occasions by written vote.

Policy of diversity

OTP Bank Plc. determines and regulates the criteria for the selection of senior executives in line with European Union as well as domestic legal requirements and directives fundamentally determining the operation of credit institutions.
When designating members of the management bodies (Board of Directors, Supervisory Board) as well as appointing members of the Board of Directors and administrative members (Management), OTP Bank Plc. considers the existence of professional preparation, the high-level human and leadership competence, the versatile educational background, the widespread business experience and business reputation of the utmost importance, at the same time, it is also highly committed to taking efficient measures in order to ensure diversity with regard to corporate operation, including the gradual improvement in women's participation rate.
With this in mind, OTP Bank Plc.'s Nomination Committee continuously keeps tracking the European Union and domestic legislation relating to women's quota on its agenda, in that when unambiguously worded expectations are announced, it promptly takes the necessary measures.
It is important to note, however, that, as a public limited company, the selection of the members of the management bodies falls within the exclusive competence of the General Meeting upon which – beyond its capacity to designate enforcing the above aspects to maximum effect – OTP Bank Plc. has no substantive influence.
For the purposes of OTP Bank Plc.'s Articles of Association, a Board of Directors comprising 5-11 members and a Supervisory Board comprising 5-9 members are set up at the Bank. The Board of Directors in its current form operates with 10 members and has no female member, while the Supervisory Board comprises 6 members and has one female member as of 12 April, 2019. The management of OTP Bank Plc. currently comprises 7 members and has no female member.

ENVIRONMENTAL POLICY, ENVIRONMENTAL PROJECTS

Environmental protection principles

OTP Group is committed to the protection of the environment, the combating of climate change and its impacts, and the preservation and low-impact use of natural resources. OTP Bank's environmental activities are regulated in its Environmental Regulation. The Regulation ensures legal compliance and the consideration and integration of environmental criteria into the Bank's business operations in order to minimise the environmental impacts of operating and maintaining the Bank's organisation. It also sets out the rules on implementing the principles of sustainable procurement. OTP Group members operate in full compliance with environmental legislation and received no fines in 2020 either.

In CDP's Climate Change Questionnaire, OTP Group achieved a rating of B-, improving on its performance in the year before.

OTP Bank set up an ESG Steering Committee in 2020 (see the Non-financial statement section about the operations of the committee). The schemes overseen by it focus on the embedding of environmental and climate protection considerations into financial services and on the related disclosures; and as such, among other things, the Committee launched an ESG lending project and created the Green Programme Directorate.

Environmental protection in relation to the provision of banking services

By 2023, OTP Bank aims to become the Central European bank best equipped to provide green financing. The Green Programme Directorate was created to achieve this goal; its main purpose is to take full advantage of the opportunities inherent in green financing, helping OTP Group build as large a green portfolio as possible and exploit the market potential of green financing certification.

Pursuant to our internal regulations, our banking group conducts its lending activities expecting – and always verifying – compliance with the applicable environmental regulations. At the time of the internal approval by the bank of the financing of a project and before first disbursement, the availability of the required permits and authorisations and compliance with the provisions thereof is always verified by one or more external consultants (legal and/or technical experts); the Bank subsequently ensures compliance by obtaining regular declarations from the customer and conducting its own monitoring. The credit agreements stipulate sanctions for any breaches of commitments made or requirements imposed. The long-term sustainability of environmental impacts is taken into consideration as a subjective factor in the credit ratings of large corporate clients.

With regards to project financing, our group gives high priority to financing projects aimed at the utilisation of renewable energy sources. In 2020, our lending policy was to increase the support for lending to this sector even further; we also reviewed our lending guidelines applicable to the solar energy sector. In 2020, we lent HUF 9.2 billion to the renewables sector, financing a total of 30 MW in solar power capacities. In terms of project financing, we also give special attention and preference to office building projects with sustainability / environmental certification.

As far as sectors with environmental benefits are concerned, our corporate lending policy is expressly supportive of the financing of agriculture and solar power. Starting from 2020, we reclassified the paper, paper products and packaging material industry as a category requiring increased caution. The creation of a new agricultural limit framework based on quantity indicators has the potential for accelerating lending from 2021, especially in the case of smaller farms.

OTP Bank leads a consortium offering products of the Hungarian Development Bank (MFB), including both EU-refinanced and those of MFB's own origination, at the MFB Points set up in our branches. Environmental protection has been assigned priority in our available loan products since 2017. Households and businesses can access preferential terms under these products to implement energy projects (improving energy efficiency and increasing the reliance on renewables). In 2020, loans of a total of HUF 16.0 billion were disbursed; of this, 98.6% was retail lending, since the corporate credit facility had been depleted. In the period between 2017 and 2020, the total of disbursed loan contracts amounted to HUF 43.4 billion, representing 28.4% of all loans granted via MFB Points.

OTP Jelzálogbank was the first credit institution in Hungary to join the Energy Efficient Mortgages Initiative (EEMI) pilot. The aim of the programme is to allow participants to jointly develop best practices in green lending and to support the overhaul and energy modernisation of the housing stock.

In 2020, our subsidiaries in Croatia, Moldova, Albania and Slovakia offered preferential loans incentivising energy efficiency and the use of renewables.

The objective of the OTP Climate Change 130/30 Fund of OTP Fund Management is to provide an opportunity to invest in the shares of developed and developing market companies that may be the beneficiaries of the directives, the legislation and the changes in economic policy aimed at reducing climate change impacts. As of the end of 2020, the Fund had HUF 31.3 billion net asset value, nearly four times higher than in the year before.

Our efforts to reduce the direct environmental impact of OTP Group's operations are centred around improving its energy efficiency and reducing its paper usage. The environmental risks associated with our operations are analysed and managed within our operational risk management process. Potential risks are identified in the course of the annual process-based self-assessment, and the assessment of climate change risks is also included in the scenario analysis of risks with low probability but high impact.

Energy consumption and business travel

OTP Group uses state-of-the-art technology in new construction and renovation projects; we also expand our use of LED lighting technology on an ongoing basis. As part of the renovation process, we are replacing air conditioning units, always ensuring that the new units use environmentally-friendly coolants. In 2020, OTP Bank identified the branches with the highest relative energy consumption; all immediate remedial actions were completed at these locations. The refurbishment of 16 branches at the parent bank also yielded energy savings. At the subsidiaries, branch refurbishment projects also included energy efficiency measures; our Montenegrin subsidiary continued installing LED lighting and motion detectors at its head office building.

We are intensifying our reliance on renewable energy based on cost-efficiency criteria. Whenever a branch of the parent bank is renovated, we always examine the possibility of installing solar panels and heat pumps. We installed solar panels at three branches in 2020. Our systems generated a total of 1,250 GJ energy from solar power. Our central archives facility has been using geothermal energy for several years (the facility used to be owned by Monicomp Zrt, which merged into the parent bank during the year). The solar panels of our subsidiaries in Croatia and in Serbia generated a total of 383 GJ of solar power.

Energy use across the Banking Group was greatly impacted by the pandemic. As regards ventilation and fresh air in our buildings, air recirculation was suspended and ventilation was intensified instead; this increased our energy usage. Although the high rate of staff working from home reduced our electricity consumption, heating and cooling consumption was only marginally lower because our employees continued to work on site at all our organisations, albeit in smaller numbers.

The number of business trips and the size of the vehicle fleet are determined by the needs of the business. Our Group's vehicle policy sets carbon limits; also, there are environmentally-friendly vehicles among the cars available to choose from in all the vehicle categories. Our Montenegrin subsidiary installed an electric car charging station in front of its head office building during the year. Group-level total mileage decreased, mainly because of the Covid-19 pandemic. The total distance covered by all OTP Bank vehicles fell by 5% even though the fleets of two subsidiaries with high vehicle use rates (Monicomp, OTP Faktoring) were transferred to the parent bank.

Video conferencing helps cut down on the amount of business travel and is a solution that we are using ever more extensively year after year. The number of video conferencing rooms rose again in 2020, and the rooms were increasingly busy. Our existing bicycle storage facilities continued to be available to both customers and employees in 2020. In addition, 48 new storage spaces were created at OTP Bank's head office buildings; our Serbian and Montenegrin subsidiaries provided new storage at their head offices; our Bulgarian subsidiary provided storage at three locations for employees and customers alike; and the Ukrainian subsidiary installed storage in three locations.

Energy consumption figures are presented in respect of OTP Bank. The bank's overall energy consumption decreased by 3% compared to the previous year. However, due to our workforce expansion, this represents an 8% reduction in per-capita energy consumption.

Volume of energy consumption, OTP Bank	2020	2019
Total energy consumption (GJ)	242,390	250,610
Per-capita energy consumption (GJ)	25,76	28.14

Energy consumption data are derived from readings; the measured consumption volumes are converted to energy using local average calorific values. (Excluding Monicomp Zrt Consumption data.)
The projection basis for the per-capital figure is the average statistical headcount in 2019 and the average full-time employee count (FTE) in 2020.
2019 figures were slightly revised.

Efforts to reduce paper use

OTP Group has been making a consistent effort to reduce paper use and printing. OTP Bank reduced its office paper usage by approximately 30%; the pandemic and increased rates of working from home played a significant role in this development. Nevertheless, our percentage of recycled paper relative to total office paper usage increased to 20% and we plan to increase that figure even further in the future. Since 2020, OTP Bank has been using FSC-certified paper for its account statements and marketing publications, and we use only ECO Label personal hygiene products. Due to the merger of Monicomp the paper usage at OTP Bank increased significantly. Our Serbian subsidiary also uses FSC-certified paper, whereas our Slovenian subsidiary uses paper with PEFC certification. Further factors leading to lower paper usage included the introduction of lower-weight office paper at our Bulgarian subsidiary, and the transitioning to electronic signatures at our Moldovan subsidiary.

Paper usage quantities, OTP Bank	2020	2019
Total amount of paper used (t) (office, packaging, indirect)	1,137	764
Per capita paper use (kg)[1]	121	86

[1] For 2019 the average statistical headcount was used in the numerator, whereas for 2020 it was the average full-time employee (FTE) count.

Sustainable use and waste management

We follow a principle of using all our equipment, devices and machines for the longest time reasonably possible. We explicitly aim to use furniture until the end of its lifecycle, reusing it multiple times and ensuring the compatibility of replacements. OTP Bank, DSK Bank, OTP Bank Romania and OTP banka Srbija all follow the practice of making charitable donations of any furniture no longer used but in good condition, alongside functioning IT equipment (mostly computers and laptops) to institutions and organisations in need.

In order to cut the use of plastics in its archiving practices, our parent bank replaced ethylene bags and plastic wallets with paper products and introduced filtered water fountains. In 2020, we expanded the use of stamps made of recycled plastic. A number of our subsidiaries drew up schemes to reduce the use of plastics; implementation is expected in 2021.

Our subsidiaries in Serbia, Montenegro and Moldova use toner refills to reduce toner and ink cartridge waste.

Waste collection remained unchanged in most respects in 2020. All members of OTP Group collect and manage hazardous waste and paper containing business secrets selectively, in compliance with the relevant laws and regulations. The selective collection of non-confidential paper waste, PET bottles and – in a number of locations – glass is available in the head office buildings of OTP Bank. Our Ukrainian subsidiary operates selective paper collection at its head office building. Our Serbian subsidiary collects paper waste selectively in its branches and head office buildings. Our Albanian subsidiary collects paper waste selectively. Our Romanian subsidiary collects all paper, metal, glass and plastic selectively. Our Slovenian subsidiary also collects communal waste selectively (including biodegradable food waste). Our Croatian subsidiary has collected paper and plastic waste selectively for years, whereas the Slovakian subsidiary does so at the locations where this is facilitated by the municipality. DSK Bank operates selective waste collection at its sites in Sofia and Varna and expanded the selective collection of paper waste during the year. Our Montenegrin subsidiary introduced selective paper waste collection at its head office and its archives facility.

Attitude shaping

Most members of our Banking Group have a tradition of raising awareness and taking joint action to protect environmental and natural resources. The programmes implemented with the help of our employees are increasingly wide-ranging, covering almost all aspects of nature conservation and environmental protection:

- In 2020, OTP Bank continued to support the Hungarian Hikers' Association's efforts to popularise hiking.
- DSK Bank introduced its "Green Week" campaign. Water was the central theme of the first campaign week, when interesting information and water conservation advice was shared, and our employees submitted more than 30 recommendations on how the Bank could help reduce water consumption. A photo competition was announced and over 200 submissions were received. The subject of the second campaign week was waste; this involved, among other things, our continued participation in the nationwide PET bottle cap collection scheme (the caps are used for producing wheelchairs).
- Our Croatian subsidiary sponsored the Adriatic Sea clean-up programme of the scuba diving club in Split.
- Our Serbian subsidiary highlighted the importance of the responsible use of resources in the context of the pandemic. Our employees also planted trees.

- At our Russian subsidiary, environmental awareness messages were displayed on computer screens and in the offices.
- The employees of our Ukrainian subsidiary planted trees at several locations in 2020.
- Volunteers from our Romanian subsidiary participated in the “Let’s Do It, Romania!” cleanup day.
- Our Slovenian subsidiary keeps bees outside its head office building as part of the Nature in the City scheme, contributing to the preservation of a Slovenian species of bee.
- Our Montenegrin subsidiary used posters and newsletters as regular environmental awareness reminders for its employees. In 2020, the bank once again participated in nationwide afforestation and environmental protection campaigns.

NON-FINANCIAL STATEMENT – OTP BANK PLC. (SEPARATE)

The social, environmental and wider economic performance and impacts of OTP Group are also reported in its dedicated Sustainability Report. The Sustainability Report for 2020 is a group-level report that meets the GRI (Global Reporting Initiative) Standard, and is certified by an independent third party. It is available as a digital version on OTP Bank's website. The information in this chapter is provided in order to comply with the Accounting Act, while also aiming to keep the duplication of information to a minimum. Information concerning environmental protection and climate change is provided mainly in the chapter on Environmental Policy and Environmental Protection Measures.

OTP Bank set up an ESG Steering Committee in 2020. The Committee is the governing body of ESG programmes and serves as a decision-making forum. It determines the objectives for these programmes, prioritises projects and allocates resources. The implementation of ESG programmes is supported by the Operational Committee, the Programme Management Team, the ESG team of experts and the Group Management Body.

OTP Bank is committed to ethical business conduct in all respects; our principles are set out in our Code of Ethics, which is binding for all our employees and agents. Our financial services and our operations have significant social and environmental impacts; our objective is to manage risks responsibly while taking advantage of opportunities and delivering positive outcomes.

Providing responsible financial services and managing credit risk

Transparent and prudent operations are the cornerstone of all our activities, and maintaining the stability of the Banking Group remains a high priority. Our Compliance Policy formulates our principles and guidelines for the fair treatment of customers, as well as our compliance with consumer protection requirements. We follow the principles of ethical product design when designing our products, and our New Product Policy requires – among other things – that we investigate any potential risks affecting consumers.

We fulfil our role as financial intermediary in a way that guarantees the security of our customers' savings throughout the entire process. Our rules ensure that we comply with the responsible lending standards concerning the prevention of excessive debt, the provision of fair, clear, comprehensive and easily visible information, and the recommendation of appropriate products.

We invest and lend the money deposited with us, ensuring that it will not serve illegal purposes, or those contrary to the values of society. OTP Bank will not finance

- customers whose financing is forbidden in international accords, EU acts or national laws;
- those whose activity is likely to violate public morals or social value systems, or is connected to crime;
- those who are connected, directly or indirectly, to criminal activities or to the deliberate violation or evasion of legal regulations;
- transactions classified as prohibited business sectors (e.g. the illegal arms trade, prohibited gambling, drug trade, or any other illegal activity);
- transactions that fail to meet environmental standards.

We ensure adherence to our principles, and maintain this balance through:

- our strict Risk Management Policy,
- our annually revised Lending Policy,
- our continuously developed credit approval system.

Our Lending Policy clearly defines the industries, business lines and activities where we pursue active business operations, as well as the areas where we do not wish to assume risks.

We offer our customers banking options to suit their individual needs, and provide our services with the highest standard of quality, while continuing to improve and innovate. While recommending and encouraging the use of online channels, we also kept most of our branches open during the pandemic, albeit with shorter hours. We took numerous protective measures to improve safety.

Our objective is to provide equal access for persons living with disability, through services adapted to their special needs, in line with the Accessibility Strategy of OTP Bank. Accessibility is integrated into our website, which supports one-handed use and provides accessibility options including text-to-speech software and video content transcripts. Physical accessibility was provided in all our branches but one in 2020 as well. Tactile guide strips are available in 41% of our branches. Our customers can request special-needs services at the queue management machine, with physical push buttons and tactile strips also assisting them in using the device. KONTAKT Interpreter Services are available at 166 branches; this is a service allowing a sign language interpreter to assist with administration tasks through live video chat. Induction loop amplifier systems are also available (in 109 branches), while 25 of our high-traffic branches have employees who can serve customers using sign language. We have made text-to-speech software available on 765 of our ATMs.

OTP Bank's stated objective is to serve its customers without fault. In order to improve the satisfaction of our customers, we are also improving our complaint management practices on an ongoing basis. Our Complaint Management Policy, Complaint Management Regulation and a Glossary are available to view in our branches as well as on our website.

Complaints in 2020 tended to concern the major changes introduced last year, such as the statement of charges, sent to customers early in the year as per the Payment Accounts Directive; instant payments, once they had been introduced; and numerous customer queries and complaints regarding the payment holiday granted in the coronavirus pandemic. The number of complaints regarding card purchases was also high; some of those complaints were attributable to online fraud. Where errors or gaps were identified by the investigation into complaints, the responsible departments carried out the necessary improvements and developments.

Customer complaint data, OTP Bank*	2020	2019
Number of warranted complaints	202,040	125,242
Ratio of warranted complaints	67%	66%
Compensation paid (HUF million)	419	144

** Also includes OTP Lakástakarék and OTP Jelzálogbank data.*

We use TRI*M methodology to measure the satisfaction of our retail customers. OTP Bank's client retention power stood at 66 points in 2020, falling short of the level in the preceding six-month period. In order to understand this result, consideration must be given to the change in methodology (personal inquiry being replaced by sampling online and by telephone) and the impact of the pandemic, which also reduced the average value of the market as a whole. The average satisfaction score of banks in Central Europe was 71.

Security and data protection

Security is a top concern for us. The principles and main guidelines concerning security at the bank are set forth in the Security Policy, which is approved by the Board of Directors. The Policy covers all aspects of security, including IT and cyber security, which have become increasingly important. The processing and protection of personal data is covered by the Compliance Policy, which is also approved by the Board of Directors. Both Policies prescribe the regular evaluation of risks, and the need for maintaining and enhancing awareness. The Deputy CEO responsible for the IT Division and the data protection officer (reporting directly to the top management of the data controller or the data processor and not accepting instructions from anyone regarding the discharging of duties) are responsible for data processing at the bank and the protection of customers' personal data.

Our 24/7 Security Operations Center (SOC) was put into operation in 2020 and provides continuous monitoring, detection and thus prompt alerts of IT security events. In 2020, we received hundreds of reports of phishing. Whenever an actual phishing event occurred, we had the phishing website blocked; where the incident was of greater magnitude, we informed our customers and employees as well. The Bank issued regular press releases on this subject. We took action several times against fraudulent websites and malware (a virus or link sent by email).

We prioritise raising awareness among our employees and customers. A full review and revision of the security awareness training materials for employees was completed in 2020. As a result of the pandemic, the heightened security of working from home was a priority during the year. We improved our employees' security awareness through in-house practices. Our awareness-raising programmes linked to the European Cybersecurity Month focused on the preparations for tackling phishing attempts. In addition, we compiled training materials for customers on how to avoid phishing and how to use smartphones safely.

No bank card information was leaked from OTP Bank's systems; data were only revealed by our customers in response to phishing. The continued low rate of bank card fraud demonstrates the effective operation of our systems. OTP Bank's percentage of fraud cases involving Bank-issued cards relative to turnover was significantly lower (0.0058%) than the European average published by MasterCard (0.0378%). We prevented losses from fraud in the amount of HUF 2.1 billion.

Suspected money laundering was reported 262 times during the year. Expected loss from financial fraud amounted to HUF 680 million, while losses prevented to HUF 138 billion; expected loss relating to branches, ATM equipment and facilities and equipment to HUF 6 million, with prevented losses amounting to HUF 65 million.

Fight against corruption and against the practice of bribery

The Code of Ethics and the Anti-Corruption Policy of OTP Bank contains provisions on the fight against corruption and against the practice of bribery, also on the acceptance of individual differences and the denial of discrimination (https://www.otpbank.hu/portal/en/EthicalDeclaration, https://www.otpbank.hu/static/portal/sw/file/OTP_EtikaiKodex_EN.pdf, https://www.otpbank.hu/static/portal/sw/file/OTP_Korrupcioellenes_Politika_202007.pdf). As it can be read in the foreword of the Code and the Anti-Corruption Policy as well, the Bank and its management have adopted the principle of zero tolerance towards corruption and bribery, taking a definite stance against all forms of corruption and giving full support to the fight against corruption. In addition, the Code states that "As an ethical and compliant institution, the Bank and its management are fully committed to ensuring observance of all relevant legislation, including anti-corruption statutes."

The Bank has set up an ethics reporting system (whistleblowing), which is for the reporting and the handling of the reports on suspected or actual violation of the values set forth in the Code of Ethics, where anonymous reporting of ethics issues is also possible. The Bank conducts inquiries for the purpose of detecting, preventing anomalies in connection with reports made or anomalies it became aware of otherwise.

Through the Bank's ethics reporting system a total of 23 reports were received in 2020, 5 of them was reclassified as complaints and 3 case's investigation resulted in declaring ethics offense – though not due to corruption, bribery or discrimination.

The Bank has created and maintains its Code of Ethics to keep reputational risk and financial losses, which may incur in relation to corruption, bribery and discrimination, on a minimum level. Both employees and newcomers receive education on the Code of Ethics, and in addition, the acceptance to be bound by it is a prerequisite for their employment.

Any requests from third parties affecting human rights are treated by the Bank as a priority.

We manage the risks regarding the fight against corruption and bribery within the framework of our operational risk management process. Our quarterly compliance reports cover the changes in risks as well as the steps necessary steps to manage them. The reports are presented to the Management Committee and the Board of Directors; the annual report is also submitted to the Supervisory Board.

Citizenship

As one of the most generous charitable donors in Hungary, OTP Bank gave a total of HUF 3.7 billion in charitable donations. Playing an active role in managing the hardship generated by the coronavirus pandemic was a priority for us in 2020. Our Bank gave HUF 1.7 billion in donations to healthcare institutions, financing the acquisition of medical devices at several hospitals, including some operating in disadvantaged areas of the country; we also handed out 20 ventilators as donations in kind.

We aim to provide genuine and effective help by supporting programmes and causes that serve the interests of society. We cooperate with a number of local non-governmental organisations, concentrating our donated funds and monitoring their usage and the results achieved. Besides our support to the healthcare sector, our efforts were focused on the following areas:

- developing financial literacy, attitude-shaping;
- sponsoring culture and the arts: creating and preserving values;
- equal opportunities: helping the disadvantaged and those in need;
- sports.

During the pandemic, only a limited set of our voluntary programmes remained possible; in 2020 1,400 employees spent 5,500 hours doing voluntary work.

The Humanitas Social Foundation supports vulnerable communities and individuals with a focus on healthcare and education; donation recipients are selected through an application process. Its most important activity in 2020 involved priority support to hospitals.

The OTP Fáy András Foundation provides financial and economic education services, a key element of which is operating the OK Educational and Innovation Centre. The activities of the Foundation in 2020 were determined mostly by the coronavirus pandemic and the refurbishment of the educational centre in Budapest, which had been started in 2019. 2,212 persons attended classroom training, instead of which emphasis shifted to digital education programmes. The Fáy digital educational programme was created for students in Years 5 to 12 and comprises live presentations, online videos, e-learning materials and a games app. The learning materials produced during the year were used by 2,000 students by the end of the year, while the games app (Platypus: A Finlit Story) had over 30 thousand downloads. The app is available without any limitations and free of charge even outside the school context. Four age-specific outdoor training programmes, each two hours long, were developed to meet the needs of schools. During the year, the Centre also ran a regional educational programme as well as summer camps, and also developed adult educational materials. In order to shape social attitudes and raise awareness, three short films were broadcast 800 times on national commercial channels; these films touched on the subjects of self-provision, digital banking solutions and consumer empowerment. The refurbishment of the OK Educational and Innovation Centre was completed, ensuring that the Foundation can deliver its educational programmes with even greater capacities and relying on an even more modern infrastructure.

Our aim with the short film Keep it in the Family! was also to improve financial literacy and shape attitudes; in this film, two sets of parents and children spoke about money and their relationship with it. The video is available online and has been viewed more than 400,000 times. We also joined the "Life without Leftoversl!" campaign of the Hungarian Food Bank Association, which encourages reducing food waste.

Responsible employment

Our employees play a key role in OTP Bank's success. The pandemic has forced us to adopt unprecedented measures to protect the safety of our employees. We created the conditions for work from home for thousands of our employees within a short timeframe, and introduced emergency measures relating to working on site in our offices. We also helped our employees recharge their emotional, mental and physical batteries in these difficult working conditions.

OTP Bank's employees (31 December)	2020			2019		
	Total	Men	Women	Total	Men	Women
Employees, total (individuals)	9,826	3,402	6,424	9,318	2,975	6,343
Distribution by gender	100%	34.6%	65.4%	100%	31.9%	68.1%
Turnover rate[1]	10.5%	9.3%	11.2%	13.0%	13.2%	12.8%

[1] *Compared to the end-of-year headcount; includes termination of employment both by employee and by employer, as well as retirement.*

The central objective of our human resource strategy is to intensify employee experience and commitment. Development projects furthering the achievement of the goals set in accordance with predefined priorities were implemented in 2020, supporting, among others, a consistent and relevant management development process, talent and succession planning with talent identification and selection and the measurement of competencies along consistent principles, and also the development of performance management, with clear targets and continuous feedback. The growth and development of our employees is a priority for us. All our employees attend professional training courses and competency development, based on their performance assessments.

Ethical conduct and compliance with the law remain core principles in our human resource management as well. OTP Bank analyses and manages the risks pertaining to employment within its operational risk management process. The interests of our employees are represented by their trade union, with a Collective Agreement setting out the rights and obligations of every employee.

In our Code of Ethics, our Bank declares its commitment to providing a safe and healthy working environment and states its expectation of mutual respect between executive officers and employees, including the prohibition of discrimination and harassment. We consistently apply the principle of "equal pay for equal work", including providing equal pay to men and women for the same position and performance. Within the objective limitations of specific job descriptions, we allow for flexible working hours and part-time employment options. We encourage healthy lifestyle choices, offering a complex health insurance package, and subsidising recreation and sports activities.

We regularly measure employee satisfaction. In 2020, we surveyed head office employees to find out their experience of the pandemic. The employees judged the Bank's performance as very good, both in terms of how efficiently we were dealing with the situation (96%) and how we communicated (90%). As a pilot, we measured engagement within a certain subset of our staff. The 86% engagement score is high, even in comparison with the international benchmarks.

Short description of the business model of the company

OTP Bank is the market-leading credit institution in Hungary. As for its business model, the Bank offers high-quality financial services to retail, private banking, micro and small business, medium and large corporate, as well as municipality clients through both its branch network and its steadily developing digital channels. The Bank provides comprehensive retail and corporate banking services: its activities include deposit collection from customers and raising money from the money and capital markets. On the asset side, OTP Bank offers mortgage loans, consumer credits, working capital and investment loans to companies, as well as loans to municipalities, whereas its liquidity reserves are invested in money and capital market instruments. Moreover, the Bank provides a wide range of state-of-the-art services, including the areas of wealth management, investment services, payment services, treasury and other services.

In addition, OTP Bank's Hungarian subsidiaries deliver a wide range of further financial services. The Bank owns foreign subsidiaries in many countries of Central and Eastern Europe through capital investments.

Non-financial performance indicators

- Internal audit: 181 closed investigations, 1,127 proposals, 1,126 accepted proposals;
- Compliance with Budapest Stock Exchange (BSE) Recommendations (yes/no ratio): 72 yes, 0 no;
- Compliance: 19 closed consumer protection related investigations, 4,838 reports due to suspicion of money laundering;
- Bank security: expected damages arising from crimes detected: HUF 680 million, prevented damages: HUF 813 million; reported criminal charges on suspicion of money laundering: 471; the ratio of bank card abuses 0.0058% which is better than the European average (European average 0.0378%, world average 0.0679%);
- Ethics issues: 23 ethics reports, establishing ethics offense in 3 cases.

LIST OF NON-AUDIT SERVICES BY SERVICE CATEGORIES USED BY THE BANK

The statutory audit of OTP Bank is carried out by Deloitte Auditing and Consulting Ltd., in addition to which the following services were contracted:

- Issue of Comfort letters;
- Engagements to perform agreed-upon procedures regarding financial information (AUP according to ISRS 4400);
- Assurance engagements other than audits or reviews of historical financial information (ISAE 3000);
- Engagements carried out according to standards on review engagements (ISRE 2400, 2410).

SUPPLEMENTARY DATA

FOOTNOTES TO THE TABLE 'CONSOLIDATED NET PROFIT BREAKDOWN BY SUBSIDIARIES (IFRS)'

General note: regarding OTP Core and other subsidiaries, profit after tax is calculated without received dividends and net cash transfers (and other adjustment items). Dividends and net cash transfers received from non-group member companies are shown on a separate line in one sum in the table, regardless to the particular receiver or payer group member company.

(1) Aggregated adjusted after tax profit of OTP Core and foreign banks.

(2) OTP Core is an economic unit for measuring the result of core business activity of OTP Group in Hungary. Financials of OTP Core are calculated from the partially consolidated IFRS financial statements of certain companies engaged in OTP Group's operation in Hungary. These companies include OTP Bank Hungary Plc., OTP Mortgage Bank Ltd, OTP Building Society Ltd, OTP Factoring Ltd, OTP Financial Point Ltd., and companies providing intragroup financing; OTP Bank Employee Stock Ownership Plan Organization was included from 4Q 2016; OTP Card Factory Ltd., OTP Facility Management Llc., MONICOMP Ltd. and OTP Real Estate Lease Ltd. were included from 1Q 2017 (from 1Q 2019 OTP Real Estate Lease Ltd. was eliminated from OTP Core); OTP Mobile Service Llc. and OTP Ingatlanpont Llc. were included from 1Q 2019; OTP eBIZ Ltd. was included from 1Q 2020. The consolidated accounting results of these companies are segmented into OTP Core and Corporate Centre. Latter is a virtual entity.

(3) The result and balance sheet of OTP Factoring Bulgaria EAD is included. From 1Q 2019 Expressbank AD and its subsidiaries, OTP Leasing EOOD and Express Factoring EOOD (altogether: Express Group) were included into the Bulgarian operation. From 1Q 2019 the statement of recognised income and balance sheet of DSK Leasing AD was included.

(4) From 1Q 2019 the statement of recognised income and balance sheet of OTP Leasing d.d. and SB Leasing d.o.o. was included. In February 2020 the company name of OTP banka Hrvatska dioničko društvo was changed to OTP banka dioničko društvo.

(5) The financial performance of OTP Factoring Serbia d.o.o is included. From 1Q 2019 the statement of recognised income and balance sheet of OTP Lizing d.o.o and OTP Services d.o.o. was included. The balance sheet of the newly acquired OTP banka Srbija was included in 3Q 2019, its P&L from 4Q 2019.

(6) The statement of recognised income and balance sheet of OTP Faktoring SRL was included. From 1Q 2019 the statement of recognised income and balance sheet of OTP Leasing Romania IFN S.A. was included.

(7) Figures are based on the aggregated financial statements of OTP Bank JSC, LLC OTP Leasing Ukraine, and OTP Factoring Ukraine LLC.

(8) The statement of recognised income and balance sheet of LLC MFO "OTP Finance" is included in the Russian performance.

(9) From 3Q 2019 the statement of recognised income and balance sheet of Podgoricka banka was included.

(10) P&L data and related indicators are adjusted for the special banking tax and the Slovakian Deposit Protection Fund contributions being introduced again in 2014, as well as the contribution into the Resolution Fund. Including the financial performance of OTP Faktoring Slovensko s.r.o. The sale of the Slovakian subsidiary was concluded at the end of November 2020.

(11) Until the end of 2019 the after tax profit of Merkantil Bank without dividends, net cash transfer and other adjustment items, since 1Q 2020 the sub-consolidated after tax profit of Merkantil Group (Merkantil Bank Ltd., Merkantil Bérlet Ltd., OTP Real Estate Leasing Ltd., NIMO 2002 Ltd., SPLC-P Ltd., SPLC Ltd.) was presented.

(12) LLC AMC OTP Capital, OTP Asset Management SAI S.A. (Romania), DSK Asset Management EAD (Bulgaria).

(13) OTP Buildings s.r.o. (Slovakia), Velvin Ventures Ltd. (Belize), R.E. Four d.o.o., Novi Sad (Serbia), SC Aloha Buzz SRL, SC Favo Consultanta SRL, SC Tezaur Cont SRL (Romania), Cresco d.o.o. (Croatia), OTP Osiguranje d.d. (Croatia), OTP Solution Fund (Ukraine).

(14) Within OTP Group, the Corporate Centre acts as a virtual entity established by the equity investment of OTP Core for managing the wholesale financing activity for all the subsidiaries within OTP Group but outside OTP Core. Therefore the balance sheet of the Corporate Centre is funded by the equity and intragroup lending received from OTP Core, the intragroup lending received from other subsidiaries, and the subordinated debt and senior notes issued by OTP Bank. From this funding pool, the Corporate Centre is to provide intragroup lending to, and hold equity stakes in OTP subsidiaries outside OTP Core. Main subsidiaries financed by Corporate Centre are as follows: Hungarians: Merkantil Bank Ltd, Merkantil Leasing Ltd, OTP Fund Management Ltd, OTP Real Estate Fund Management Ltd, OTP Life Annuity Ltd; foreigners: banks, leasing companies, factoring companies.

(15) Total Hungarian subsidiaries: sum of the adjusted after tax results of Hungarian group members, Corporate Centre and related eliminations.

(16) Total Foreign subsidiaries: sum of the adjusted after tax profits of foreign subsidiaries.

CALCULATION OF THE ADJUSTED LINES OF IFRS PROFIT AND LOSS STATEMENTS, AS WELL AS THE ADJUSTED BALANCE SHEET LINES PRESENTED IN THE BUSINESS REPORT, AND THE METHODOLOGY FOR CALCULATING THE FX-ADJUSTED VOLUME CHANGES

In order to present Group level trends in a comprehensive way in the Report, the presented consolidated and separate profit and loss statements of this report were adjusted in the following way, and the adjusted P&Ls are shown and analysed in the Report. Consolidated accounting figures together with Separate accounting figures of OTP Bank are still disclosed in the Supplementary Data section.

Adjustments affecting the income statement:

- The after tax effect of adjustment items (certain, typically non-recurring items from banking operations' point of view) are shown separately in the Statement of Recognised Income. The following adjustment items emerged in the period under review and the previous year: received dividends, received and paid cash transfers, the effect of goodwill/investment impairment charges, special tax on financial institutions, the expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia, the impact of fines imposed by the Hungarian Competition Authority, the effect of acquisitions, and the one-off impact of regulatory changes related to FX consumer contracts in Serbia.

  Beside the Slovakian banking levy, the total amount of the special banking tax includes and the Slovakian Deposit Protection Fund contributions being introduced again in 2014, and the contribution into the Resolution Fund in Slovakia, too. Within banking taxes, the special tax booked by the Romanian subsidiary was also included in 4Q 2019.

- Until 4Q 2017 other non-interest income elements stemming from provisioning release in connection with provisions on loans originated before the acquisitions of the subsidiaries have been reclassified to and deducted from the volume of *Provision for impairment on loan and placement losses* line in the income statement. Starting from 1Q 2018 this income from the release of pre-acquisition provisions was presented amongst the *Provision for impairment on loan and placement losses* line both in the accounting and adjusted P&L structure.

- In 4Q 2019 the following items have been moved from the Other operating expenses line among the Net interest income after loss allowance, impairment and provisions line: *Release of loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost*, *Provision for commitments and guarantees given*, *Release of impairment of assets subject to operating lease and of investment properties*. In the adjusted P&L structure these items are presented amongst the *Other provisions (adj.)* line (through the *Structural correction between Provision for loan losses and Other provisions* adjustment line).

- Other non-interest income is shown together with Gains and losses on real estate transactions, Net insurance result, Gains and losses on derivative instruments, and Gains and losses on non-trading securities mandatorily at fair value through profit or loss lines in 2019, but without the above mentioned income from the release of pre-acquisition provisions and without received cash transfers. However other non-interest expenses stemming from non-financial activities are added to the adjusted net other non-interest income line, therefore the latter incorporates the net amount of other non-interest income from non-financial activities.

- OTP Bank's share in the change in the shareholders' equity of companies consolidated with equity method is reclassified from the After tax dividends and net cash transfers line to the Net other non-interest result (adj.) without one-offs line. In the addition to this, OTP Bank has changed the way how private equity funds managed by PortfoLion are recorded. As a result of this, as opposed to the previous method of recording the funds at book value (initial book value less impairments), starting from 3Q 2019 the funds are evaluated based on their net asset value. The change in the carrying value was reclassified to the Net other non-interest result (adj.) without one-offs line in the adjusted P&L structure. Furthermore, received cash transfers within the framework of the subsidy programme targeting the expansion of POS network in Hungary were reclassified from the After tax dividends and net cash transfers line to the Net other non-interest result (adj.) without one-offs line.

- Other provisions are separated from other expenses and shown on a separate line in the adjusted profit or loss statement.

- Other administrative expenses have been adjusted in the following way in order to create a category comprising administrative cost items exclusively. Other costs and expenses and other non-interest expenses were included into the adjusted Other non-interest expenses. At the same time, the following cost items were excluded from adjusted other non-interest expenses: paid cash transfers (except for movie subsidies and cash transfers to public benefit organisations, whereas from 2019 certain part of cash transfers to public benefit organizations was presented amongst net fees and commissions), Other other non-interest expenses stemming from non-financial activities, and special tax on financial institutions.

- Tax deductible transfers (offset against corporate taxes) paid by Hungarian group members were reclassified from Other non-interest expenses to Corporate income tax. As a result, the net P&L effect of these transfers (i.e. the paid transfer less the related corporate tax allowances) is recognised in the corporate income tax line of the adjusted P&L. The amount of tax deductible transfers offset against the special tax on financial institutions is shown on a net base on the special tax on financial institutions line.

- The financial transaction tax paid from the beginning of 2013 in Hungary is reclassified from other (administrative) expenses to net fee and commission income, both on consolidated and OTP Core level.

- OTP Group is hedging the revaluation result of the FX provisions on its FX loans and interest claims by keeping hedging open FX positions. In the accounting statement of recognized income, the revaluation of FX provisions is part of the risk costs (within line “Provision for loan losses”), other provisions and net interest income lines, whereas the revaluation result of the hedging open FX positions is made through other non-interest income (within line “Foreign exchange result, net”). The two items have the same absolute amount but an opposite sign. As an adjustment to the accounting statement of income, these items are eliminated from the adjusted P&L. By modifying only the structure of the income statement, this correction does not have any impact on the bottom line net profits.
- The Compensation Fund (established in Hungary in order to indemnify the victims of Quaestor and Hungarian Securities Ltd.) contributions are recognized on the Other administrative expenses line of the accounting income statement, and are presented on the financial transaction tax and/or Special tax on financial institutions line the in the adjusted P&L structure (due to the tax deductibility).
- In case of OTP Banka Slovensko and OTP Bank Romania the total revaluation result of intra-group swap deals – earlier booked partly within the net interest income, but also on the Foreign exchange gains and Net other non-interest result lines within total Other non-interest income – is presented on a net base on the net interest income line.
- Due to the introduction of IFRS16 from 2019, certain items previously presented on the Other non-interest expenses line (rental fees) were moved to the interest expenses and depreciation lines in the accounting income statement. These items were shifted back to the Other non-interest expenses line in the adjusted P&L structure.
- Staring from 2020 the currency exchange result was shifted in the accounting P&L structure from the FX result to the net fees and commissions line, retroactively for the 2019 base period as well. In the adjusted P&L structure this
- Performance indicators (such as cost/income ratio, net interest margin, risk cost to average gross loans as well as ROA and ROE ratios, etc.) presented in this report are calculated on the basis of the adjusted profit and loss statement excluding adjustment items (unless otherwise indicated).
- Within the report, FX-adjusted statistics for business volume developments and their product breakdown, as well as the FX-adjusted stock of allowances for loan losses are disclosed, too. For FX adjustment, the closing cross currency rates for the current period were used to calculate the HUF equivalent of loan and deposit volumes in the base periods. Thus the FX-adjusted volumes will be different from those published earlier. Regarding the FX-adjusted volume change of DPD90+ loans (adjusted for sales and write-offs), instead of the previously applied 3Q 2009 FX rates, from 4Q 2020 onwards the actual end of period FX rates are used for calculating the FX-adjusted figures.

Adjustments affecting the balance sheet:

- On 17 February 2020 OTP Bank announced the signing of the sale agreement of its Slovakian subsidiary. According to IFRS 5 the Slovakian bank was presented as a discontinued operation in the consolidated income statement and balance sheet. With regards to the consolidated accounting balance sheet, all assets and liabilities of the Slovakian bank was shown on one-one line of the 2019 and 9M 2020 balance sheet (there was no change in the 2018 closing balance sheet structure, whereas by the end of 4Q 2020 the Slovakian entity was deconsolidated). As for the consolidated accounting income statement, the Slovakian contribution for 2018, 2019 and 2020 (in 2020 the January-October contribution was consolidated) was shown separately from the result of continued operation, on the Loss from discontinued operation line, i.e. the particular P&L lines in the ‘continuing operations’ section of the accounting P&L don’t incorporate the contribution from the Slovakian subsidiary. As opposed to this, the adjusted financial statements presented in the Stock Exchange Report incorporated the Slovakian banks’ balance sheet and P&L contribution in the relevant respective lines, in line with the structure of the financial statements monitored by the management.
- At the end of 2020, OTP Osiguranje d.d. was presented as asset classified as held for sale in the accounting financial statements. Accordingly, its assets and liabilities were shown on a separate line in the consolidated balance sheet. Regarding the 2020 accounting statement of recognized income, the entity’s annual result was presented on the *Gains from held for trading operations* line, therefore the particular P&L lines in the ‘continuing operations’ section of the accounting P&L don’t incorporate the contribution from this entity. As opposed to this, the adjusted financial statements presented in the Stock Exchange Report incorporated the company’s balance sheet and P&L contribution in the relevant respective lines, in line with the structure of the financial statements monitored by the management.
- Finance lease receivables – earlier presented within customer loans – are shown on a separate line in the accounting balance sheet from 2019. As for the adjusted balance sheet, net customer loans continue to include the stock of finance lease receivables.
- In the adjusted balance sheets presented in the analytical section of the report, the total amount of accrued interest receivables related to Stage 3 loans under IFRS 9 were netted with the provisions created in relation to the total exposure toward those particular clients, in case of the affected Group members. Therefore, this adjustment made on the accounting balance sheet has an impact on the consolidated gross customer loans and allowances for loan losses.

ADJUSTMENTS ON THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (IFRS)

	2020 HUF million	2019 HUF million
Net interest income	**782,671**	**699,041**
(-) Revaluation result of FX provisions	(57)	30
(+) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian and Slovakian operations	337	76
(-) Netting of interest revenues on DPD90+ loans with the related provision (booked on the Provision for loan losses line) at OTP Core and CKB	5,951	3,135
(-) Effect of acquisitions	(600)	1,583
(-) Initial NPV gain on the monetary policy interest rate swap (MIRS) deals	0	0
(-) Reclassification due to the introduction of IFRS16	(1,623)	(1,652)
(-) Netting of the interest subsidy repaid by OTP Mortgage Bank to the State by the already created other provision for that purpose (and other related items) in 3Q 2019	0	(1,535)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	8,755	10,733
(-) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	15	
(-) Adjustment in 2019 due to the reclassification of amounts related to mandatorily measured at fair value through profit or loss		1,992
Net interest income (adj.)	**788,079**	**706,298**
Net fees and commissions	**397,633**	**374,180**
(+) Financial Transaction Tax	(61,588)	(61,920)
(-) Effect of acquisitions	(145)	(42)
(+) Shifting of certain cash transfers to public benefit organisations to the Net fees and commissions line	0	0
(-) Netting of the interest subsidy repaid by OTP Mortgage Bank to the State by the already created other provision for that purpose (and other related items) in 3Q 2019	0	(30)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	3,210	3,906
(-) Structural shift of income from currency exchange from net fees to the FX result	46,290	33,736
Net fees and commissions (adj.)	**293,112**	**282,504**
Foreign exchange result	**7,864**	**5,734**
(-) Revaluation result of FX positions hedging the revaluation of FX provisions	11,195	(5,166)
(-) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian and Slovakian operations	(1,964)	(477)
(-) Effect of acquisitions	0	1
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	3	66
(+) Structural shift of income from currency exchange from net fees to the FX result	46,290	33,736
Foreign exchange result (adj.)	**44,927**	**45,177**
Gain/loss on securities, net	**16,106**	**11,611**
(-) Shifting of Non-trading securities mandatorily at fair value through profit or loss line to Net other non-interest income from 1Q 2019 until 4Q 2019	-	1,914
(-) Effect of acquisitions	(98)	
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	349	
Gain/loss on securities, net (adj.) with one-offs	**16,553**	**9,697**
(-) Revaluation result of the treasury share swap agreement (booked as Gain on securities, net (adj) at OTP Core)	2,360	(2,675)
Gain/loss on securities, net (adj.) without one-offs	**14,193**	**12,373**
Result of discontinued operation and gains from disposal of subsidiaries classified as held for sale	**5,590**	**(4,668)**
(-) Effect of acquisitions	7,496	(6,037)
Result of discontinued operation and gains from disposal of subsidiaries classified as held for sale (adj.)	**(1,907)**	**1,369**
Gains and losses on real estate transactions	**3,631**	**8,231**
Result of discontinued operation and gains from disposal of subsidiaries classified as held for sale (adj.)	**(1,907)**	**1,369**
(+) Other non-interest income	**29,109**	**102,015**
(+) Gains and losses on derivative instruments	**11,339**	**1,048**
(+) Net insurance result	**721**	**849**
(+) Losses on loans measured mandatorily at fair value through other comprehensive income and on securities at amortized cost	**(2,396)**	**(849)**
(-) Received cash transfers	65	174
(+) Other other non-interest expenses	(5,800)	(6,778)
(+) Change in shareholders' equity of companies consolidated with equity method, and the change in the net asset value of the private equity funds managed by PortfoLion	128	1,862
(-) Investment impairment in relation to the sale of Express Life Bulgaria (presented on the *Goodwill/investment impairment charges* adjustment line on consolidated level)	0	(163)
(-) Effect of acquisitions	7,264	79,538
(-) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian and Slovakian operations	2,301	553
(-) One-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	(226)	(277)
(-) Impact of fines imposed by the Hungarian Competition Authority	823	0
(-) Netting of refunds related to legal cases (accounted for on the Net other non-interest result line) with the release of provisions created earlier for these cases (accounted for on the Other provisions line) from 1Q 2017 at OTP Bank Romania	(216)	(483)
(+) Shifting of Non-trading securities mandatorily at fair value through profit or loss line to Net other non-interest income from 1Q 2019 until 4Q 2019	-	1,914
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	3,149	(1,072)
(-) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	(1,646)	
(+) Adjustment in 2019 due to the reclassification of amounts related to mandatorily measured at fair value through profit or loss		2,131
Net other non-interest result (adj.) with one-offs	**29,610**	**31,376**
(-) Gain on the repurchase of own Upper and Lower Tier2 Capital (booked as Net other non-interest result (adj) at OTP Core and at the Corporate Centre)	0	0
Net other non-interest result (adj.) without one-offs	**29,610**	**31,376**

	2020 HUF million	2019 HUF million
Provision for impairment on loan and placement losses	**(200,315)**	**(44,605)**
(+) Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	**(3,262)**	**(4,376)**
(+) Loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost	**(7,309)**	**9**
(+) Provision for commitments and guarantees given	**(8,662)**	**(7,995)**
(+) Impairment of assets subject to operating lease and of investment properties	**877**	**280**
(+) Non-interest income from the release of pre-acquisition provisions	-	-
(-) Revaluation result of FX provisions	(10,997)	5,176
(-) One-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	459	263
(+) Netting of interest revenues on DPD90+ loans with the related provision (booked on the Provision for loan losses line) at OTP Core and CKB	5,951	3,135
(-) Effect of acquisitions	(2,149)	(19,868)
(-) One-off impact of regulatory changes related to FX consumer contracts in Serbia	0	(2,127)
(-) Structural correction between Provision for loan losses and Other provisions	(15,094)	(7,705)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	(3,024)	(46)
(-) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	(29,543)	
(-) Adjustment in 2019 due to the reclassification of amounts related to mandatorily measured at fair value through profit or loss	-	139
Provision for impairment on loan and placement losses (adj.)	**(158,421)**	**(29,474)**
Dividend income	**527**	**7,955**
(+) Received cash transfers	65	174
(+) Paid cash transfers	(12,768)	(13,195)
(-) Sponsorships, subsidies and cash transfers to public benefit organisations	(12,508)	(13,139)
(-) Dividend income of swap counterparty shares kept under the treasury share swap agreement	0	5,710
(-) Change in shareholders' equity of companies consolidated with equity method, and the change in the net asset value of the private equity funds managed by PortfoLion	128	1,862
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	8	3
After tax dividends and net cash transfers	**213**	**505**
Depreciation and goodwill impairment charges	**(92,762)**	**(81,935)**
(-) Goodwill impairment charges	0	(4,887)
(-) Effect of acquisitions	(7,415)	(7,881)
(-) Reclassification due to the introduction of IFRS16	(16,447)	(14,280)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	(1,385)	(1,495)
Depreciation (adj.)	**(70,286)**	**(56,383)**
Personnel expenses	**(308,643)**	**(276,755)**
(-) Effect of acquisitions	(2,785)	(3,777)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	(6,638)	(7,024)
Personnel expenses (adj.)	**(312,495)**	**(280,002)**
Income taxes	**(27,376)**	**(49,902)**
(-) Corporate tax impact of goodwill/investment impairment charges	886	(3,378)
(-) Corporate tax impact of the special tax on financial institutions	1,773	1,623
(+) Tax deductible transfers (offset against corporate taxes)	(8,083)	(3,802)
(-) Corporate tax impact of the effect of fines imposed by the Hungarian Competition Authority	(74)	0
(-) Corporate tax impact of the effect of acquisitions	497	(5,713)
(-) Corporate tax impact of the one-off impact of regulatory changes related to FX consumer contracts in Serbia	0	483
(-) Netting of the interest subsidy repaid by OTP Mortgage Bank to the State by the already created other provision for that purpose (and other related items) in 3Q 2019 (corporate tax impact)	0	146
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	(80)	(56)
(-) Corporate tax impact of the expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	2,913	
Corporate income tax (adj.)	**(41,534)**	**(46,921)**
Other operating expense	**(39,447)**	**(44,758)**
(-) Other costs and expenses	(7,506)	(9,172)
(-) Other non-interest expenses	(18,568)	(19,973)
(-) Effect of acquisitions	1,022	(7,575)
(-) Revaluation result of FX provisions	(141)	(40)
(-) One-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	(233)	14
(-) Netting of refunds related to legal cases (accounted for on the Net other non-interest result line) with the release of provisions created earlier for these cases (accounted for on the Other provisions line) from 1Q 2017 at OTP Bank Romania	216	483
(-) Netting of the interest subsidy repaid by OTP Mortgage Bank to the State by the already created other provision for that purpose (and other related items) in 3Q 2019	0	1,420
(+) Structural correction between *Provision for loan losses* and *Other provisions*	(15,094)	(7,705)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	(243)	(12)
(-) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	0	
Other provisions (adj.)	**(29,574)**	**(17,633)**
Other general expenses	**(306,263)**	**(282,528)**
(+) Other costs and expenses	(7,506)	(9,172)
(+) Other non-interest expenses	(18,568)	(19,973)
(-) Paid cash transfers	(12,768)	(13,195)
(+) Film subsidies and cash transfers to public benefit organisations	(12,508)	(13,139)
(-) Shifting of certain cash transfers to public benefit organisations to the Net fees and commissions line	0	0
(-) Other other non-interest expenses	(5,800)	(6,778)
(-) Special tax on financial institutions (recognised as other administrative expenses)	(19,138)	(17,792)
(-) Tax deductible transfers (offset against corporate taxes)	(8,083)	(3,802)
(-) Financial Transaction Tax	(61,588)	(61,920)
(-) Effect of acquisitions	(9,940)	(10,963)
(+) Reclassification due to the introduction of IFRS16	(18,069)	(15,933)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	(4,105)	(5,003)
Other non-interest expenses (adj.)	**(249,702)**	**(231,298)**

ADJUSTMENTS OF CONSOLIDATED IFRS BALANCE SHEET LINES

	2020 HUF million	2019 HUF million
Cash, amounts due from Banks and balances with the National Banks	2,432,312	1,784,378
(+) Allocation of *Assets classified as held for sale* among balance sheet lines	3	57,586
Cash, amounts due from Banks and balances with the National Banks (adjusted)	2,432,314	1,841,963
Placements with other banks, net of allowance for placement losses (including net repo receivables in 2019)	1,148,744	410,078
(+) Allocation of *Assets classified as held for sale* among balance sheet lines	244	354
Placements with other banks, net of allowance for placement losses (adjusted)	1,148,987	410,433
Financial assets at fair value through profit or loss	234,006	251,991
(+) Allocation of Assets classified as held for sale among balance sheet lines	1,188	
Financial assets at fair value through profit or loss (adjusted)	235,194	251,991
Securities at fair value through other comprehensive income	2,136,709	2,426,779
(+) Allocation of Assets classified as held for sale among balance sheet lines	3,410	759
Securities at fair value through other comprehensive income (adjusted)	2,140,118	2,427,537
Gross customer loans (incl. loans at amortized cost and loans mandatorily at fair value through profit or loss) (incl. accrued interest receivables related to loans)	13,326,189	11,603,116
Gross finance lease receivables	1,075,742	982,853
Gross customer loans (incl. finance lease receivables and accrued interest receivables related to loans)	14,401,930	12,585,969
(-) Accrued interest receivables related to DPD90+ / Stage 3 loans	38,650	35,450
(+) Allocation of *Assets classified as held for sale* among balance sheet lines	0	391,490
Gross customer loans (adjusted)	14,363,281	12,942,009
Allowances for loan losses (incl. impairment of finance lease receivables)	(873,344)	(706,907)
(-) Allocated provision on accrued interest receivables related to DPD90+ / Stage 3 loans	(38,650)	(35,450)
(+) Allocation of *Assets classified as held for sale* among balance sheet lines	0	(23,033)
Allowances for loan losses (adjusted)	(834,695)	(694,490)
Securities at amortized costs	2,624,921	1,968,072
(+) Allocation of *Assets classified as held for sale* among balance sheet lines	1,031	27,555
Securities at amortized costs (adjusted)	2,625,952	1,995,627
Tangible and intangible assets, net	589,743	595,128
(+) Allocation of *Assets classified as held for sale* among balance sheet lines	135	10,545
Tangible and intangible assets, net (adjusted)	589,878	605,673
Other assets (including net repo receivables in 2020)	588,378	785,456
(+) Allocation of *Assets classified as held for sale* among balance sheet lines	(6,010)	(465,255)
Other assets (adjusted)	582,368	320,201
Amounts due to banks, the National Governments, deposits from the National Banks and other banks, and Financial liabilities designated at fair value through profit or loss (including repo liabilities in 2019)	1,219,446	844,261
(+) Allocation of Liabilities directly associated with assets classified as held-for-sale among balance sheet lines	0	1,898
Amounts due to banks, the National Governments, deposits from the National Banks and other banks, and Financial liabilities designated at fair value through profit or loss (adjusted)	1,219,446	846,158
Deposits from customers	17,890,863	15,171,308
(+) Allocation of *Liabilities directly associated with assets classified as held-for-sale* among balance sheet lines	0	351,346
Deposits from customers (adjusted)	17,890,863	15,522,654
Other liabilities (including repo liabilities in 2020)	949,502	1,171,805
(+) Allocation of *Liabilities directly associated with assets classified as held-for-sale* among balance sheet lines	0	(353,244)
Other liabilities (adjusted)	949,502	818,561
Subordinated bonds and loans	274,704	249,938
(+) Allocation of Liabilities directly associated with assets classified as held-for-sale among balance sheet lines	0	
Subordinated bonds and loans (adjusted)	274,704	249,938

STATEMENT OF PROFIT OR LOSS OF OTP BANK PLC., ACCORDING TO IFRS STANDARDS AS ADOPTED BY THE EUROPEAN UNION (SEPARATE)[1]

	2020 HUF million	2019 HUF million	Change %
NET INTEREST INCOME	**221,666**	**204,512**	**8**
Interest incomes and similar to interest incomes	**321,296**	**323,896**	**(1)**
Interest expenses total	**(99,630)**	**(119,384)**	**(17)**
Risk cost total	**(66,765)**	**(39,881)**	**67**
Loss allowance on loan, placement and repo receivables losses	(61,310)	(29,056)	111
Loss allowance / (Release of loss allowance) on securities at fair value through other comprehensive income and on securities at amortised cost	(1,848)	401	(561)
Provision for loan commitments and financial guarantees given	(3,202)	(5,794)	(45)
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)	(93)
NET INTEREST INCOME AFTER RISK COST	**154,901**	**164,631**	**(6)**
MODIFICATION LOSS	**(17,358)**	-	
NET PROFIT FROM FEES AND COMMISSIONS	**219,031**	**213,363**	**3**
Income from fees and commissions	**259,781**	**248,954**	**4**
Expenses from fees and commissions	**(40,750)**	**(35,591)**	**14**
NET OPERATING INCOME	**60,632**	**130,358**	**(53)**
Foreign exchange (losses) and gains	(4,518)	3,288	(237)
Gains on securities, net	17,955	8,188	119
from this: gain from derecognition of securities at amortised cost	360	714	(50)
Gains on financial instruments at fair value through profit or loss	(671)	1,260	(153)
Gains on deivative instruments, net	7,057	4,715	50
Dividend income	60,973	78,887	(23)
Other operating income	7,900	7,505	5
Other operating expenses	(28,064)	26,515	(206)
OTHER ADMINISTRATIVE EXPENSES	**(323,960)**	**(305,158)**	**6**
Personnel expenses	(118,498)	(115,035)	3
Depreciation and amortization	(38,948)	(29,925)	30
Other general expenses	(166,514)	(160,198)	4
PROFIT BEFORE INCOME TAX	**93,246**	**203,194**	**(54)**
Income tax	(772)	(9,840)	(92)
NET PROFIT FOR THE YEAR	**92,474**	**193,354**	**(52)**

[1] The rows of the table are based on audited numbers, but the structure of the table can differ from the IFRS financial statements presented in the Annual Report (certain rows might be merged or represent different level of aggregation).

STATEMENT OF FINANCIAL POSITION OF OTP BANK PLC., ACCORDING TO IFRS STANDARDS AS ADOPTED BY THE EUROPEAN UNION (SEPARATE)[1]

	2020 HUF million	2019 HUF million	Change %
Cash, amounts due from banks and balances with the National Bank of Hungary	579,120	289,686	100
Placements with other banks, net of allowance for placement losses	1,535,884	1,560,142	(2)
Repo receivables	183,364	45,539	303
Financial assets at fair value through profit or loss	160,483	172,229	(7)
Financial assets at fair value through other comprehensive income	911,950	1,485,977	(39)
Securities at amortised cost	2,007,692	1,447,224	39
Loans at amortised cost and mandatorily measured at fair value through profit or loss	3,898,697	3,315,069	18
Investments in subsidiaries	1,548,972	1,542,538	0
Property and equipment	77,974	77,754	0
Intangible assets	57,639	53,282	8
Right of use assets	13,479	13,607	(1)
Investments properties	1,936	2,381	(19)
Current tax assets	593	-	
Derivative financial assets designated as hedge accounting relationships	6,817	16,677	(59)
Other assets	169,794	116,699	45
TOTAL ASSETS	**11,154,394**	**10,138,804**	**10**
Amounts due to banks and deposits from the National Bank of Hungary and other banks	766,977	738,054	4
Repo liabilities	109,612	462,621	(76)
Deposits from customers	7,895,735	6,573,550	20
Leasing liabilities	14,106	13,660	3
Liabilities from issued securities	28,435	43,284	(34)
Financial liabilities at fair value through profit or loss	25,902	28,861	(10)
Derivative financial liabilities designated as held for trading	99,987	83,088	20
Derivative financial liabilities designated as hedge accounting relationships	3,104	10,023	(69)
Deferred tax liabilities	3,062	5,875	(48)
Current tax liabilities	-	2,896	
Other liabilities	224,897	243,780	(8)
Subordinated bonds and loans	304,243	279,394	9
TOTAL LIABILITIES	**9,476,060**	**8,485,086**	**12**
Share capital	28,000	28,000	0
Retained earnings and reserves	1,697,133	1,628,354	4
Treasury shares	(46,799)	(2,636)	
TOTAL SHAREHOLDERS' EQUITY	**1,678,334**	**1,653,718**	**1**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**11,154,394**	**10,138,804**	**10**

[1] The rows of the table are based on audited numbers, but the structure of the table can differ from the IFRS financial statements presented in the Annual Report (certain rows might be merged or represent different level of aggregation).

STATEMENT OF PROFIT OR LOSS OF OTP BANK PLC., ACCORDING TO IFRS STANDARDS AS ADOPTED BY THE EUROPEAN UNION (CONSOLIDATED)[1]

	2020 HUF million	2019 HUF million	Change %
CONTINUING OPERATIONS			
Interest income calculated using the effective interest method	841,901	762,639	10
Income similar to interest income	135,986	133,497	2
Interest incomes	977,887	896,136	9
Interest expenses	(195,216)	(197,095)	(1)
NET INTEREST INCOME	**782,671**	**699,041**	**12**
Risk cost total	**(218,670)**	**(56,687)**	**286**
Loss allowance / Release of loss allowance on loans, placements and repo receivables	(200,315)	(44,605)	349
Loss allowance / Release of loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost	(3,262)	(4,376)	(25)
Loss allowance / Release of loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost	(7,309)	9	
Provision for commitments and guarantees given	(8,662)	(7,995)	8
Impairment / (Release of impairment) of assets subject to operating lease and of investment properties	878	280	214
NET INTEREST INCOME AFTER LOSS ALLOWANCE, IMPAIRMENT AND PROVISIONS	**564,001**	**642,354**	**(12)**
Income from fees and commissions	486,529	447,084	9
Expense from fees and commissions	(88,896)	(72,903)	22
Net profit from fees and commissions	**397,633**	**374,181**	**6**
Foreign exchange gains / losses, net	19,204	6,782	183
Foreign exchange result	7,864	5,734	37
Gains and losses on derivative instruments	11,339	1,048	982
Gains / Losses on securities, net	16,106	11,611	39
Gains / Losses on financial assets /liabilities measured at fair value through profit or loss	(2,396)	(849)	182
Dividend income and gain / loss from associated companies	527	7,955	(93)
Other operating income	33,461	111,093	(70)
Gains and losses on real estate transactions	3,631	8,231	(56)
Other non-interest income	29,109	102,015	(71)
Net insurance result	721	849	(15)
Other operating expense	(39,447)	(44,758)	(12)
Net operating income	**27,455**	**91,834**	**(70)**
Personnel expenses	(308,642)	(276,754)	12
Depreciation and amortization	(92,761)	(77,048)	20
Goodwill impairment	0	(4,887)	(100)
Other general expenses	(306,264)	(282,528)	8
Other administrative expenses	**(707,667)**	**(641,217)**	**10**
PROFIT BEFORE INCOME TAX	**281,422**	**467,152**	**(40)**
Income tax expense	(27,376)	(49,902)	(45)
NET PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	**254,046**	**417,250**	**(39)**
From this, attributable to:			
Non-controlling interest	220	341	(35)
Owners of the company	253,826	416,909	(39)
DISCONTINUED OPERATIONS			
Gains from disposal of subsidiaries classified as held for sale	199	0	
Loss from discontinued operation	5,391	(4,668)	(215)
PROFIT FROM CONTINUING AND DISCOUNTINUED OPERATION	**259,636**	**412,582**	**(37)**

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STATEMENT OF FINANCIAL POSITION OF OTP BANK PLC., ACCORDING TO IFRS STANDARDS AS ADOPTED BY THE EUROPEAN UNION (CONSOLIDATED)[1]

	2020 HUF million	2019 HUF million	Change %
Cash, amounts due from banks and balances with the National Banks	2,432,312	1,784,378	36
Placements with other banks, net of loss allowance for placements	1,148,743	342,922	235
Repo receivables	190,849	67,157	184
Financial assets at fair value through profit or loss	234,007	251,990	(7)
Securities at fair value through other comprehensive income	2,136,709	2,426,779	(12)
Loans at amortized cost and mandatorily at fair value through profit or loss	12,477,447	10,909,799	14
Finance lease receivables	1,051,140	969,263	8
Associates and other investments	52,443	20,822	152
Securities at amortized cost	2,624,920	1,968,072	33
Property and equipment	322,766	320,430	1
Intangible assets and goodwill	239,004	242,219	(1)
Right-of-use assets	46,283	52,950	(13)
Investment properties	38,601	41,560	(7)
Derivative financial assets designated as hedge accounting	6,820	7,463	(9)
Deferred tax assets	22,317	26,543	(16)
Current income tax receivable	38,936	12,769	205
Other assets	266,474	214,580	24
Assets classified as held-for-sale	6,070	462,071	(99)
TOTAL ASSETS	**23,335,841**	**20,121,767**	**16**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	1,185,315	812,911	46
Repo liabilities	117,991	488	
Financial liabilities at fair value through profit or loss	34,131	30,862	11
Deposits from customers	17,890,863	15,171,308	18
Liabilities from issued securities	464,213	393,167	18
Derivative financial liabilities held for trading	104,823	86,743	21
Derivative financial liabilities designated as hedge accounting	11,341	10,709	6
Leasing liabilities	48,451	54,194	(11)
Deferred tax liabilities	25,990	29,195	(11)
Current income tax payable	27,684	35,928	(23)
Other liabilities	607,737	592,540	3
Subordinated bonds and loans	274,704	249,938	10
Liabilities directly associated with assets classified as held-for-sale	5,486	362,496	(98)
TOTAL LIABILITIES	**20,798,729**	**17,830,479**	**17**
Share capital	28,000	28,000	0
Retained earnings and reserves	2,629,076	2,319,263	13
Treasury shares	(124,080)	(60,931)	104
Non-controlling interest	4,116	4,956	(17)
TOTAL SHAREHOLDERS' EQUITY	**2,537,112**	**2,291,288**	**11**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**23,335,841**	**20,121,767**	**16**

[1] The rows of the table are based on audited numbers, but the structure of the table can differ from the IFRS financial statements presented in the Annual Report (certain rows might be merged or represent different level of aggregation).

BUSINESS REPORT 2020 (CONSOLIDATED)

CONSOLIDATED FINANCIAL HIGHLIGHTS[9] AND SHARE DATA

Main components of the adjusted Statement of recognised income	2019 HUF million	2020 HUF million	Change %
Consolidated after tax profit	**412,582**	**259,636**	**(37)**
Adjustments (total)	(6,470)	(50,631)	683
Consolidated adjusted after tax profit without the effect of adjustments	**419,052**	**310,268**	**(26)**
Pre-tax profit	465,973	351,802	(25)
Operating profit	510,045	537,437	5
Total income	1,077,727	1,169,920	9
Net interest income	706,298	788,079	12
Net fees and commissions	282,504	293,112	4
Other net non-interest income	88,926	88,729	0
Operating expenses	(567,682)	(632,483)	11
Total risk costs	(47,107)	(187,995)	299
One off items	3,034	2,360	(22)
Corporate taxes	(46,921)	(41,534)	(11)
Main components of the adjusted balance sheet closing balances	2019	2020	%
Total assets	20,121,767	23,335,841	16
Total customer loans (net, FX adjusted)	**12,902,518**	**13,528,586**	**5**
Total customer loans (gross, FX adjusted)	**13,605,264**	**14,363,281**	**6**
Allowances for possible loan losses (FX adjusted)	(702,746)	(834,695)	19
Total customer deposits (FX adjusted)	**16,260,599**	**17,890,863**	**10**
Issued securities	393,167	464,213	18
Subordinated loans	249,938	274,704	10
Total shareholders' equity	2,291,288	2,537,112	11
Indicators based on adjusted earnings	2019	2020	pps
ROE (from accounting net earnings)	20.3%	10.9%	(9.4)
ROE (from adjusted net earnings)	20.6%	13.0%	(7.6)
ROA (from adjusted net earnings)	2.4%	1.4%	(1.0)
Operating profit margin	2.97%	2.47%	(0.51)
Total income margin	6.28%	5.37%	(0.92)
Net interest margin	4.12%	3.61%	(0.50)
Cost-to-asset ratio	3.31%	2.90%	(0.41)
Cost/income ratio	52.7%	54.1%	1.4
Provision for impairment on loan and placement losses-to-average gross loans ratio	0.28%	1.15%	0.87
Total risk cost-to-asset ratio	0.27%	0.86%	0.59
Effective tax rate	10.1%	11.8%	1.7
Net loan/(deposit+retail bond) ratio (FX adjusted)	79%	76%	(3)
Capital adequacy ratio[10] (consolidated, IFRS) - Basel3	16.8%	17.7%	1.0
Tier1 ratio[2] - Basel3	14.4%	15.4%	1.0
Common Equity Tier 1 ('CET1') ratio[2] - Basel3	14.4%	15.4%	1.0
Share Data	2019	2020	%
EPS diluted (HUF) (from unadjusted net earnings)	1,575	1,003	(36)
EPS diluted (HUF) (from adjusted net earnings)	1,602	1,200	(25)
Closing price (HUF)	15,430	13,360	(13)
Highest closing price (HUF)	15,600	15,630	0
Lowest closing price (HUF)	11,270	8,010	(29)
Market Capitalization (EUR billion)	13.1	10.2	(22)
Book Value Per Share (HUF)	8,183	9,061	11
Tangible Book Value Per Share (HUF)	7,362	8,436	15
Price/Book Value	1.9	1.5	(21)
Price/Tangible Book Value	2.1	1.6	(24)
P/E (trailing, from accounting net earnings)	10.5	14.4	37
P/E (trailing, from adjusted net earnings)	10.3	12.1	17
Average daily turnover (EUR million)	16	22	38
Average daily turnover (million share)	0.4	0.7	75

[9] Structural adjustments made on consolidated IFRS profit and loss statement as well as balance sheet, together with the calculation methodology of adjusted indicators are detailed in the Supplementary data section of this Report.

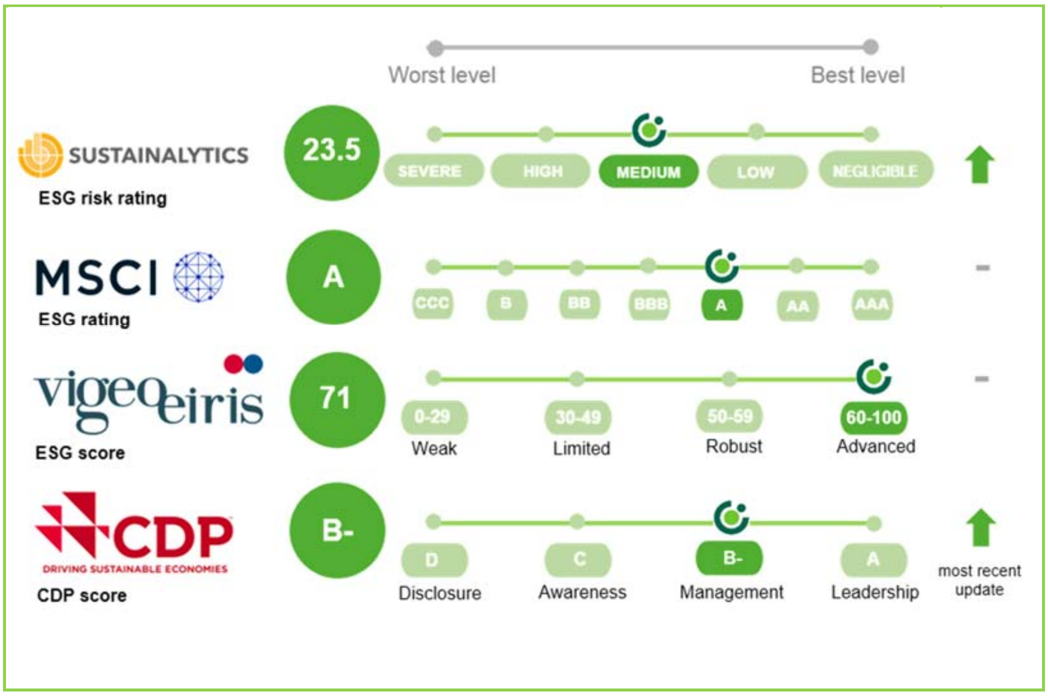
[10] Concerning 4Q 2019 capital adequacy ratios, the figures presented in this report do not include deducted dividend. This is consistent with the decision made by the Board of Directors on the 30th of April 2020, acting on behalf of the AGM, about the retainment of profit generated in 2019. These capital adequacy ratios differ from those presented in the Summary of the Group's 4Q 2019 results, and the 2019 Annual Report.

General note: in the tables of the Business Report those changes aren't presented that are deemed not to carry a meaningful economic substance (for example, if the absolute value of the change exceeds 1,000%).

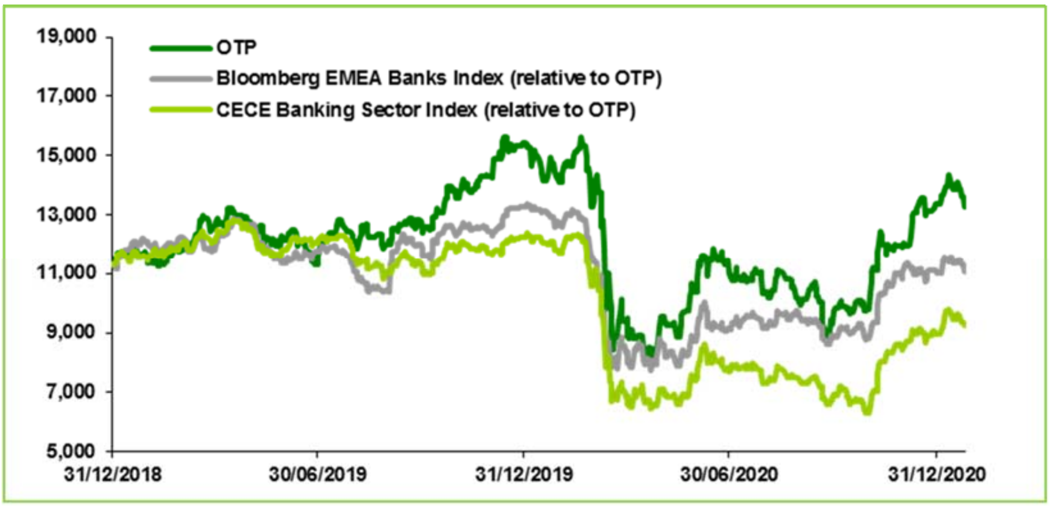
ACTUAL CREDIT RATINGS

S&P GLOBAL RATINGS	
OTP Bank and OTP Mortgage Bank – FX Long term credit rating	BBB
MOODY'S	
OTP Bank – FX long term deposits	Baa1
OTP Bank – Subordinated Foreign Currency Debt	Ba1
OTP Mortgage Bank – Covered mortgage bond	A2
FITCH	
OTP Bank Russia – Long term credit rating	BB+

ACTUAL ESG RATINGS



SHARE PERFORMANCE



MANAGEMENT'S ANALYSIS OF THE FULL-YEAR 2020 RESULTS OF OTP GROUP

According to the detailed GDP data published on 2 March 2021, in 4Q the Hungarian economy grew by 1.4% q-o-q, as a result, the annual GDP declined by 5.0% y-o-y.

The lower than expected erosion was mainly due to the targeted and successful measures implemented by the Government and the National Bank of Hungary (NBH) in order to contain the economic contraction. Those steps were essential to moderate the increase of unemployment; by the end of 2020 employment level practically matched the previous year's figure. The family supporting schemes and housing subsidies, as well as measures boosting local ventures created the preconditions for a meaningful economic kick start in 2021.

Monetary policy conditions remained loose in 2020, and the NBH increased the available amounts within the framework of both the *Funding for Growth Go!* scheme and the Bond Funding for Growth programme, and increased the weight of government bonds in its balance sheet. With temporary easing of the capital buffer requirements, NBH supported the lending activity of banks.

Out of the numerous measures made at the end of 2020, the extension of the payment moratorium by the Parliament on 20 December until 30 June 2021, leaving participation conditions unchanged, had a paramount importance.

The average inflation for 2020 was 3.3%. The policy rate came down by 30 bps to 60 bps, while interbank rates shifted upward: the reference rate (3M BUBOR) increased y-o-y from 16 bps to 75 bps. The Hungarian Forint on average weakened against the euro by 8% y-o-y amid substantial volatility.

According to the Central Bank's report published on 3 February 2021, despite the economic recession caused by the pandemic, in 2020 both household and corporate loan volumes expanded dynamically: the former increased by 14%, while the latter by 13%, respectively. The payment moratorium had a positive impact on exposures, since there was no principal amortization. Within household volumes the key engine was the subsidized baby loans, the total outstanding book grew by 130% y-o-y on sector level and their volumes reached HUF 1,064.5 billion by the end of 2020. Cash loans advanced by 12%, housing loans by 10%, respectively; on the other hand, home equity loans eroded by 5% y-o-y.

Most of the local economies within OTP Group suffered lower contraction than originally anticipated, especially in countries with a relatively low weight of tourism or service sector, like Russia, Ukraine and Serbia. In order to efficiently cure the recession, massive government measures were implemented, and in several countries, that was coupled with numerous and larger scale interest rate cuts by the central banks. Moreover, with the exception of Ukraine, all other countries introduced payment moratoriums with different conditions and duration.

Consolidated earnings: HUF 310 billion adjusted annual after tax profit, stable portfolio quality, 9% y-o-y performing FX-adjusted organic loan growth

Despite the extraordinary challenges triggered by the pandemic, in 2020 the overall operation of the Group remained uninterrupted. It was quite an achievement that out of the previous acquisitions, the Bulgarian integration was completed in early May 2020, as well as the Montenegrin one in December. The sale of the Slovakian subsidiary was completed by the end of November.

The total volume of adjustment items in 2020 represented -HUF 50.6 billion (after tax) within the HUF 260 billion accounting profit, underpinning a sizeable increase y-o-y. The larger adjustment items occurring in 2020 were as follows:

- In 2020 as a whole the one-off impact of the loan repayment moratoria was -HUF 28.3 billion. In Hungary the first phase of the moratorium on loan payments was effective from 19 March 2020 to 31 December 2020. The moratorium was extended in unchanged form for the period between 1 January 2021 – 30 June 2021. During the term of the moratorium OTP Bank accrues the unpaid interest in its statement of recognized income, amongst the revenues. At the same time, due to the fact that interest cannot be charged on the unpaid interest, and the unpaid interest will be repaid later, altogether HUF 28.3 billion (after tax) loss emerged in Hungary and Serbia. Out of this amount the expected one-off negative impact of the extended moratorium in Hungary (effective from 1 January to 30 June 2021) represented -HUF 9.1 billion (after tax), calculated on the base of year-end participation rate: at the end of December 37% of the combined gross loan portfolio at OTP Core and Merkantil Group was under the moratorium representing HUF 1,881 billion. This amount was recognized in December 2020. Also, within that amount there was a -HUF 1.7 billion (after tax) negative impact in relation to the Serbian deferral scheme, as the original interest calculation method was changed by the local regulator (originally the compound interest method was allowed by the law in Serbia, but charging interest on deferred interest was retrospectively disallowed by the regulator). In case of other foreign subsidiaries the Bank didn't assume any meaningful negative NPV impact as a result of the moratoria.

- -HUF 17.4 billion negative impact of banking tax paid at the Hungarian and Slovakian subsidiaries (after tax), the latter was paid only until 30 June 2020;
- -HUF 6.9 billion appeared on the effect of acquisitions line (after tax) which, among others, incorporated the integration costs in Bulgaria, Serbia, Slovenia, Albania, Moldova and Montenegro; also, provisions made in 4Q 2019 for the divestment of the subsidiary were released with a positive impact of HUF 6 billion (after tax);

The full-year 2020 consolidated adjusted after tax profit exceeded HUF 310 billion (-26% y-o-y). The adjusted ROE stood at 13%.

Since the after tax results were heavily distorted by the volume of total risk costs (HUF 188 billion related mainly to the pandemic situation), general trends are better illustrated and easier compared to base periods through the development of operating income.

In 2020 OTP Group posted HUF 537.4 billion consolidated operating income underpinning a 5% y-o-y increase (-4%, without acquisitions, FX-adjusted[11]). Total income increased dynamically (+9% y-o-y) with net interest income surging by 12% y-o-y, while net fees & commissions grew at a slower pace (+4%) and other net non-interest income remained flat y-o-y. The weaker increase in net fees & commissions on one hand was shaped by a drop in business activity in the first half of the year induced by the pandemic, and also by a lower success fee income compared to a record high performance in 2019 at OTP Fund Management (Hungary).

The consolidated NIM eroded substantially (2020: 3.61%, -50 bps y-o-y) due to several reasons: on one hand the interest rate environment declined substantially in a few countries (Russia, Ukraine, Romania, Serbia); furthermore, new subsidiaries consolidated into OTP Group usually operated with lower margins than the Group as a whole. Also, as a side-effect of the pandemic, demand for the higher margin consumer loans dropped, while the competition intensified. That was only partially offset by the positive impact of FX rate moves related to weaker HUF. The annual net interest income adjusted for acquisitions effects grew by 2% y-o-y (FX-adjusted), as a result of higher performing loan volumes.

Consolidated annual operating costs nominally advanced by 11% y-o-y, however adjusted for the acquisitions (2Q 2019: the Albanian subsidiary, 2H 2019: the Montenegrin, Moldovan, Serbian and from January 2020 the Slovenian subsidiaries) and for the sale of Slovakia, the FX-adjusted expense growth was only 2.4% y-o-y. The COVID-related measures, as well as the donations resulted in around HUF 7.5 billion extra expenses on a Group level. The consolidated cost-to-income ratio stood at 54.1% (+1.4 pps y-o-y).

Except the Moldovan operation, adjusted earnings declined everywhere across the Group y-o-y. Out of the adjusted annual profit the contribution of the non-Hungarian operations dropped from 46% to 41%.

Apart from Russian performing (Stage 1+2) loan book where the y-o-y drop exceeded 10%, and the marginal decline of the Slovenian portfolio, all other Group members demonstrated loan growth (FX-adjusted). Out of the major Group members the Hungarian (+17%), Serbian (+16%), Romanian (+13%) and Ukrainian (+11%) organic loan expansion rates were the most remarkable. In Hungary the excellent volume dynamics were coupled with improving market share in most of the loan categories.

As for the major credit categories in 2020 the FX-adjusted Stage 1+2 micro and small enterprise book advanced organically the fastest y-o-y (+11%), followed by the mortgage loan portfolio (+10%), the consumer exposures (+9%) and the large corporate book (+8%).

During the course of 2020 lending activity to a great extent was shaped by easing/lifting lockdowns and limitations, but targeted Government programmes helped, too. The second wave of COVID-19 pandemic had a more limited impact on business activity, also, seasonality affected lending.

One of the side effects of the pandemic was that while household consumption and investment activity of corporates suffered setback, savings demonstrated steady growth. The FX-adjusted deposit portfolio grew by 10% y-o-y. Such yearly increase translated into more than HUF 2,000 billion deposit volume surge (already adjusted for the Slovakian deposit volumes). Out of the major operations the Ukrainian, Romanian, Hungarian, Slovenian and Serbian subsidiaries captured double digit volume increase. The consolidated net loan-to-deposit ratio declined to 76% q-o-q.

[11] On 11 December 2020, Podgoricka banka AD Podgorica was merged into Crnogorska komercijalna banka AD, thus separate financial statements for Podgoricka were not available for December. Therefore, profit dynamics without acquisitions are based on estimated numbers.

At the end of 2020 the gross operative liquidity reserves of the Group comprised EUR 8.9 billion equivalent. The NBH acting as resolution authority on 16 October 2020 informed the Bank about the consolidated minimum requirement for own funds and eligible liabilities (MREL requirement) of OTP Group. NBH didn't set intermediate target to be met by end of 2020, but determined a mandatory intermediate target for the consolidated MREL requirement that OTP Group has to comply with by 1 January 2022. This level is 11.55% of the Group's total liabilities and own funds (TLOF) which corresponds to 17.16% of the Group's total risk exposure amount (TREA or RWA). In 2020 no international bond transaction was executed.

The consolidated loan portfolio quality – partly due to the existing or extended payment moratorium – remained relatively stable in 2020: the DPD90+ volume growth (adjusted for FX and the effect of sales and write-offs, as well as for the revaluation of Factoring claims in Hungary) amounted to HUF 85 billion, against HUF 66 billion in 2019. The consolidated DPD90+ ratio declined below 4% (3.8%, -0.4 pp y-o-y).

The Stage 1+2 exposures (HUF 13,544 billion) comprised 94.3% of total gross loans. Within that Stage 1 loans represented 80.4% of total gross loans and the Stage 2 ratio was 13.9%.

The Stage 3 ratio under IFRS 9 was 5.7% at end of 2020 (-0.2 pp y-o-y). The own coverage of Stage 1, 2 and 3 exposures was 1.0%, 10.4% and 62.3%, respectively.

Within the consolidated loan portfolio in 1Q a significant volume of corporate exposures was shifted from Stage 1 into the riskier Stage 2 category on a collective base, whereas in case of retail exposures the Bank implemented higher provision coverage during the first two quarters. In 3Q a practice similar to that used in the case of corporate exposures was followed in case of the household portfolio. Mainly those exposures were reclassified where the Bank presumed higher potential risk, though this had not materialized yet due to the moratoria, in particular at the Hungarian, Bulgarian, Croatian, Romanian and Serbian operations.

In 4Q the Group further fine-tuned its Stage 2 classification methodology: in case of corporate exposures it identified clients with higher risk profile within the framework of its monitoring process on a case by case basis, whereas for household loans it rather used its internal ratings. As a result, Stage 2 volumes increased at certain operations. The extension of the moratorium and the EBA guidance issued on 2 December 2020 on the treatment of exposures within existing or extended payment moratoria schemes (EBA/GL/2020/15) induced further tightening in the methodology compared to 3Q; particularly in the case of OTP Core.

The adjusted total risk costs represented -HUF 188 billion in 2020 as a whole. Within that credit risk costs increased to -HUF 158.4 billion and the annual credit risk cost rate was 1.15% of the average gross loan volumes.

Consolidated capital adequacy ratio (in accordance with BASEL III)

At the end of December 2020 the consolidated Common Equity Tier 1 ratio under IFRS was 15.4% (+1 pp y-o-y). This ratio equals to the Tier 1 ratio.

The amount of eligible profit included into regulatory capital equals to the annual profit (HUF 259 billion) reduced by the deducted dividend (HUF 119 billion). The deducted dividend amount for 2020 was determined in accordance with the Commission Delegated Regulation (EU) No. 241/2014. Article 2. (7) Paragraph. Accordingly, in the absence of a stated dividend policy, the amount of the dividend to be deducted should be calculated as follows: out of the previous three years' average dividend payment ratio and that of the preceding year the higher ratio must be applied. The dividend amount must be calculated from OTP Group's consolidated accounting profit, and this must be deducted from the consolidated regulatory capital. However, the deducted dividend also included HUF 69.44 billion, the original dividend proposal by the management after the 2019 fiscal year, which wasn't paid out in accordance with the National Bank of Hungary's recommendation.

Credit rating, shareholder structure

On 27 January 2020 S&P Global Ratings upgraded OTP Bank Plc’s and OTP Mortgage Bank’s short- and long-term issuer credit ratings from 'BBB-/A-3' to 'BBB/A-2'. At the same time S&P affirmed its 'BBB/A-2' long- and short-term resolution counterparty ratings on OTP and OTP Mortgage Bank. The outlook remained stable for both banks.

On 29 September 2020 Moody’s changed the outlook from stable into positive on OTP Bank Plc’s long-term FX deposit rating; furthermore, on 10 December Moody’s upgraded OTP Bank Plc’s long-term FX deposit rating from 'Baa3' to 'Baa1' with stable outlook. On 2 April 2020 Moody’s changed the outlook on OTP Mortgage Bank’s issuer rating ('Baa2') from stable into negative. OTP Mortgage Bank’s covered bond rating remained 'Baa1'.

OTP Bank Russia’s 'BB+' rating by Fitch is unchanged, on 23 April 2020, however, the outlook was changed from stable to negative. Regarding the ownership structure of the Bank, on 31 December 2020 the following investors had more than 5% influence (voting rights) in the Company: MOL (the Hungarian Oil and Gas Company, 8.71%), the Kafijat Group (7.20%), OPUS Securities SA (5.26%) and Groupama Group (5.20%).

POST-BALANCE SHEET EVENTS

Post-balance sheet events cover the period until 19 February 2021.

Hungary

- 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. The scope of eligible entities will be discussed with the Hungarian Chamber of Commerce and Industry.
- On 16 February 2021 the Hungarian Statistical Office revealed the preliminary 4Q 2020 GDP statistics. Accordingly, in the fourth quarter the Hungarian economy grew by 1.1% q-o-q (seasonally and working day adjusted), but contracted by 5.1% y-o-y in 2020 as a whole.

Bulgaria

- On 19 February 2021 Fitch Ratings reaffirming Bulgaria's sovereign 'BBB' debt rating, and changed the outlook from stable to positive.

Croatia

- On 4 February 2021 the European Central Bank and the Croatian National Bank agreed to extend the euro liquidity line until the end of March 2022.

Serbia

- On 4 February 2021, the European Central Bank extended the maintenance of a repo facility providing euro-based liquidity to the National Bank of Serbia in order to help with possible liquidity needs in euros during post-epidemic market disruptions.

Romania

- On 15 January 2021 the National Bank of Romania decided to reduce the key interest rate by 25 bps to 1.25%.

Russia

- On 20 January 2021 the Central Bank of Russia published its 2021-2022 road map for regulating consumer lending, as a result loosening measures taken in 2020 to facilitate lending will be reversed through higher risk weights being introduced.

CONSOLIDATED AFTER TAX PROFIT BREAKDOWN BY SUBSIDIARIES (IFRS)[12]

	2019 HUF million	2020 HUF million	Change %
Consolidated after tax profit	**412,582**	**259,636**	**(37)**
Adjustments (total)	**(6,470)**	**(50,631)**	**683**
Consolidated adjusted after tax profit without the effect of adjustments	**419,052**	**310,268**	**(26)**
Banks total[1]	382,144	285,103	(25)
OTP Core (Hungary)[2]	190,956	159,303	(17)
DSK Group (Bulgaria)[3]	67,879	40,957	(40)
OBH (Croatia)[4]	30,719	14,830	(52)
OTP Bank Serbia[5]	10,430	7,298	(30)
SKB Banka (Slovenia)	-	9,665	
OTP Bank Romania[6]	6,309	1,558	(75)
OTP Bank Ukraine[7]	35,223	26,104	(26)
OTP Bank Russia[8]	28,127	16,317	(42)
CKB Group (Montenegro)[9]	6,377	4,307	(32)
OTP Bank Albania	2,616	1,959	(25)
Mobiasbanca (Moldova)	1,936	3,973	105
OBS (Slovakia)[10]	1,575	(1,169)	(174)
Leasing	7,115	7,661	8
Merkantil Group (Hungary)[11]	7,115	7,661	8
Asset Management	15,208	9,824	(35)
OTP Asset Management (Hungary)	15,104	9,747	(35)
Foreign Asset Management Companies (Ukraine, Romania, Bulgaria)[12]	104	77	(26)
Other Hungarian Subsidiaries	9,498	8,241	(13)
Other Foreign Subsidiaries[13]	232	108	(53)
Corporate Centre[14]	3,478	(569)	(116)
Eliminations	1,377	(101)	(107)
Total adjusted after tax profit of HUNGARIAN subsidiaries[15]	227,527	184,282	(19)
Total adjusted after tax profit of FOREIGN subsidiaries[16]	191,525	125,986	(34)
Share of foreign profit contribution	46%	41%	(5)

[12] Belonging footnotes are in the Supplementary data section of the Report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Main components of the adjusted Statement of recognized income	2019	2020	Change %
Consolidated after tax profit	**412,582**	**259,636**	**(37)**
Adjustments (total)	**(6,470)**	**(50,631)**	**683**
Dividends and net cash transfers (after tax)	505	213	(58)
Goodwill/investment impairment charges (after tax)	(8,427)	886	(111)
Special tax on financial institutions (after corporate income tax)	(16,170)	(17,365)	7
Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia (after corporate income tax)	0	(28,262)	
Impact of fines imposed by the Hungarian Competition Authority (after tax)	0	749	
Effect of acquisitions (after tax)	19,265	(6,852)	(136)
One-off impact of regulatory changes related to FX consumer contracts in Serbia	(1,644)	0	(100)
Consolidated adjusted after tax profit without the effect of adjustments	**419,052**	**310,268**	**(26)**
Before tax profit	**465,973**	**351,802**	**(25)**
Operating profit	**510,045**	**537,437**	**5**
Total income	**1,077,727**	**1,169,920**	**9**
Net interest income	**706,298**	**788,079**	**12**
Net fees and commissions	**282,504**	**293,112**	**4**
Other net non-interest income	**88,926**	**88,729**	**0**
Foreign exchange result, net	45,177	44,927	(1)
Gain/loss on securities, net	12,372	14,193	15
Net other non-interest result	31,376	29,610	(6)
Operating expenses	**(567,682)**	**(632,483)**	**11**
Personnel expenses	(280,002)	(312,495)	12
Depreciation	(56,383)	(70,286)	25
Other expenses	(231,298)	(249,702)	8
Total risk costs	**(47,107)**	**(187,995)**	**299**
Provision for impairment on loan and placement losses	(29,474)	(158,421)	437
Other provision	(17,633)	(29,574)	68
Total one-off items	**3,034**	**2,360**	**(22)**
Gain on the repurchase of own Upper and Lower Tier2 Capital	0	0	
Result of the treasury share swap agreement at OTP Core	3,034	2,360	(22)
Corporate taxes	**(46,921)**	**(41,534)**	**(11)**
Indicators	2019	2020	%/pps
ROE (from accounting net earnings)	20.3%	10.9%	(9.4)
ROE (from adjusted net earnings)	20.6%	13.0%	(7.6)
ROA (from adjusted net earnings)	2.4%	1.4%	(1.0)
Operating profit margin	2.97%	2.47%	(0.50)
Total income margin	6.28%	5.37%	(0.91)
Net interest margin	4.12%	3.61%	(0.51)
Net fee and commission margin	1.65%	1.34%	(0.31)
Net other non-interest income margin	0.52%	0.41%	(0.11)
Cost-to-asset ratio	3.31%	2.90%	(0.41)
Cost/income ratio	52.7%	54.1%	1.4
Provision for impairment on loan and placement losses-to-average gross loans	0.28%	1.15%	0.87
Total risk cost-to-asset ratio	0.27%	0.86%	0.59
Effective tax rate	10.1%	11.8%	1.7
Non-interest income/total income	34%	33%	(1)
EPS base (HUF) (from unadjusted net earnings)	1,576	1,004	(36)
EPS diluted (HUF) (from unadjusted net earnings)	1,575	1,003	(36)
EPS base (HUF) (from adjusted net earnings)	1,602	1,200	(25)
EPS diluted (HUF) (from adjusted net earnings)	1,602	1,200	(25)
Comprehensive Income Statement	2019	2020	%
Consolidated after tax profit	412,582	259,636	(37)
Fair value changes of financial instruments measured at fair value through other comprehensive income	30,224	(4,764)	(116)
Fair value adjustment of derivative financial instruments designated as cash-flow hedge	11	(2)	(118)
Net investment hedge in foreign operations	(2,526)	(8,591)	240
Foreign currency translation difference	79,440	68,593	(14)
Change of actuarial costs (IAS 19)	(161)	144	(189)
Net comprehensive income	**519,570**	**315,016**	**(39)**
o/w Net comprehensive income attributable to equity holders	518,802	315,239	(39)
Net comprehensive income attributable to non-controlling interest	768	(223)	(129)
Average exchange rate[1] of the HUF	2019 HUF	2020 HUF	Change %
HUF/EUR	325	351	7
HUF/CHF	292	328	11
HUF/USD	291	308	6

[1] Exchange rates presented in the tables of this report should be interpreted as follows: the value of a unit of the other currency expressed in Hungarian forint terms, i.e. HUF/EUR represents the HUF equivalent of one EUR.

ASSET-LIABILITY MANAGEMENT

Similar to previous periods OTP Group maintained a strong and safe liquidity position…

The primary objective of OTP Group in terms of asset-liability management has not changed, that is to ensure that the Group's liquidity is maintained at a safe level.

Refinancing sources of the European Central Bank are still available for OTP (ECB repo eligible security portfolio on Group level is close to EUR 1.3 billion).

Total liquidity reserves of OTP Bank remained steadily and substantially above the safety level. As of 31 December 2020 the gross liquidity buffer was around EUR 8.9 billion equivalent. In addition to this, significant part of the Bulgarian excess liquidity (ca. EUR 1.2 billion) was placed locally due to the Bulgarian regulation at the end of December. Level of these buffers is significantly higher than the maturing debt within one year and the reserves required to protect against possible liquidity shocks.

The volume of issued securities increased by HUF 150 billion y-o-y, mainly because of the change of net volume of mortgage bonds issued by OTP Mortgage bank due to the issuance and cancellation of mortgage bonds in 2020. In 2020 HUF 22 billion retail and structured bond have been matured, now the volume is HUF 16 billion.

The volume of subordinated debt increased by HUF 17 billion y-o-y, mainly due to the HUF weakening against the EUR, since subordinated bond issuance did not happen in 2020.

…and kept its interest-rate risk exposures low

Interest-rate risk exposure of OTP Group is determined primarily by the positions of OTP Bank Plc. and OTP Mortgage Bank Ltd. Due to the forint liabilities on OTP Bank's balance sheet, which respond to yield changes only to a moderate extent, the Bank has an interest-rate risk exposure resulting from its business operations. The Bank considers the reduction and closing of this exposure as a strategic matter. Consequently, it has been reducing its interest-rate risk exposure through the purchase of fixed-rate government securities in order to offset the negative impact of declining yields on net interest income.

Market Risk Exposure of OTP Group

The consolidated capital requirement of the trading book positions, the counterparty risk and the FX risk exposure represented HUF 28.9 billion in total.

OTP Group is an active participant of the international FX and derivative market. Open FX positions of group members are restricted to individual and global net open position limits (overnight and intraday), and to stop-loss limits. The open positions of the group members outside Hungary except for the Bulgarian DSK Bank – the EUR/BGN exposure of DSK under the current exchange rate regime does not represent real risk – were negligible measured against either the balance sheet total or the regulatory capital. Therefore, the group level FX exposure was concentrated at OTP Bank.

The main part of the FX exposure booked at OTP Bank – in line with the previous years' practice – was the strategic open FX position (EUR 310 million), kept to hedge the currency risk of the expected FX-denominated net earnings of the main foreign subsidiaries. The strategic open FX position was partially closed in 4Q 2020.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF OTP GROUP

Main components of the adjusted balance sheet	2019 HUF million	2020 HUF million	Change %
TOTAL ASSETS	**20,121,767**	**23,335,841**	**16**
Cash, amounts due from Banks and balances with the National Banks	1,841,963	2,432,314	32
Placements with other banks, net of allowance for placement losses	410,433	1,148,987	180
Financial assets at fair value through profit or loss	251,991	235,194	(7)
Securities at fair value through other comprehensive income	2,427,537	2,140,118	(12)
Net customer loans	12,247,519	13,528,586	10
Net customer loans (FX adjusted[1])	**12,902,518**	**13,528,586**	**5**
Gross customer loans	12,942,009	14,363,281	11
Gross customer loans (FX adjusted[1])	**13,605,264**	**14,363,281**	**6**
o/w Retail loans	7,930,058	8,309,033	5
Retail mortgage loans (incl. home equity)	3,671,413	3,818,847	4
Retail consumer loans	3,235,843	3,484,172	8
SME loans	1,022,802	1,006,014	(2)
Corporate loans	5,101,177	5,409,732	6
Loans to medium and large corporates	4,694,688	4,935,682	5
Municipal loans	406,490	474,049	17
Car financing loans	574,029	644,516	12
Allowances for loan losses	(694,490)	(834,695)	20
Allowances for loan losses (FX adjusted[1])	(702,746)	(834,695)	19
Associates and other investments	20,822	52,443	152
Securities at amortized costs	1,995,627	2,625,952	32
Tangible and intangible assets, net	605,673	589,878	(3)
o/w Goodwill, net	105,298	101,393	(4)
Tangible and other intangible assets, net	500,375	488,485	(2)
Other assets	320,201	582,368	82
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**20,121,767**	**23,335,841**	**16**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks, and Financial liabilities designated at fair value through profit or loss	846,158	1,219,446	44
Deposits from customers	15,522,654	17,890,863	15
Deposits from customers (FX adjusted[1])	**16,260,599**	**17,890,863**	**10**
o/w Retail deposits	11,805,158	12,810,762	9
Household deposits	9,722,990	10,614,696	9
SME deposits	2,082,168	2,196,066	5
Corporate deposits	4,440,881	5,071,626	14
Deposits to medium and large corporates	3,637,487	4,218,727	16
Municipal deposits	803,394	852,899	6
Accrued interest payable related to customer deposits	14,560	8,474	(42)
Liabilities from issued securities	393,167	464,213	18
o/w Retail bonds	3,237	1,326	(59)
Liabilities from issued securities without retail bonds	389,930	462,888	19
Other liabilities	818,561	949,502	16
Subordinated bonds and loans[2]	249,937	274,704	10
Total shareholders' equity	**2,291,288**	**2,537,112**	**11**
Indicators	2019	2020	pps
Loan/deposit ratio (FX adjusted[1])	84%	80%	(4)
Net loan/(deposit + retail bond) ratio (FX adjusted[1])	79%	76%	(3)
Stage 1 loan volume under IFRS 9	11,489,554	11,544,766	0
Stage 1 loans under IFRS9/gross customer loans	88.8%	80.4%	(8.4)
Own coverage of Stage 1 loans under IFRS 9	1.1%	1.0%	0.0
Stage 2 loan volume under IFRS 9	685,885	1,998,867	191
Stage 2 loans under IFRS9/gross customer loans	5.3%	13.9%	8.6
Own coverage of Stage 2 loans under IFRS 9	10.7%	10.4%	(0.3)
Stage 3 loan volume under IFRS 9	766,570	819,647	7
Stage 3 loans under IFRS9/gross customer loans	5.9%	5.7%	(0.2)
Own coverage of Stage 3 loans under IFRS 9	65.2%	62.3%	(2.9)
90+ days past due loan volume	541,467	543,713	0
90+ days past due loans/gross customer loans	4.2%	3.8%	(0.4)
Consolidated capital adequacy - Basel3	2019	2020	%/pps
Capital adequacy ratio (consolidated, IFRS)	16.8%	17.7%	1.0
Tier1 ratio	14.4%	15.4%	1.0
Common Equity Tier 1 ('CET1') capital ratio	14.4%	15.4%	1.0
Regulatory capital (consolidated)	2,390,688	2,669,806	12
o/w Tier1 Capital	2,055,106	2,316,118	13
o/w Common Equity Tier 1 capital	2,055,106	2,316,118	13
Tier2 Capital	335,582	353,688	5
o/w Hybrid Tier2	89,935	89,935	0
Consolidated risk weighted assets (RWA) (Credit&Market&Operational risk)	14,262,197	15,046,888	6
o/w RWA (Credit risk)	12,529,878	13,389,536	7
RWA (Market & Operational risk)	1,732,319	1,657,352	(4)
Closing exchange rate of the HUF	2019 HUF	2020 HUF	Change %
HUF/EUR	331	365	10
HUF/CHF	304	337	11
HUF/USD	295	297	1

[1] For the FX adjustment, the closing cross currency rates for the current period were used to calculate the HUF equivalent of loan and deposit volumes in the base periods.
[2] The ICES bonds are considered as Tier2 debt, but accounting-wise they are treated as part of the shareholders' equity.

OTP BANK'S HUNGARIAN CORE BUSINESS

OTP Core Statement of recognized income:

Main components of the Statement of recognised income	2019 HUF million	2020 HUF million	Change %
After tax profit without the effect of adjustments	190,956	159,303	(17)
Corporate income tax	(12,668)	(16,558)	31
Pre-tax profit	203,624	175,860	(14)
Operating profit	173,995	181,178	4
Total income	432,013	453,634	5
Net interest income	261,754	286,448	9
Net fees and commissions	126,911	130,470	3
Other net non-interest income	43,349	36,717	(15)
Operating expenses	(258,018)	(272,457)	6
Total risk costs	26,594	(7,677)	(129)
Provision for impairment on loan and placement losses	30,332	2,374	(92)
Other provisions	(3,737)	(10,052)	169
Total one-off items	3,034	2,360	(22)
Revaluation result of the treasury share swap agreement	3,034	2,360	(22)
Indicators	2019	2020	pps
ROE	11.7%	9.3%	(2.4)
ROA	2.1%	1.5%	(0.6)
Operating profit margin	1.9%	1.7%	(0.2)
Total income margin	4.82%	4.34%	(0.48)
Net interest margin	2.92%	2.74%	(0.18)
Net fee and commission margin	1.42%	1.25%	(0.17)
Net other non-interest income margin	0.48%	0.35%	(0.13)
Operating costs to total assets ratio	2.9%	2.6%	(0.3)
Cost/income ratio	59.7%	60.1%	0.3
Provision for impairment on loan and placement losses/average gross loans[1]	(0.88%)	(0.06%)	0.82
Effective tax rate	6.2%	9.4%	3.2

[1] Negative Provision for impairment on loan and placement losses/average gross loans ratio implies positive amount on the Provision for impairment on loan and placement losses line.

Main components of OTP Core's Statement of financial position:

Main components of balance sheet closing balances	2019 HUF million	2020 HUF million	Change %
Total Assets	9,641,692	11,492,949	19
Net customer loans	3,740,975	4,415,778	18
Net customer loans (FX adjusted)	**3,809,093**	**4,415,778**	**16**
Gross customer loans	3,883,412	4,631,974	19
Gross customer loans (FX adjusted)	**3,954,333**	**4,631,974**	**17**
Retail loans	2,377,561	2,955,288	24
Retail mortgage loans (incl. home equity)	1,383,805	1,534,013	11
Retail consumer loans	746,272	1,043,634	40
SME loans	247,483	377,642	53
Corporate loans	1,576,772	1,676,685	6
Loans to medium and large corporates	1,475,017	1,577,900	7
Municipal loans	101,756	98,785	(3)
Provisions	(142,437)	(216,196)	52
Provisions (FX adjusted)	**(145,240)**	**(216,196)**	**49**
Deposits from customers + retail bonds	6,770,161	8,083,488	19
Deposits from customers + retail bonds (FX adjusted)	**6,861,433**	**8,083,488**	**18**
Retail deposits + retail bonds	4,562,600	5,369,294	18
Household deposits + retail bonds	3,609,460	4,231,931	17
o/w: Retail bonds	3,237	1,326	(59)
SME deposits	953,140	1,137,363	19
Corporate deposits	2,298,834	2,714,194	18
Deposits to medium and large corporates	1,658,191	1,961,483	18
Municipal deposits	640,643	752,711	17
Liabilities to credit institutions	445,301	858,230	93
Issued securities without retail bonds	436,340	513,860	18
Total shareholders' equity	1,720,872	1,766,639	3
Loan Quality	2019	2020	%/pps
Stage 1 loan volume under IFRS 9 (in HUF million)	3,550,841	3,606,490	2
Stage 1 loans under IFRS 9/gross customer loans	91.4%	77.9%	(13.5)
Own coverage of Stage 1 loans under IFRS 9	0.8%	0.8%	0.0
Stage 2 loan volume under IFRS 9 (in HUF million)	163,954	833,163	408
Stage 2 loans under IFRS 9/gross customer loans	4.2%	18.0%	13.8
Own coverage of Stage 2 loans under IFRS 9	12.4%	10.1%	(2.3)
Stage 3 loan volume under IFRS 9 (in HUF million)	168,618	192,321	14
Stage 3 loans under IFRS 9/gross customer loans	4.3%	4.2%	(0.1)
Own coverage of Stage 3 loans under IFRS 9	55.4%	54.5%	(0.9)
90+ days past due loan volume (in HUF million)	123,895	144,816	17
90+ days past due loans/gross customer loans	3.2%	3.1%	(0.1)
Market Share	2019	2020	pps
Loans	22.2%	23.0%	0.8
Deposits	27.7%	25.4%	(2.3)
Total Assets	28.8%	25.7%	(3.1)
Performance Indicators	2019	2020	pps
Net loans to (deposits + retail bonds) (FX adjusted)	56%	55%	(1)
Leverage (closing Shareholder's Equity/Total Assets)	17.8%	15.4%	(2.5)
Leverage (closing Total Assets/Shareholder's Equity)	5.6x	6.5x	0.9x
Capital adequacy ratio (OTP Bank, non-consolidated, Basel3, IFRS)	27.6%	26.7%	(0.8)
Common Equity Tier 1 ratio (OTP Bank, non-consolidated, Basel3, IFRS)	23.6%	22.5%	(1.0)

- ***In 2020 as a whole, OTP Core's adjusted profit amounted to HUF 159.3 billion, marking a y-o-y decline of 17%, owing to higher risk costs***
- ***All components of the total income margin declined in 2020 (-48 bps y-o-y)***
- ***Whereas the underlying loan quality trends remained favourable, the rise in the ratio of Stage 2 loans stemmed from the Bank's more conservative customer assessment. The ratio of Stage 3 loans even decreased y-o-y***
- ***Performing loans grew dynamically (+19% y-o-y FX-adjusted), mostly driven by the subsidized baby loans and FGS Go! loans. Deposits rose by 18% y-o-y***

Starting from 1Q 2020, OTP eBIZ Ltd became part of OTP Core. It reported HUF 0.4 billion loss in full-year 2019.

Starting from 1Q 2020, the accounting method of the termination of swap contracts has changed. Upon the termination of swap deals, until the end of 2019, the FVA booked within other income was shifted to the net interest income line. From 1Q 2020 this shift does not occur. In the case of OTP Core, the intra-group swaps, typically with DSK Bank, are being terminated. In 2019 the other income of OTP Core was boosted, whereas the net interest income was reduced by the above accounting method.

P&L developments

In 2020, **OTP Core's** adjusted after-tax profit amounted to HUF 159.3 billion, 17% less than a year earlier. The drop owed a lot to higher total risk costs, while operating profit improved by 4%, largely benefiting from a continued dynamic loan growth.

Within full-year total income, net interest income grew at the strongest rate, 9%, thanks to a dynamic organic growth in loans – this was somewhat offset by the 18 bps y-o-y erosion of net interest margin. The latter was reasoned mainly by lower lending interest rate levels, owing to the strong competition. In the fourth quarter, net interest income benefited a total HUF 0.5 billion from items that arose in 4Q when, under the modification of its accounting policy, the Bank re-classified retail loans with subsidized interest rates from loans at amortized cost to loans measures at fair value through profit or loss[13].

Short-term interbank rates, which are the reference rates for variable rate loans, rose overall in 2020: the 3M BUBOR's closing value rose to 75 bps by end-2020, from 16 bps at the end of 2019, while its annual average rate rose by 50 bps, to 69 bps.

The annual net fees and commissions grew by HUF 3.6 billion, or 3% y-o-y. The main reason for the modest growth was the pandemic-induced decline in economic activity and transaction volumes: reversing a 15% y-o-y growth in 1Q, there was 7% decline in 2Q, 3% drop in 3Q from the previous year, but the growth rate returned to positive territory in 4Q, even without a one-off item booked in 4Q 2020: the shifting of subsidized retail loans to loans at fair value had HUF 2.7 billion positive effect[14] on net fees. Among the components of the annual fee income, deposits, transactions- and card-related fee revenues rose modestly, while commissions from securities dropped, particularly those relating to the distribution of investment funds[15] and retail government bonds. The latter was partly explained by base effect: thanks to the outstanding sales performance, the volume of the *MÁP Plus* retail government bonds expanded significantly after its launch in June 2019. Secondly, revenues realized in 2020 declined in relation to the distribution fee structure, largely as average retail government bond volumes shrank q-o-q in the second quarter of 2020, bringing down retail government bond distribution fee revenues in 2Q.

Full-year other net non-interest income (without one-offs) dropped by 15% y-o-y, or HUF 6.6 billion, dragged down by lower gain on securities in 1Q 2020, and by the fact that recoveries realized on claims bought by OTP Factoring from non-Group parties were presented under risk costs, rather than other income, starting from 2020. In 2020, nearly HUF 3.8 billion revaluation result appeared within other income in the wake of the revision of Visa Inc.'s class C shares' accounting classification.

In 2020, operating expenses grew by 6%, or HUF 14.4 billion, chiefly because of higher depreciation, and to a lesser extent due to administrative expenses, including hardware and office equipment costs, as well as supervisory fees (the latter jumped by HUF 3 billion y-o-y, to HUF 13.3 billion). In 2020 as a whole, the extra cost of protection against the pandemic and OTP Bank's donations entailed HUF 4 billion extra expenses. As a favourable development, personnel expenses slightly dropped y-o-y, in part because of lower bonus payments and partly as employers' contributions were reduced by a further two percentage points from July 2020. The average number of employees grew by 5% y-o-y.

In 2020, total risk costs amounted to -HUF 7.7 billion, as opposed to +HUF 26.6 billion in 2019. The main reason for the higher risk costs was that the pandemic-induced change in the macroeconomic environment was incorporated in the calculation of impairments. As a result, the IFRS 9 impairment model parameters were revised several times in the course of 2020, entailing higher risk costs. Throughout 2020, the Bank steadily monitored changes to customers' financial position and behaviour even during the loan repayment moratorium, and sought to identify debtors with increased risk profile. As a result, certain exposures – some of them under the debt repayment moratorium – were reclassified as Stage 2 during 2020, which also added to risk costs. These effects were mitigated by the positive risk costs booked in relation to the portfolio managed by OTP Factoring, the Hungarian work-out company, largely relating to claims toward households. This included the continued recoveries realized on these claims, whereas in 4Q 2020 another positive item emerged as a result of the revision of the expected future recoveries from OTP Factoring's claims; the upward revaluation of such

[13] The modification of the accounting policy was applied retroactively: the P&L items that concerned the previous years were accounted against shareholders' equity, while the reporting year's items were booked in the P&L, in one lump sum in 4Q 2020.

[14] Because of the reclassification of loans, two major items appeared among net fees: first, the commissions due in 2020, which would have been amortized over the whole maturity according to the previous method, were recognized in the P&L in one lump sum in December (HUF 1.3 billion). Second, the fees received after the end-of-the-year volume of baby loans were recorded amongst the net fees and commissions (HUF 1.4 billion), while under the previous accounting policy, this amount would have been recognized in the outstanding baby loan volumes at amortized cost.

[15] In 2Q 2020, because of technical reasons, lower fee income was booked from the sales of investment funds. At OTP Core, much of this type of income is related to the funds managed by the Group's Hungarian fund managers, and is presented at these asset management companies as commission expenditure, thus at Group level, this item did not affect the q-o-q dynamics of net fees and commissions.

claims also resulted in a growth in net loan volumes classified as Stage 3 (while the stock of impairments in the balance sheet did not change).

Regarding loan quality trends, new defaults did not seem to have jumped: while the volume of more than 90 days past due (DPD90+) loans grew by HUF 4 billion in 1Q 2020, these volumes contracted by HUF 3 billion each in 2Q, 3Q, and 4Q (FX-adjusted, without sales/write-offs, adjusted for the revaluation of OTP Factoring's claims in 4Q). This led to a HUF 5 billion decrease in full-year 2020, the same as the 2019 figure. In the whole of 2020, HUF 10 billion non-performing loans were sold/written off (FX-adjusted).

Predominantly as a result of the abovementioned reclassifications, the ratio of Stage 2 loans grew to 18% by the end of December, up from 4.2% at the end of 2019, and from 11.7% in the previous quarter. Even though those reclassifications into Stage 2 reduced the own coverage of both Stage 1 and Stage 2 loans in 2020, but the total Stage 1+2 portfolio's own provision coverage nearly doubled in 2020 (2019: 1.3%, 2020: 2.5%).

Balance sheet trends

In 2020, the balance sheet total expanded by 19% (+HUF 1.851 billion). A larger part of that growth came from customer deposits (+HUF 1.315 billion), and a smaller increase was caused by a y-o-y growth in liabilities to credit institutions (+HUF 413 billion). One reason for the latter was that the repo volumes, previously presented on the medium and large corporate deposits line, picked up from zero at the end of 2019, and was moved to this line, starting from 2020.

Gross loans and performing (Stage 1+2) loans grew at similar rates, by 17% in 2020 (FX-adjusted), while performing loans surged 21% in 2019.

OTP Core's performing loans rose by 5% q-o-q in 1Q, by 2% in 2Q, by 5% in 3Q, and by 4% 4Q (all FX-adjusted) – that is, the pandemic and the related restrictions somewhat decelerated loan growth in 2Q, but it could climb back to average pre-pandemic quarterly levels in the second half-year. This was mostly the result of the effective economy protection measures, particularly of the government's and the National Bank of Hungary's subsidized lending programs: in full-year 2020, growth in subsidized loans (baby loans, FGS Go!, CSOK Housing Subsidy for Families scheme) contributed 84% of the total FX-adjusted increase in performing loans. Meanwhile, the dynamic lending activity helped OTP Bank preserve, or in some cases even improve, its market share in the main loan categories.

In addition, starting from the second quarter of 2020, existing loan volumes also benefited from the fact that, in the case of loans that participated in the debt repayment moratorium, the principal was not amortized, and the deferred interest was presented as part of the gross loan volume (however, the regulation bans charging interest on the unpaid interest).

Regarding the individual product categories, the subsidized baby loan was the engine of consumer loan growth: in 2020, the contractual amount of baby loans at OTP Bank hit HUF 257 billion, thus the Bank's market share reached 41.7% in 2020. In line with expectations, the quarterly contractual amount of baby loans has been following a slightly declining path since the product was launched in July 2019, owing to the features of the structure (1Q 2020: HUF 72 billion, 2Q: HUF 59 billion, 3Q: HUF 65 billion, 4Q: HUF 61 billion).

Market-based cash loan disbursements fell by 46% overall in 2020. The declining disbursements from 2Q 2020 can be attributed to the introduction of a cap on interest rates on newly disbursed, non-mortgage-backed consumer loans, effective from 19 March 2020 until end-2020, as well as to the related tightening in lending standards. OTP Bank's markets share calculated from cash loan placements was 34.8% in full-year 2020, down from 38.9% in 2019. The stock of performing cash loans expanded by 15% y-o-y, partly supported by the declining amortization due to the repayment moratorium.

As for mortgage loans, the steady growth in performing volumes continued, bringing the y-o-y dynamics to 11%. Within that, housing loans, which make up 85% of the overall mortgage stock, expanded by 14% y-o-y, while home equity loans, which were less popular in recent years, shrank further (-6% y-o-y).

In full year 2020, applications for mortgage loans subsided 7% y-o-y. However, the disbursed amount grew by 15% y-o-y in 2020, owing to the surge in subsidized loan placement.

OTP Bank's market share in new mortgage loan contractual amounts hit 32.0% in 2020 (up from 31.4% in 2019). The improvement owed mainly to the CSOK family housing benefit scheme, which was expanded in July 2019, thus bolstering demand for subsidized loans: in the subsidized housing loan segment, OTP's market share has been traditionally strong.

Regarding corporate lending activity, performing corporate loans reversed the strong growth seen in recent years and in the first quarter of 2020 (+5% q-o-q): they declined by 1% q-o-q in 2Q 2020, then picked up that much in 3Q, and grew 3% q-o-q in 4Q. This brought the annual growth rate to 7% in 2020.

The outstanding expansion in loans to micro and small enterprises continued: their performing loan volumes grew by 55% y-o-y (FX-adjusted), marking an impressive acceleration from the 14% growth in 2019. This owed a lot to the National Bank of Hungary's *Funding for Growth Go!* scheme, which has been available at OTP Bank since the end of April 2020. By the end of December 2020, their contractual amount reached HUF 362 billion, thus OTP Bank's market share has surpassed 25% since the programme started.

The share of investments in subsidiaries, held on OTP Core's asset side, within the balance sheet total rose by an average of 1 pp y-o-y in 2020, to 13.1%, fundamentally driving the growing share of non-interest-bearing assets in the balance sheet.

OTP Core's customer deposits increased by 18% y-o-y (FX-adjusted). Household deposits remained on a dynamic growth path (+3% q-o-q in 1Q 2020, +6% in 2Q, +2% in 3Q, and +5% in 4Q). The net loan / (deposit + retail bond) ratio stood at 55% at the end of 2020, which is consistent with 1 pp y-o-y decline.

OTP Bank's capital adequacy ratio (CAR) stood at 26.7% at the end of 2020, while the CET1 = Tier 1 ratio was at 22.5%. The Bank's regulatory capital at the end of the reporting period did not include the eligible profit made in the reporting period.

OTP FUND MANAGEMENT (HUNGARY)

Changes in assets under management and financial performance of OTP Fund Management:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit without the effect of adjustments	15,104	9,747	(35)
Income tax	(1,438)	(915)	(36)
Profit before income tax	16,542	10,662	(36)
Operating profit	16,542	10,662	(36)
Total income	20,433	14,453	(29)
Net interest income	0	0	0
Net fees and commissions	19,800	14,154	(29)
Other net non-interest income	633	299	(53)
Operating expenses	(3,891)	(3,791)	(3)
Other provision	0	(1)	0
Main components of balance sheet closing balances	2019	2020	%
Total assets	33,688	33,210	(1)
Total shareholders' equity	24,828	16,425	(34)
Asset under management	2019 HUF billion	2020 HUF billion	%
Assets under management, total (w/o duplicates)[1]	**1,119**	**1,201**	**7**
Volume of investment funds (closing, w/o duplicates)	793	828	4
Volume of managed assets (closing)	326	373	14
Volume of investment funds (closing, with duplicates)[2]	**1,073**	**1,183**	**10**
absolute return fund	434	374	(14)
bond	315	376	19
security	188	248	32
mixed	73	133	82
commodity market	30	28	(7)
guaranteed	28	20	(29)
money market	6	5	(17)
derivative	0	0	0
other	0	0	0

[1] The cumulative net asset value of investment funds and managed assets of OTP Fund Management, eliminating the volume of own investment funds (duplications) being managed in other investment funds and managed assets of OTP Fund Management.
[2] The cumulative net asset value of investment funds with duplications managed by OTP Fund Management.

In 2020, **OTP Fund Management** generated HUF 9.7 billion profit, 35% less than in the previous year.

The y-o-y drop in full-year net fees and commissions was caused by a base effect: it largely reflected the effect of the income from an outstanding success fee at the end of 2019.

Unlike in 2019, when the success fee was mostly related to the OTP Supra Derivative Fund's performance, in 2020 it was the OTP Treasures of the Earth Derivative Fund, and a number of other derivative and absolute return funds' performance that determined it. The OTP Treasures of the Earth Derivative Fund absolute return fund's yield exceeded 49% in 2020, and the success fee is 20% of the positive difference between the fund's yield and the ZMAX benchmark index.

The main reason for the y-o-y drop in the annual other income was the negative fair value adjustment of own investment units, recorded in 1Q 2020.

Operating expenses dropped by 3% y-o-y in 2020.

In Hungary, the market environment for investment funds was rather hectic; following the lows hit in the first quarter, the situation consolidated, and the turbulent changes reshuffled investment funds' structure as well.

Following its extraordinary performance in 2019, Hungary's largest absolute return fund, OTP Supra Derivative Fund made negative yield in 2020, but it worked off some of the losses after hitting its lowest in March. Absolute return funds, as well as technology and climate change related funds were particularly popular in 2020.

The positive capital flow and yields helped OTP Fund Management increase the total wealth managed in y-o-y terms (by +4%).

Of the funds managed, demand for bond funds remained steady; their volume expanded by nearly 20% y-o-y. Following the slump in stock prices in March, demand for equity funds has increased, thus their volumes grew by 32% y-o-y, on account of capital inflow and favourable yield developments.

The Company's market share rose by 1 pp y-o-y, to 24.6% by the end of December 2020, thus preserving its top position in the domestic securities funds market.

MERKANTIL GROUP (HUNGARY)

Performance of Merkantil Group:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit without the effect of adjustments	7,115	7,661	8
Income tax	(632)	(956)	51
Profit before income tax	7,747	8,617	11
Operating profit	7,372	10,280	39
Total income	14,369	21,283	48
Net interest income	14,013	17,688	26
Net fees and commissions	(104)	40	(138)
Other net non-interest income	461	3,555	671
Operating expenses	(6,997)	(11,004)	57
Total provisions	375	(1,663)	(543)
Provision for impairment on loan and placement losses	143	(1,491)	
Other provision	232	(171)	(174)
Main components of balance sheet closing balances	**2019**	**2020**	**%**
Total assets	491,399	667,120	36
Gross customer loans	366,064	416,987	14
Gross customer loans (FX-adjusted)	368,689	416,987	13
Retail loans	30,528	57,018	87
Corporate loans	128,707	119,725	(7)
Car financing loans	209,454	240,244	15
Allowances for possible loan losses	(10,072)	(12,874)	28
Allowances for possible loan losses (FX-adjusted)	(10,143)	(12,874)	27
Deposits from customers	10,414	9,344	(10)
Deposits from customer (FX-adjusted)	10,414	9,344	(10)
Retail deposits	8,051	6,071	(25)
Corporate deposits	2,364	3,273	38
Liabilities to credit institutions	420,076	584,944	39
Total shareholders' equity	44,441	52,553	18
Loan Quality	**2019**	**2020**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	345,339	343,668	0
Stage 1 loans under IFRS 9/gross customer loans	94.3%	82.4%	(11.9)
Own coverage of Stage 1 loans under IFRS 9	0.4%	0.2%	(0.1)
Stage 2 loan volume under IFRS 9 (in HUF million)	7,459	58,592	686
Stage 2 loans under IFRS 9/gross customer loans	2.0%	14.1%	12.0
Own coverage of Stage 2 loans under IFRS 9	4.7%	3.8%	(0.8)
Stage 3 loan volume under IFRS 9 (in HUF million)	13,267	14,727	11
Stage 3 loans under IFRS 9/gross customer loans	3.6%	3.5%	(0.1)
Own coverage of Stage 3 loans under IFRS 9	63.4%	66.5%	3.1
Provision for impairment on loan and placement losses/average gross loans	(0.04%)	0.38%	0.42
90+ days past due loan volume (in HUF million)	7,364	8,971	22
90+ days past due loans/gross customer loans	2.0%	2.2%	0.1
Performance Indicators	**2019**	**2020**	**pps**
ROA	1.6%	1.3%	(0.3)
ROE	17.4%	15.7%	(1.6)
Total income margin	3.20%	3.58%	0.37
Net interest margin	3.12%	2.97%	(0.15)
Cost/income ratio	48.7%	51.7%	3.0

The column for 2020 in the table display the partially consolidated performance of Merkantil Group, including Merkantil Bank Ltd., Merkantil Bérlet Ltd., NIMO 2002 Ltd., SPLC-P Ingatlanfejlesztő, Ingatlanhasznosító Ltd., SPLC Vagyonkezelő Ltd., and OTP Ingatlanlízing Ltd. In the 2019 base period, the standalone performance of Merkantil Bank Ltd. was presented.

In 2020 **Merkantil Group** generated HUF 7.7 billion adjusted after-tax profit, of which HUF 6.7 billion was Merkantil Bank's contribution, which therefore showed a decrease y-o-y. In 2020, the Group's ROE stood at 15.7%.

The main reason for the y-o-y rise in the income and expense lines is that, starting from 1Q 2020, the figures reflect the performance of the entire Hungarian leasing group. Merkantil Bank's individual net interest income rose by 4% y-o-y, and its operating expenses dropped by 5%. Merkantil Group's total risk cost amounted to -HUF 1.7 billion in 2020.

The stock of DPD90+ loans did not change over 2020 (FX-adjusted, without sales/write-offs).

The ratio of Stage 2 loans grew by 4.6 pps q-o-q. The own provision coverage of Stage 2 loans stood at 3.8% (-0.7 pp q-o-q). Stage 3 loans made up 3.5% of gross loan volumes (-0.7 pp q-o-q), and their own provision coverage was 66.5% (+10.4 pps q-o-q).

Merkantil Group's FX-adjusted performing (Stage 1+2) loans increased by 12% y-o-y. Merkantil Bank's individual performing loan stock grew by 4% y-o-y. The full-year dynamics was positively affected by the National Bank of Hungary's *FGS Go!* programme, made available in April 2020. By the end of December 2020, contractual amount reached HUF 41 billion at Merkantil Bank. Merkantil Bank retained its market leading position both in terms of new disbursements and outstanding leasing volumes.

IFRS REPORTS OF THE MAIN FOREIGN SUBSIDIARIES OF OTP BANK

DSK GROUP (BULGARIA)

Performance of DSK Group:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit without the effect of adjustments	67,879	40,957	(40)
Income tax	(7,199)	(3,707)	(49)
Profit before income tax	75,078	44,665	(41)
Operating profit	83,495	89,775	8
Total income	155,567	166,668	7
Net interest income	109,030	111,239	2
Net fees and commissions	42,019	45,453	8
Other net non-interest income	4,517	9,975	121
Operating expenses	(72,071)	(76,893)	7
Total provisions	(8,418)	(45,110)	436
Provision for impairment on loan and placement losses	(5,216)	(44,875)	760
Other provision	(3,201)	(235)	(93)
Main components of balance sheet closing balances	2019	2020	%
Total assets	3,669,766	4,283,625	17
Gross customer loans	2,350,694	2,634,870	12
Gross customer loans (FX-adjusted)	2,596,088	2,634,870	1
Retail loans	1,597,408	1,614,561	1
Corporate loans	953,025	938,117	(2)
Car financing loans	45,655	82,191	80
Allowances for possible loan losses	(135,640)	(185,829)	37
Allowances for possible loan losses (FX-adjusted)	(149,830)	(185,829)	24
Deposits from customers	3,015,805	3,587,364	19
Deposits from customers (FX-adjusted)	3,315,475	3,587,364	8
Retail deposits	2,780,781	3,012,074	8
Corporate deposits	534,694	575,290	8
Liabilities to credit institutions	59,867	17,010	(72)
Total shareholders' equity	528,759	620,379	17
Loan Quality	2019	2020	%/pps
Stage 1 loan volume under IFRS 9 (in HUF million)	2,081,790	2,142,644	3
Stage 1 loans under IFRS 9/gross customer loans	88.6%	81.3%	(7.3)
Own coverage of Stage 1 loans under IFRS 9	1.1%	1.0%	(0.1)
Stage 2 loan volume under IFRS 9 (in HUF million)	99,917	297,292	198
Stage 2 loans under IFRS 9/gross customer loans	4.3%	11.3%	7.0
Own coverage of Stage 2 loans under IFRS 9	8.5%	12.6%	4.1
Stage 3 loan volume under IFRS 9 (in HUF million)	168,986	194,934	15
Stage 3 loans under IFRS 9/gross customer loans	7.2%	7.4%	0.2
Own coverage of Stage 3 loans under IFRS 9	62.0%	65.6%	3.6
Provision for impairment on loan and placement losses/average gross loans	0.24%	1.79%	1.55
90+ days past due loan volume (in HUF million)	108,600	126,242	16
90+ days past due loans/gross customer loans	4.6%	4.8%	0.2
Performance Indicators	2019	2020	pps
ROA	1.9%	1.0%	(0.9)
ROE	13.7%	7.0%	(6.7)
Total income margin	4.28%	4.13%	(0.15)
Net interest margin	3.00%	2.75%	(0.25)
Cost/income ratio	46.3%	46.1%	(0.2)
Net loans to deposits (FX-adjusted)	74%	68%	(6)
FX rates	2019 HUF	2020 HUF	Change %
HUF/BGN (closing)	169.0	186.7	10
HUF/BGN (average)	166.3	179.5	8

- ***The Bulgarian banking group generated HUF 41.0 billion adjusted profit, 40% less than a year earlier, owing to the higher provisions.***
- ***The integration of Expressbank was successfully completed at the beginning of May 2020. The number of branches dropped by 24%, and the headcount fell by 9% y-o-y.***

The P&L of the Bulgarian operation was adjusted for the one-off items directly related to the Expressbank acquisition; these corrections are presented at consolidated level, among adjustment items. The balance sheet items were not adjusted for these effects.

In 2020 **DSK Group** generated HUF 41.0 billion after-tax profit, 40% less than in 2019.

The integration of Expressbank was successfully completed at the beginning of May 2020. Certain cost synergies had already been extracted during the integration process, and this has continued since then. The number of branches in Bulgaria fell by 143 units (-30%) since the end of 1Q 2019, when Expressbank became part of the Group. The number of employees dropped by 566 (-9%) in 2020. Full-year operating expenses declined by 1% y-o-y in local currency.

The Bulgarian operation's full-year operating profit grew by 8% in HUF (but dropped 1% in BGN terms). Within total income, cumulated net interest income declined by 6% in BGN terms, as a result of the 24 bps erosion in net interest margin. The full-year net interest income was also negatively affected by a regulatory change that banned charging penalty interest on late payment during the emergency, from 13 March to 14 May 2020.

In 2020, net fees and commissions stagnated y-o-y in BGN, predominantly in connection with the drop in economic and business activity from the second quarter.

In 2020, other net non-interest income surged by 121% y-o-y, chiefly because of higher swap result and foreign exchange gains. Another reason was that, following the revision of Visa Inc.'s class C shares' accounting classification, the equivalent of HUF 0.7 billion positive amount boosted other income in 2Q 2020.

The Stage 2 ratio has significantly increased over the past 12 months (+7 pps y-o-y), predominantly because the Bank reclassified the loans most exposed to the pandemic, first corporate and then retail loans were reclassified from Stage 1 (performing) category under IFRS 9 into Stage 2 (increased risk).

The ratio of Stage 3 loans increased by 0.2 pp over the previous year. The own provision coverage of Stage 3 loans rose in y-o-y terms.

In 2020, HUF 45.1 billion total risk costs weighed on profit. The reason for the y-o-y higher figure was the extra provisioning owing to the pandemic. The 12-month credit risk cost ratio was 1.79% of average gross loan volumes.

Overall, loan quality indicators have improved: the more than 90 days past due (DPD90+) loans grew by HUF 22 billion (FX-adjusted, without sales/write-offs) in full year 2020 (of which 4Q: +HUF 5 billion). During 2019 this volume increased by HUF 11 billion without the technical effect of the acquisition of Expressbank. In 2020 as a whole HUF 13 billion worth of problem loans were sold/written off.

Regarding the lending activity, performing (Stage 1+2) loans rose by an FX-adjusted 1% in y-o-y terms. In 2020, car financing loans grew by 80% y-o-y, partly because of the reclassification of some leasing exposures from corporate loans onto this line.

The Bulgarian operation's liquidity position remained stable. The FX-adjusted net loan/deposit ratio stood at 68% at the end of December. At the end of December 2020, the capital adequacy ratio of DSK Bank, calculated according to local rules, stood at 21.4%. In the course of 2020, DSK Bank did not pay dividend to OTP Bank from its 2019 profit, in accordance with the Bulgarian National Bank's recommendation.

OTP BANK CROATIA

Performance of OTP Bank Croatia:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit without the effect of adjustments	30,719	14,830	(52)
Income tax	(6,681)	(2,771)	(59)
Profit before income tax	37,400	17,600	(53)
Operating profit	42,925	40,329	(6)
Total income	85,069	84,907	0
Net interest income	56,812	58,199	2
Net fees and commissions	17,032	16,093	(6)
Other net non-interest income	11,225	10,615	(5)
Operating expenses	(42,144)	(44,578)	6
Total provisions	(5,525)	(22,728)	311
Provision for impairment on loan and placement losses	(2,835)	(19,491)	588
Other provision	(2,691)	(3,238)	20
Main components of balance sheet closing balances	2019	2020	%
Total assets	2,098,951	2,325,669	11
Gross customer loans	1,370,057	1,642,170	20
Gross customer loans (FX-adjusted)	1,503,015	1,642,170	9
Retail loans	812,239	853,245	5
Corporate loans	617,623	722,320	17
Car financing loans	73,152	66,606	(9)
Allowances for possible loan losses	(68,701)	(100,920)	47
Allowances for possible loan losses (FX-adjusted)	(75,254)	(100,920)	34
Deposits from customers	1,478,223	1,634,652	11
Deposits from customers (FX-adjusted)	1,613,110	1,634,652	1
Retail deposits	1,213,410	1,231,516	1
Corporate deposits	399,700	403,136	1
Liabilities to credit institutions	253,176	287,647	14
Total shareholders' equity	292,649	328,165	12
Loan Quality	2019	2020	%/pps
Stage 1 loan volume under IFRS 9 (in HUF million)	1,140,495	1,257,492	10
Stage 1 loans under IFRS 9/gross customer loans	83.2%	76.6%	(6.7)
Own coverage of Stage 1 loans under IFRS 9	0.8%	0.8%	0.0
Stage 2 loan volume under IFRS 9 (in HUF million)	143,843	241,962	68
Stage 2 loans under IFRS 9/gross customer loans	10.5%	14.7%	4.2
Own coverage of Stage 2 loans under IFRS 9	3.5%	5.7%	2.2
Stage 3 loan volume under IFRS 9 (in HUF million)	85,719	142,716	66
Stage 3 loans under IFRS 9/gross customer loans	6.3%	8.7%	2.4
Own coverage of Stage 3 loans under IFRS 9	63.6%	53.9%	(9.6)
Provision for impairment on loan and placement losses/average gross loans	0.22%	1.27%	1.05
90+ days past due loan volume (in HUF million)	51,012	68,712	35
90+ days past due loans/gross customer loans	3.7%	4.2%	0.5
Performance Indicators	2019	2020	pps
ROA	1.6%	0.7%	(0.9)
ROE	10.9%	4.7%	(6.2)
Total income margin	4.35%	3.93%	(0.42)
Net interest margin	2.91%	2.69%	(0.21)
Cost/income ratio	49.5%	52.5%	3.0
Net loans to deposits (FX-adjusted)	89%	94%	6
FX rates	2019 HUF	2020 HUF	Change %
HUF/HRK (closing)	44.4	48.4	9
HUF/HRK (average)	43.9	46.6	6

- ***Full-year 2020 profit neared HUF 15 billion (-52% y-o-y), with 6% lower operating profit and a jump in risk costs***
- ***Net interest income rose by 2% y-o-y; performing (Stage 1+2) loans increased in FX-adjusted terms and interest margin shrank 21 bps in 2020***
- ***As to loan quality, the Stage 3 ratio upped 2.4 pps, to 8.7% y-o-y***

In 2020, the **Croatian operation** generated HUF 14.8 billion after-tax profit, 52% less than a year earlier, owing to a jump in risk costs and a decline in operating profit.

Following a halt in lending activity in the second quarter, disbursement dynamics have been steadily improving. In 4Q 2020, mortgage loan disbursements grew by 72% q-o-q; this brought the full-year disbursement growth to 8% y-o-y. Even though cash loans rebounded after the first wave of the coronavirus pandemic, the full-year disbursed volume was 25% short of its 2019 level.

Performing (Stage 1+2) loans grew by an FX-adjusted 6% y-o-y

Beside loan volume growth, and the Croatian bank's liquidity position remained stable. Deposit volumes rose by an FX-adjusted 1% y-o-y, thus the net loan/deposit ratio went up by 6 pps y-o-y, to 94%, in FX-adjusted terms.

In 2020, operating profit was 6% (in local currency terms 11%) less than a year earlier. Core banking income dropped in y-o-y terms, as a combined effect of the 21 bps erosion in net interest margin (2.69%), and the pandemic's effect on business and economic activity. Net fees and commissions were dragged down by the lost revenue from tourism-related activities. Despite the HUF 1.5 billion one-off revaluation result on Visa Inc.'s class C shares booked in 2Q 2020, other non-interest income was 5% short of the base period.

In 2020, operating expenses surged by 6% y-o-y in HUF, and were stable in local currency. The 3 pps rise in full-year cost/income ratio brought the y-o-y figure to 52.5%.

In 2020, nearly HUF 23 billion risk cost weighed on profit, which was four times the figure posted in 2019. A smaller part of that was recorded in 1Q, in view of the possible effects of the pandemic, while loan loss provision in 3Q was even higher than in 1Q, owing to the revision of the IFRS 9 impairment model parameters. In 4Q 2020 under the instruction of the local regulator exposures with longer than 9 months moratorium participation in total shall be classified as Stage 3.

The stock of more than 90 days past due loans grew by HUF 15 billion (FX-adjusted, without sales/write-offs) in 2020. This brought the DPD90+ ratio to 4.2% by the end of December (+0.5 pp y-o-y). The Stage 3 ratio rose by more than 2 pps in y-o-y terms (4Q: 8.7%), as the Bank reclassified the exposures with longer than 9 months moratorium participation to Stage 3 (forborne) category, in accordance with local regulation.

In March and April 2020, the Croatian National Bank issued a set of recommendations, based on the EBA's guidance, on the basis of which commercial banks developed rules for their own loan repayment moratorium. On 1 October 2020, a new moratorium period was opened; the deadline for receiving applications is 31 March 2021.

OTP BANK SERBIA

Performance of OTP Bank Serbia:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit without the effect of adjustments	10,430	7,298	(30)
Income tax	459	(1,157)	(352)
Profit before income tax	9,970	8,455	(15)
Operating profit	13,143	35,898	173
Total income	43,276	79,001	83
Net interest income	30,809	59,514	93
Net fees and commissions	9,506	14,766	55
Other net non-interest income	2,962	4,721	59
Operating expenses	(30,133)	(43,102)	43
Total provisions	(3,173)	(27,443)	765
Provision for impairment on loan and placement losses	(1,634)	(22,170)	
Other provision	(1,539)	(5,273)	243
Main components of balance sheet closing balances	2019	2020	%
Total assets	1,659,483	2,052,332	24
Gross customer loans	1,199,580	1,539,738	28
Gross customer loans (FX-adjusted)	1,325,734	1,539,738	16
Retail loans	633,684	747,715	18
Corporate loans	642,532	737,969	15
Car financing loans	49,518	54,054	9
Allowances for possible loan losses	(18,904)	(43,597)	131
Allowances for possible loan losses (FX-adjusted)	(20,907)	(43,597)	109
Deposits from customers	910,623	1,147,712	26
Deposits from customers (FX-adjusted)	1,003,698	1,147,712	14
Retail deposits	604,453	676,599	12
Corporate deposits	399,245	471,112	18
Liabilities to credit institutions	436,449	548,354	26
Subordinated debt	24,460	31,033	27
Total shareholders' equity	249,461	273,046	9
Loan Quality	2019	2020	%/pps
Stage 1 loan volume under IFRS 9 (in HUF million)	1,151,763	1,367,313	19
Stage 1 loans under IFRS 9/gross customer loans	96.0%	88.8%	(7.2)
Own coverage of Stage 1 loans under IFRS 9	0.4%	0.8%	0.4
Stage 2 loan volume under IFRS 9 (in HUF million)	21,447	132,427	517
Stage 2 loans under IFRS 9/gross customer loans	1.8%	8.6%	6.8
Own coverage of Stage 2 loans under IFRS 9	5.8%	8.5%	2.7
Stage 3 loan volume under IFRS 9 (in HUF million)	26,370	39,998	52
Stage 3 loans under IFRS 9/gross customer loans	2.2%	2.6%	0.4
Own coverage of Stage 3 loans under IFRS 9	50.0%	53.6%	3.6
Provision for impairment on loan and placement losses/average gross loans	0.25%	1.62%	1.37
90+ days past due loan volume (in HUF million)	20,702	22,697	10
90+ days past due loans/gross customer loans	1.7%	1.5%	(0.2)
Performance Indicators	2019	2020	pps
ROA	1.1%	0.4%	(0.7)
ROE	7.6%	2.7%	(4.9)
Total income margin	4.70%	4.25%	(0.45)
Net interest margin	3.35%	3.20%	(0.15)
Cost/income ratio	69.6%	54.6%	(15.1)
Net loans to deposits (FX-adjusted)	130%	130%	0
FX rates	2019 HUF	2020 HUF	Change %
HUF/RSD (closing)	2.8	3.1	11
HUF/RSD (average)	2.8	3.0	8

- ***The annual after-tax profit amounted to HUF 7.3 billion in 2020 (-30%); in 4Q, HUF 3.1 billion loss emerged and nearly HUF 13 billion provision was put aside***
- ***The integration is progressing well, the full-year cost/income ratio sank to 54.6%***
- ***Performing (Stage1+2) loansexpanded by 3% y-o-y***

The financial closure of Societe Generale banka Srbija transaction was completed on 24 September 2019. Following the transaction, the name of the acquired bank was changed to OTP banka Srbija. The Serbian financial statements present the acquired bank's balance sheet starting from 3Q 2019, and its P&L account starting from 4Q 2019.

The Serbian P&L account was adjusted for the one-off items directly related to the acquisition; these corrections are shown at consolidated level, among the adjustment items. The balance sheet items were not adjusted for these effects.

In 2020, the **Serbian banking group** generated HUF 7.3 billion adjusted after-tax profit.

Following the financial closure of the acquisition at the end of September 2019, the Serbian operation's total markets share by balance sheet total jumped to 13.5% on pro forma basis, based on the latest available data from end-September 2020.

The integration of the bank acquired in 2019 is in progress. Since the end of September 2019, the total number of branches in Serbia dropped by 23 (-10%). The number of employees declined by 140 workers y-o-y (-4%).

Both deposits and performing loans (Stage 1+2) showed double-digit y-o-y growth rates (FX-adjusted), thus the Serbian bank's net loan/deposit ratio remained flat at 130% y-o-y.

Both the retail and the corporate loan segments posted growth: consumer loans expanded by 22% y-o-y (FX-adjusted), and mortgage loans increased by 13%, while corporate loans, which make up nearly half of the performing (Stage 1+2) portfolio, rose by 14% y-o-y. Recovering from the low hit in the second quarter, the volume of new loan disbursements has been steadily rising.

The y-o-y dynamics of P&L lines were predominantly determined by the acquisition, and they were also affected by the 8% weakening of the HUF's average exchange rate against the Serbian dinar.

The underlying business development trends can be captured the best by analysing the 4Q 2020 y-o-y developments, as those are comparable with the base period and undistorted by the acquisition effects. The 4Q operating profit improved by 16% y-o-y, as income rose by 6% and operating expenses declined. In 4Q, the y-o-y dynamics of net interest income was positively affected by the outstanding expansion of (Stage 1+2) loan volumes (+16% y-o-y; FX-adjusted), even as net interest margin eroded by 32 bps y-o-y, to 3.1%, reflecting the effect of the lower interest rate environment. Net fees and commissions were stable y-o-y in 4Q 2020.

In 4Q, operating expenses dropped by 1% y-o-y, while the bank's cost/income ratio improved by 3.8 pps y-o-y, to 54.9% in the fourth quarter.

In 2020, total risk cost amounted to -HUF 27.4 billion, of which -HUF 12.5 billion was booked in the fourth quarter. In 2020, the credit risk cost ratio was 1.62%.

As regards loan quality, the volume of more than 90 days past due loans (FX-adjusted, without sales/write-offs) rose by HUF 3.3 billion in full year 2020.

The ratio of Stage 3 loans rose by 0.4 pp y-o-y, their own provision coverage ratio improved by 3.6 pps y-o-y, to 53.6% by the end of December. Stage 2 loans were affected by a number factors: in 1Q, the corporate portfolios most exposed to the pandemic were reclassified to Stage 2 (increased risk), while in the second quarter those were mostly retail loans that were shifted.

In Serbia, there were three phases of the loan repayment moratorium. The application deadline for the third one is the end of April 2021; the maximum term of the moratorium can be up to six months.

SKB BANKA (SLOVENIA)

Performance of SKB Banka (Slovenia):

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit w/o dividends and net cash transfer		9,665	
Income tax		(2,439)	
Profit before income tax		12,104	
Operating profit		19,787	
Total income		40,388	
Net interest income		28,103	
Net fees and commissions		11,127	
Other net non-interest income		1,158	
Operating expenses		(20,601)	
Total provisions		(7,683)	
Provision for impairment on loan and placement losses		(6,244)	
Other provision		(1,440)	
Main components of balance sheet closing balances	**2019**	**2020**	**%**
Total assets	1,130,871	1,353,772	20
Gross customer loans	831,139	909,439	9
Gross customer loans (FX-adjusted)	918,174	909,439	(1)
Retail loans	540,374	539,678	0
Corporate loans	249,584	248,855	0
Car financing loans	128,216	120,906	(6)
Allowances for possible loan losses	(4,051)	(14,876)	267
Allowances for possible loan losses (FX-adjusted)	(4,475)	(14,876)	232
Deposits from customers	880,839	1,136,666	29
Deposits from customers (FX-adjusted)	971,653	1,136,666	17
Retail deposits	853,172	973,276	14
Corporate deposits	118,481	163,390	38
Liabilities to credit institutions	94,909	29,524	(69)
Total shareholders' equity	132,667	166,124	25
Loan Quality	**2019**	**2020**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	822,118	753,584	(8)
Stage 1 loans under IFRS 9/gross customer loans	98.9%	82.9%	(16.0)
Own coverage of Stage 1 loans under IFRS 9	0.4%	0.5%	0.1
Stage 2 loan volume under IFRS 9 (in HUF million)	0	142,015	
Stage 2 loans under IFRS 9/gross customer loans	0.0%	15.6%	
Own coverage of Stage 2 loans under IFRS 9	0.0%	4.3%	
Stage 3 loan volume under IFRS 9 (in HUF million)	9,020	13,840	53
Stage 3 loans under IFRS 9/gross customer loans	1.1%	1.5%	0.4
Own coverage of Stage 3 loans under IFRS 9	8.7%	36.3%	27.6
Provision for impairment on loan and placement losses/average gross loans		0.70%	
90+ days past due loan volume (in HUF million)	2,967	3,620	22
90+ days past due loans/gross customer loans	0.4%	0.4%	0.0
Performance Indicators	**2019**	**2020**	**pps**
ROA		0.8%	
ROE		6.3%	
Total income margin		3.18%	
Net interest margin		2.21%	
Cost/income ratio		51.0%	
Net loans to deposits (FX-adjusted)	94%	79%	(15)
FX rates	**2019 HUF**	**2020 HUF**	**Change %**
HUF/EUR (closing)	330.5	365.1	10
HUF/EUR (average)	325.3	351.2	8

OTP Group's financial statements include the Slovenian bank's balance sheet starting from end-2019, and its P&L from the first quarter of 2020.

The Slovenian P&L account was adjusted for the one-off items directly related to the acquisition; these corrections are shown at consolidated level, among adjustment items. The balance sheet items were not adjusted for the acquisition effects.

OTP Group's **Slovenian** subsidiary generated HUF 9.7 billion adjusted after-tax profit in full year 2020. The full-year ROE was 6.3% in 2020, with 51% cost/income ratio, 2.21% net interest margin, and 70 bps credit risk cost ratio.

At the end of 2020, the ratio of Stage 3 loans remained steady at 1.5%. The own provision coverage ratio of Stage 3 loans stood at 36.3%. When the Slovenian bank was consolidated into the Group, Stage 3 loans were netted with the related provisions. In full year 2020, DPD90+ loan volumes (FX-adjusted, without sales/write-offs) grew by HUF 0.6 billion.

The FX adjusted volume of Stage 1+2 loans dropped by 1% y-o-y; within that, retail loans shrank by 9%, while corporate loan volumes expanded by 18%.

The FX-adjusted deposit stock grew by 17% y-o-y. The net loan/deposit ratio stood at 79%.

OTP BANK ROMANIA

Performance of OTP Bank Romania:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit without the effect of adjustments	6,309	1,558	(75)
Income tax	(598)	91	(115)
Profit before income tax	6,906	1,467	(79)
Operating profit	12,314	11,811	(4)
Total income	37,530	43,748	17
Net interest income	28,254	32,739	16
Net fees and commissions	3,180	3,813	20
Other net non-interest income	6,097	7,195	18
Operating expenses	(25,216)	(31,937)	27
Total provisions	(5,408)	(10,344)	91
Provision for impairment on loan and placement losses	(3,018)	(7,840)	160
Other provision	(2,390)	(2,504)	5
Main components of balance sheet closing balances	2019	2020	%
Total assets	953,345	1,162,183	22
Gross customer loans	708,299	861,393	22
Gross customer loans (FX-adjusted)	773,358	861,393	11
Retail loans	522,937	587,724	12
Corporate loans	237,111	257,860	9
Car financing loans	13,311	15,809	19
Allowances for possible loan losses	(39,327)	(48,174)	22
Allowances for possible loan losses (FX-adjusted)	(42,997)	(48,174)	12
Deposits from customers	546,350	710,047	30
Deposits from customers (FX-adjusted)	590,707	710,047	20
Retail deposits	442,397	506,773	15
Corporate deposits	148,310	203,274	37
Liabilities to credit institutions	257,404	284,173	10
Total shareholders' equity	116,432	127,238	9
Loan Quality	2019	2020	%/pps
Stage 1 loan volume under IFRS 9 (in HUF million)	593,922	690,664	16
Stage 1 loans under IFRS 9/gross customer loans	83.9%	80.2%	(3.7)
Own coverage of Stage 1 loans under IFRS 9	1.3%	1.0%	(0.3)
Stage 2 loan volume under IFRS 9 (in HUF million)	61,556	114,615	86
Stage 2 loans under IFRS 9/gross customer loans	8.7%	13.3%	4.6
Own coverage of Stage 2 loans under IFRS 9	5.7%	9.0%	3.3
Stage 3 loan volume under IFRS 9 (in HUF million)	52,821	56,113	6
Stage 3 loans under IFRS 9/gross customer loans	7.5%	6.5%	(1.0)
Own coverage of Stage 3 loans under IFRS 9	53.7%	54.6%	0.9
Provision for impairment on loan and placement losses/average gross loans	0.47%	0.99%	0.52
90+ days past due loan volume (in HUF million)	35,416	38,713	9
90+ days past due loans/gross customer loans	5.0%	4.5%	(0.5)
Performance Indicators	2019	2020	pps
ROA	0.7%	0.1%	(0.6)
ROE	6.6%	1.3%	(5.3)
Total income margin	4.37%	4.18%	(0.19)
Net interest margin	3.29%	3.13%	(0.16)
Cost/income ratio	67.2%	73.0%	5.8
Net loans to deposits (FX-adjusted)	124%	115%	(9)
FX rates	2019 HUF	2020 HUF	Change %
HUF/RON (closing)	69.1	75.0	9
HUF/RON (average)	68.6	72.6	6

OTP Bank Romania generated HUF 1.6 billion after-tax profit in 2020, 75% less than in the base period. In 2020, operating profit dropped by 4% in HUF (by 9% in local currency), as a result of a 17% y-o-y increase in total income, and a 27% surge in operating expenses. Net interest income grew by 16%, bolstered by a dynamic expansion in performing loan volumes, while the net interest margin dropped by 16 bps last year.

In 2020, operating expenses grew by 27% y-o-y (by 20% in local currency), largely because of the growth strategy launched in 2019: IT and digital developments boosted IT costs, while personnel expenses were 27% higher than a year earlier, owing to the general wage inflation, as well as the 15% rise in annual average headcount. As a result of the rising costs, the cost/income ratio increased by 5.8 pps, to 73.0% in 2020.

As a result of the growth strategy, both loan and deposit volumes grew dynamically in 2020. Due to the increased lending activity, performing (Stage 1+2) mortgage loan volumes increased by 15% y-o-y (FX-adjusted). Performing (Stage 1+2) loans to micro and small enterprises grew by 15%, and corporate exposures rose by 10% y-o-y. The FX-adjusted deposit volumes expanded by 20% y-o-y, supported by both the retail and corporate segments. The net loan/deposit ratio stood at 115% at the end of 2020 (-9 pps y-o-y). In 2020, OTP Bank Romania increased its market share in all segments. In the stock of housing loans, the Romanian operation increased its market share from 3.7% to 4.2% y-o-y.

Regarding loan quality, in 2020 the volume of DPD90+ loans grew by HUF 7 billion (FX-adjusted, without sales and write-offs), much of which was caused by corporate loans that slipped into delinquency in 2Q 2020.

The ratio of Stage 2 loans grew by 4.6 pps y-o-y, largely affected by the reclassification of Stage 1 loans (-3.7 pps y-o-y) owing to the pandemic. The own coverage of Stage 1+2 loans increased in y-o-y terms.

The ratio of Stage 3 loans remained on a downward trend in 2020. At the end of the year, Stage 3 loans made up 6.5% of gross loan volume (-0.9 pp y-o-y). Reasons for the decline included the sale/write-off of bad loans, as well as the rapid growth of loans. The own coverage of Stage 3 loans grew over the fourth quarter, bringing the ratio to 54.6% by the end of the year.

In 2020, total provisions grew by 91% y-o-y. Within that, loan loss provisions increased significantly (by HUF 4.8 billion) owing to the COVID-19 pandemic effects.

OTP BANK UKRAINE

Performance of OTP Bank Ukraine:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit without the effect of adjustments	35,223	26,104	(26)
Income tax	(6,937)	(5,485)	(21)
Profit before income tax	42,160	31,589	(25)
Operating profit	44,353	42,030	(5)
Total income	67,451	67,385	0
Net interest income	48,128	48,581	1
Net fees and commissions	14,877	13,540	(9)
Other net non-interest income	4,446	5,264	18
Operating expenses	(23,098)	(25,355)	10
Total provisions	(2,194)	(10,441)	376
Provision for impairment on loan and placement losses	(1,433)	(6,286)	339
Other provision	(761)	(4,155)	446
Main components of balance sheet closing balances	2019	2020	%
Total assets	646,295	729,012	13
Gross customer loans	468,715	443,031	(5)
Gross customer loans (FX-adjusted)	431,920	443,031	3
Retail loans	136,749	118,709	(13)
Corporate loans	252,194	274,187	9
Car financing loans	42,977	50,136	17
Allowances for possible loan losses	(69,785)	(46,200)	(34)
Allowances for possible loan losses (FX-adjusted)	(64,223)	(46,200)	(28)
Deposits from customers	431,944	493,884	14
Deposits from customers (FX-adjusted)	394,459	493,884	25
Retail deposits	176,949	222,112	26
Corporate deposits	217,509	271,772	25
Liabilities to credit institutions	79,331	91,059	15
Total shareholders' equity	109,128	117,071	7
Loan Quality	2019	2020	%/pps
Stage 1 loan volume under IFRS 9 (in HUF million)	345,955	365,266	6
Stage 1 loans under IFRS 9/gross customer loans	73.8%	82.4%	8.6
Own coverage of Stage 1 loans under IFRS 9	0.9%	1.9%	1.0
Stage 2 loan volume under IFRS 9 (in HUF million)	41,847	31,726	(24)
Stage 2 loans under IFRS 9/gross customer loans	8.9%	7.2%	(1.7)
Own coverage of Stage 2 loans under IFRS 9	8.3%	15.9%	7.6
Stage 3 loan volume under IFRS 9 (in HUF million)	80,913	46,039	(43)
Stage 3 loans under IFRS 9/gross customer loans	17.3%	10.4%	(6.9)
Own coverage of Stage 3 loans under IFRS 9	77.9%	74.3%	(3.6)
Provision for impairment on loan and placement losses/average gross loans	0.34%	1.39%	1.05
90+ days past due loan volume (in HUF million)	51,913	28,401	(45)
90+ days past due loans/gross customer loans	11.1%	6.4%	(4.7)
Performance Indicators	2019	2020	pps
ROA	7.0%	3.8%	(3.2)
ROE	42.5%	23.0%	(19.5)
Total income margin	13.38%	9.78%	(3.60)
Net interest margin	9.55%	7.05%	(2.50)
Cost/income ratio	34.2%	37.6%	3.4
Net loans to deposits (FX-adjusted)	93%	80%	(13)
FX rates	2019 HUF	2020 HUF	Change %
HUF/UAH (closing)	12.4	10.5	(15)
HUF/UAH (average)	11.3	11.4	1

OTP Bank Ukraine's financial data in HUF terms were affected by the HUF/UAH exchange rate moves: by the end of 2020, the UAH's closing rate against the HUF depreciated by 16% y-o-y. The full-year average rate firmed 1%. As a result, the balance sheet and P&L dynamics expressed in HUF terms differ from those in local currency.

OTP Bank Ukraine generated HUF 26.1 billion after-tax profit in 2020. The 26% y-o-y contraction stems from stronger provisioning, and a 6% drop in operating profit, in UAH.

After the second quarter, which was an intra-year low in lending, disbursement dynamics have steadily improved. Corporate loan disbursement expanded by an impressive 38% y-o-y in 2020. By the end of the year, performing (Stage 1+2) loans grew by 11% y-o-y (FX-adjusted). Net loan/deposit ratio stood at 80% at the end of 2020.

Operating profit dropped by 6% y-o-y in local currency in full-year 2020. In 2020, total income shrank by 1% y-o-y in local currency, chiefly because net fees and commissions fell by 10%. Net interest income was stable y-o-y, even if net interest margin shrank 2.5 pp, nearing 7%. This is predominantly due to the significantly lower interest rate environment: the base rate fell by a total of 750 bps, to 6% in 2020.

In 2020, operating expenses grew by 9% in UAH, largely because of higher wage costs, and a 7% rise in administrative expenses.

In 2020, total risk cost amounted to -HUF 10.4 billion. In 2020, risk cost ratio was at 1.39% (+105 bps y-o-y).

In Ukraine, there was no compulsory debt repayment moratorium. As to loan quality, more than 90 days past due loan volumes increased in 2020 by HUF 1 billion (FX-adjusted, without sales/write-offs), compared to HUF 4 billion in 2019.

In 2020 the Stage 3 loans' share in the whole portfolio shrank by 6.9 pps y-o-y to 10.4%. By the end of 2020, the own provision coverage of Stage 3 loans dropped by 3.6 pps y-o-y, to 74.3%, as loans with high coverage were the sold/written off. The own provision coverage of Stage 2 loans grew to 15.9%, and that of Stage 1 loans has nearly doubled y-o-y, to 1.9%. This is resulting from the following: as precautionary move in the first half of the year corporate loans were reclassified from Stage 1 to Stage 2. Now, in 4Q, these were returned to Stage 1 category, but the previously created higher impairment for these loans was retained, as general provisions.

OTP BANK RUSSIA

Performance of OTP Bank Russia

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit without the effect of adjustments	28,127	16,317	(42)
Income tax	(8,272)	(5,092)	(38)
Profit before income tax	36,399	21,409	(41)
Operating profit	84,946	65,068	(23)
Total income	146,582	123,198	(16)
Net interest income	113,572	99,872	(12)
Net fees and commissions	31,012	22,503	(27)
Other net non-interest income	1,998	823	(59)
Operating expenses	(61,636)	(58,130)	(6)
Total provisions	(48,547)	(43,659)	(10)
Provision for impairment on loan and placement losses	(46,123)	(41,160)	(11)
Other provision	(2,424)	(2,499)	3
Main components of balance sheet closing balances	2019	2020	%
Total assets	908,388	688,980	(24)
Gross customer loans	786,241	597,849	(24)
Gross customer loans (FX-adjusted)	661,721	597,849	(10)
Retail loans	573,592	505,902	(12)
Corporate loans	80,304	74,239	(8)
Car financing loans	7,825	17,708	126
Allowances for possible loan losses	(152,741)	(127,598)	(16)
Allowances for possible loan losses (FX-adjusted)	(128,479)	(127,598)	(1)
Deposits from customers	471,735	350,608	(26)
Deposits from customers (FX-adjusted)	403,021	350,608	(13)
Retail deposits	301,897	288,058	(5)
Corporate deposits	101,124	62,550	(38)
Liabilities to credit institutions	155,306	90,852	(42)
Total shareholders' equity	202,761	183,402	(10)
Loan Quality	2019	2020	%/pps
Stage 1 loan volume under IFRS 9 (in HUF million)	589,553	447,094	(24)
Stage 1 loans under IFRS 9/gross customer loans	75.0%	74.8%	(0.2)
Own coverage of Stage 1 loans under IFRS 9	5.3%	4.6%	(0.7)
Stage 2 loan volume under IFRS 9 (in HUF million)	94,413	67,394	(29)
Stage 2 loans under IFRS 9/gross customer loans	12.0%	11.3%	(0.7)
Own coverage of Stage 2 loans under IFRS 9	27.4%	43.1%	15.7
Stage 3 loan volume under IFRS 9 (in HUF million)	102,274	83,361	(18)
Stage 3 loans under IFRS 9/gross customer loans	13.0%	13.9%	0.9
Own coverage of Stage 3 loans under IFRS 9	93.4%	93.4%	0.0
Provision for impairment on loan and placement losses/average gross loans	6.61%	6.36%	(0.25)
90+ days past due loan volume (in HUF million)	96,484	77,929	(19)
90+ days past due loans/gross customer loans	12.3%	13.0%	0.7
Performance Indicators	2019	2020	pps
ROA	3.4%	2.1%	(1.3)
ROE	15.7%	8.9%	(6.8)
Total income margin	17.53%	16.03%	(1.50)
Net interest margin	13.58%	13.00%	(0.58)
Cost/income ratio	42.0%	47.2%	5.2
Net loans to deposits (FX-adjusted)	132%	134%	2
FX rates	2019 HUF	2020 HUF	Change %
HUF/RUB (closing)	4.7	4.0	(15)
HUF/RUB (average)	4.5	4.3	(4)

OTP Bank Russia's financial figures in HUF terms were affected by the moves in the HUF/RUB pair: at the end of 2020, the RUB's exchange rate against the HUF weakened 16% y-o-y. The average exchange rate depreciated by 5% in 2020. Therefore, the balance sheet and P&L dynamics in HUF terms differ from those in local currency.

OTP Bank Russia generated HUF 16.3 billion profit in 2020, which is 39% less than in the base period (in local currency). The y-o-y drop in after-tax profit is a result of a 20% fall in operating profit and a 6% decline in risk cost, in local currency.

Ending three quarters of decline in the first three quarters of 2020, the performing (Stage 1+2) loan volume grew by an FX-adjusted 9% q-o-q in 4Q, resulting in a 11% y-o-y decline for 2020 as a whole. Performing consumer loan volumes shrank by 14% y-o-y; while the mid- and large corporate segment fell by 6%. There was a steady growth in car financing throughout the year, resulting in a 126% y-o-y increase from a relatively low base, FX-adjusted.

Meanwhile, customer deposits declined by an FX-adjusted 13% y-o-y. The FX-adjusted net loan/deposit ratio rose by 2 pps y-o-y, to 134%.

In 2020, total income declined by 12% y-o-y in RUB terms, including an 8% drop in net interest income, and a 24% fall in net fees and commissions. Total income margin eroded by 1.5 pps y-o-y, while net interest margin came down 59 bps, to 13%.

Due to lower administrative expenses, operating expenses declined by 1% y-o-y in full year 2020 in RUB, thus the annual cost/income ratio rose by 5.1pps, to 47.2%.

In 2020, total risk cost dropped by 6% in RUB, and the credit risk cost ratio declined 0.25 pp y-o-y, to 6.36%.

The ratio of Stage 3 loans upped by 0.9 pp y-o-y, to 13.9%; while nearly HUF 38 billion non-performing loans were sold or written off in 2020 (FX-adjusted), which is 10% increase compared to full year 2019.

CKB GROUP (MONTENEGRO)

Performance of CKB Group:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit w/o dividends and net cash transfer	6,377	4,307	(32)
Income tax	(679)	(302)	(56)
Profit before income tax	7,056	4,609	(35)
Operating profit	5,692	8,353	47
Total income	16,120	22,095	37
Net interest income	11,464	17,188	50
Net fees and commissions	4,215	4,446	5
Other net non-interest income	441	461	5
Operating expenses	(10,428)	(13,743)	32
Total provisions	1,364	(3,743)	(374)
Provision for impairment on loan and placement losses	1,293	(3,434)	(366)
Other provision	71	(309)	(535)
Main components of balance sheet closing balances	**2019**	**2020**	**%**
Total assets	439,836	477,676	9
Gross customer loans	319,836	362,067	13
Gross customer loans (FX-adjusted)	353,327	362,067	2
Retail loans	178,523	173,693	(3)
Corporate loans	174,707	188,299	8
Car financing loans	97	75	(23)
Allowances for possible loan losses	(19,518)	(24,510)	26
Allowances for possible loan losses (FX-adjusted)	(21,562)	(24,510)	14
Deposits from customers	318,216	324,671	2
Deposits from customers (FX-adjusted)	350,637	324,671	(7)
Retail deposits	228,438	213,067	(7)
Corporate deposits	122,199	111,604	(9)
Liabilities to credit institutions	36,733	58,967	61
Total shareholders' equity	66,188	76,556	16
Loan Quality	**2019**	**2020**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	283,959	294,548	4
Stage 1 loans under IFRS 9/gross customer loans	88.8%	81.4%	(7.4)
Own coverage of Stage 1 loans under IFRS 9	1.1%	1.3%	0.2
Stage 2 loan volume under IFRS 9 (in HUF million)	12,509	41,390	231
Stage 2 loans under IFRS 9/gross customer loans	3.9%	11.4%	7.5
Own coverage of Stage 2 loans under IFRS 9	4.8%	9.3%	4.5
Stage 3 loan volume under IFRS 9 (in HUF million)	23,369	26,129	12
Stage 3 loans under IFRS 9/gross customer loans	7.3%	7.2%	(0.1)
Own coverage of Stage 3 loans under IFRS 9	68.2%	63.9%	(4.3)
Provision for impairment on loan and placement losses/average gross loans	(0.56%)	0.99%	1.55
90+ days past due loan volume (in HUF million)	17,058	17,538	3
90+ days past due loans/gross customer loans	5.3%	4.8%	(0.5)
Performance Indicators	**2019**	**2020**	**pps**
ROA	1.9%	0.9%	(1.0)
ROE	11.9%	6.0%	(5.9)
Total income margin	4.86%	4.70%	(0.16)
Net interest margin	3.45%	3.65%	0.20
Cost/income ratio	64.7%	62.2%	(2.5)
Net loans to deposits (FX-adjusted)	95%	104%	9
FX rates	**2019 HUF**	**2020 HUF**	**Change %**
HUF/EUR (closing)	330.5	365.1	10
HUF/EUR (average)	325.3	351.2	8

On 27 February 2019 Crnogorska komercijalna banka a.d. signed an agreement to purchase the 90.56% stake from Societe Generale banka Montenegro a.d., the Montenegrin subsidiary of the Societe Generale Group. The financial closure of the transaction was completed on 16 July 2019. On 11 December 2020, Podgoricka Banka AD Podgorica was merged into Crnogorska Komercijalna Banka AD.

The Montenegrin operation's P&L account was adjusted for the one-off items directly related to the acquisition; these corrections are presented at consolidated level, among the adjustment items. The balance sheet items were not adjusted for these effects.

In full year 2020, the Montenegrin **CKB Group** generated HUF 4.3 billion adjusted profit, which was 32% less than in the base period.

What affected the y-o-y comparability of P&L lines was that the financial closure of the acquisition was completed on 25 July 2019, therefore the acquired bank's contribution was consolidated from 3Q 2019. The operating profit surged by 47% (including the 50% jump in net interest income), and operating expenses grew by 32%. Furthermore, total provisions were released in the base period, while the pandemic necessitated creating provisions in 2020. In 2020, ROE (6.0%) and the cost/income ratio (62.2%) fell y-o-y, while net interest margin (3.65%) increased.

In full year 2020, DPD90+ loan volumes (FX-adjusted, without sales and write-offs) increased by HUF 1.5 billion. The DPD90+ ratio (4.8%) declined by 0.5 pp y-o-y; meanwhile HUF 2.8 billion non-performing loans were sold/written off in 2020. At the end of 2020, the ratio of Stage 3 loans stood at 7.2% (-0.1 pp y-o-y), their own provision coverage was at 63.9%.

Performing (Stage 1+2) loans expanded 3% y-o-y (FX-adjusted).

The FX-adjusted loan book contracted by 7% y-o-y. The net loan/deposit ratio stood at 104% at the end of year (+9 pps y-o-y).

OTP BANK ALBANIA (ALBANIA)

Performance of OTP Bank Albania:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit w/o dividends and net cash transfer	2,616	1,959	(25)
Income tax	(459)	(489)	7
Profit before income tax	3,075	2,448	(20)
Operating profit	3,702	5,904	59
Total income	7,953	11,597	46
Net interest income	6,697	9,824	47
Net fees and commissions	1,007	1,278	27
Other net non-interest income	248	495	100
Operating expenses	(4,250)	(5,693)	34
Total provisions	(627)	(3,455)	451
Provision for impairment on loan and placement losses	(249)	(2,515)	910
Other provision	(379)	(940)	148
Main components of balance sheet closing balances	2019	2020	%
Total assets	247,997	286,606	16
Gross customer loans	147,777	180,815	22
Gross customer loans (FX-adjusted)	161,373	180,815	12
Retail loans	72,937	83,948	15
Corporate loans	86,138	94,275	9
Car financing loans	2,299	2,592	13
Allowances for possible loan losses	(3,657)	(8,089)	121
Allowances for possible loan losses (FX-adjusted)	(4,001)	(8,089)	102
Deposits from customers	179,755	214,808	20
Deposits from customers (FX-adjusted)	196,492	214,808	9
Retail deposits	167,088	179,853	8
Corporate deposits	29,404	34,956	19
Liabilities to credit institutions	36,901	37,151	1
Total shareholders' equity	25,605	28,781	12
Loan Quality	2019	2020	%/pps
Stage 1 loan volume under IFRS 9 (in HUF million)	138,579	143,701	4
Stage 1 loans under IFRS 9/gross customer loans	93.8%	79.5%	(14.3)
Own coverage of Stage 1 loans under IFRS 9	1.2%	1.3%	0.1
Stage 2 loan volume under IFRS 9 (in HUF million)	4,593	31,620	588
Stage 2 loans under IFRS 9/gross customer loans	3.1%	17.5%	14.4
Own coverage of Stage 2 loans under IFRS 9	10.1%	10.4%	0.3
Stage 3 loan volume under IFRS 9 (in HUF million)	4,604	5,494	19
Stage 3 loans under IFRS 9/gross customer loans	3.1%	3.0%	(0.1)
Own coverage of Stage 3 loans under IFRS 9	33.1%	54.2%	21.1
Provision for impairment on loan and placement losses/average gross loans	0.23%	1.55%	1.32
90+ days past due loan volume (in HUF million)	2,270	3,984	76
90+ days past due loans/gross customer loans	1.5%	2.2%	0.7
Performance Indicators	2019	2020	pps
ROA	1.4%	0.7%	(0.7)
ROE	14.1%	7.3%	(6.8)
Total income margin	4.27%	4.32%	0.05
Net interest margin	3.59%	3.66%	0.07
Cost/income ratio	53.4%	49.1%	(4.3)
Net loans to deposits (FX-adjusted)	80%	80%	0
FX rates	2019 HUF	2020 HUF	Change %
HUF/ALL (closing)	2.7	2.9	7
HUF/ALL (average)	2.6	2.8	8

OTP Group's financial statements included the Albanian bank's P&L account since 2Q 2019.

The P&L statement of the Albanian operation was adjusted for the one-off items directly related to the acquisition; these corrections are presented at consolidated level, among adjustment items. The balance sheet items were not adjusted for these effects.

The y-o-y dynamics of balance sheet and P&L lines were predominantly determined by the acquisition. **OTP Bank Albania** generated HUF 2.0 billion after-tax profit in full year 2020, which was 25% less than in the base period, owing to higher risk costs; operating profit grew by 59% on yearly basis.

Full-year ROE (7.3%) declined, while cost/income ratio (49.1%) and net interest margin (3.66%) increased y-o-y.

At the end of 2020, the ratio of Stage 3 loans was 3.0%, reflecting a marginal y-o-y drop. The own provision coverage of Stage 3 loans improved to 54.2%. When the Albanian bank was consolidated, Stage 3 loans were netted with provisions. In full-year 2020, the volume of DPD90+ loans (FX-adjusted, without sales and write-offs) rose by HUF 1.5 billion.

The FX-adjusted volume of Stage 1+2 loans expanded by 12% y-o-y; within that, retail loans surged 15%, while corporate and car financing loans expanded by a combined 10%.

The FX-adjusted deposit ratio surged 9% y-o-y, mostly fuelled by the strong growth in large corporate deposits. The net loan/deposit ratio remained flat at 80% y-o-y.

MOBIASBANCA (MOLDOVA)

Performance of Mobiasbanca:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit w/o dividends and net cash transfer	1,936	3,973	105
Income tax	(174)	(540)	210
Profit before income tax	2,110	4,513	114
Operating profit	2,929	7,707	163
Total income	5,902	14,596	147
Net interest income	3,959	8,889	125
Net fees and commissions	891	2,137	140
Other net non-interest income	1,052	3,570	239
Operating expenses	(2,974)	(6,889)	132
Total provisions	(819)	(3,193)	290
Provision for impairment on loan and placement losses	(737)	(2,695)	266
Other provision	(82)	(499)	509
Main components of balance sheet closing balances	2019	2020	%
Total assets	211,043	249,921	18
Gross customer loans	104,763	132,081	26
Gross customer loans (FX-adjusted)	108,490	132,081	22
Retail loans	58,167	71,552	23
Corporate loans	48,781	58,467	20
Car financing loans	1,542	2,062	34
Allowances for possible loan losses	(1,790)	(4,578)	156
Allowances for possible loan losses (FX-adjusted)	(1,857)	(4,578)	147
Deposits from customers	161,071	203,176	26
Deposits from customers (FX-adjusted)	167,509	203,176	21
Retail deposits	115,397	133,395	16
Corporate deposits	52,111	69,781	34
Liabilities to credit institutions	12,342	5,906	(52)
Total shareholders' equity	34,518	37,287	8
Loan Quality	2019	2020	%/pps
Stage 1 loan volume under IFRS 9 (in HUF million)	102,460	121,459	19
Stage 1 loans under IFRS 9/gross customer loans	97.8%	92.0%	(5.8)
Own coverage of Stage 1 loans under IFRS 9	1.0%	1.1%	0.1
Stage 2 loan volume under IFRS 9 (in HUF million)	880	6,670	658
Stage 2 loans under IFRS 9/gross customer loans	0.8%	5.1%	4.3
Own coverage of Stage 2 loans under IFRS 9	23.6%	19.5%	(4.1)
Stage 3 loan volume under IFRS 9 (in HUF million)	1,424	3,952	178
Stage 3 loans under IFRS 9/gross customer loans	1.4%	3.0%	1.6
Own coverage of Stage 3 loans under IFRS 9	39.7%	48.0%	8.3
Provision for impairment on loan and placement losses/average gross loans	1.58%	2.23%	0.65
90+ days past due loan volume (in HUF million)	383	2,109	451
90+ days past due loans/gross customer loans	0.4%	1.6%	1.2
Performance Indicators	2019	2020	pps
ROA	2.1%	1.7%	(0.4)
ROE	12.6%	10.7%	(1.9)
Total income margin	6.31%	6.24%	(0.07)
Net interest margin	4.23%	3.80%	(0.43)
Cost/income ratio	50.4%	47.2%	(3.2)
Net loans to deposits (FX-adjusted)	64%	63%	(1)
FX rates	2019 HUF	2020 HUF	Change %
HUF/MDL (closing)	17.1	17.3	1
HUF/MDL (average)	16.6	17.8	7

The Moldovan bank was consolidated in 3Q 2019.

The P&L statement of the Moldovan operation was adjusted for the one-off items directly related to the acquisition; these corrections are shown at consolidated level, among adjustment items. The balance sheet items were not adjusted for these effects.

The y-o-y dynamics of balance sheet and P&L lines were basically determined by the acquisition. In full-year 2020, **Mobiasbanca** contributed to OTP Group's performance with HUF 4.0 billion after-tax profit. Full-year ROE (10.7%) and net interest margin (3.80%) declined, while cost/income ratio (47.2%) increased y-o-y.

In 2020, total provisions have nearly quadrupled y-o-y. This was affected by the fact that as the financial closure was completed on 25 July 2019, the acquired bank's contribution was consolidated from 3Q 2019. Also, in contrast to the provision release in 3Q 2019, in 2020 as a whole significant amount pf provisions were set aside in the wake of the pandemic. At the end of 3Q 2020, the ratio of Stage 3 loans was 3.0% (+1.6 pps y-o-y); their own provision coverage stood at 48.0%. When the Moldovan bank was consolidated, Stage 3 loans were netted with provisions. In full-year 2020, the volume of DPD90+ loans (FX-adjusted, without sales and write-offs) grew by HUF 1.7 billion.

At the end of 2020, the FX-adjusted volume of performing (Stage 1+2) loans grew by 20% y-o-y; within that, both retail and corporate loans surged 20%.

FX-adjusted deposit volumes grew by 21% y-o-y. The FX-adjusted 34% y-o-y growth in corporate deposits owes a lot to the Banks' new customers. The net loan/deposit ratio stood at 63%, below the Group's average.

At the end of December 2020, the market share of OTP Group's Moldovan operation by balance sheet total, was 13.8%. This ranks it the fourth largest bank in Moldova.

OTP BANKA SLOVENSKO (SLOVAKIA)

Performance of OTP Banka Slovensko:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit without the effect of adjustments	1,575	(1,166)	(174)
Income tax	(240)	(304)	27
Profit before income tax	1,815	(862)	(147)
Operating profit	1,625	1,677	3
Total income	14,714	12,419	(16)
Net interest income	10,505	8,523	(19)
Net fees and commissions	3,884	3,208	(17)
Other net non-interest income	325	688	112
Operating expenses	(13,089)	(10,742)	(18)
Total provisions	190	(2,539)	
Provision for impairment on loan and placement losses	604	(2,731)	(552)
Other provision	(414)	192	(146)
Main components of balance sheet closing balances	**2019**	**2020**	**%**
Total assets	473,660		
Gross customer loans	392,793		
Gross customer loans (FX-adjusted)	433,900		
Retail loans	371,538		
Corporate loans	62,355		
Car financing loans	7		
Allowances for possible loan losses	(24,338)		
Allowances for possible loan losses (FX-adjusted)	(26,886)		
Deposits from customers	351,722		
Deposits from customers (FX-adjusted)	387,890		
Retail deposits	353,851		
Corporate deposits	34,039		
Liabilities to credit institutions	50,669		
Total shareholders' equity	38,078		
Loan Quality	**2019**	**2020**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	336,650		
Stage 1 loans under IFRS 9/gross customer loans	85.7%		
Own coverage of Stage 1 loans under IFRS 9	0.7%		
Stage 2 loan volume under IFRS 9 (in HUF million)	29,307		
Stage 2 loans under IFRS 9/gross customer loans	7.5%		
Own coverage of Stage 2 loans under IFRS 9	11.7%		
Stage 3 loan volume under IFRS 9 (in HUF million)	26,836		
Stage 3 loans under IFRS 9/gross customer loans	6.8%		
Own coverage of Stage 3 loans under IFRS 9	68.8%		
Provision for impairment on loan and placement losses/average gross loans	(0.15%)	0.76%	0.91
90+ days past due loan volume (in HUF million)	21,890		
90+ days past due loans/gross customer loans	5.6%		
Performance Indicators	**2019**	**2020**	**pps**
ROA	0.3%	(0.3%)	(0.6)
ROE	5.2%	(3.4%)	(8.6)
Total income margin	3.20%	2.98%	(0.22)
Net interest margin	2.29%	2.04%	(0.25)
Cost/income ratio	89.0%	86.5%	(2.5)
Net loans to deposits (FX-adjusted)	105%		
FX rates	**2019 HUF**	**2020 HUF**	**Change %**
HUF/EUR (closing)	330.5	365.1	10
HUF/EUR (average)	325.3	351.2	8

On 26 November 2020, the sale of **OTP Banka Slovensko a.s.** to KBC Group N.V. was concluded.

The Slovak bank was deconsolidated at the end of November, so its end of 2020 balance sheet does not appear in the Group's end of 2020 balance sheet. Between January and October 2020, the Slovak entity realised an adjusted loss of HUF 1.2 billion.

STAFF LEVEL AND OTHER INFORMATION

	31/12/2019				31/12/2020			
	Branches	ATM	POS	Headcount (closing)	Branches	ATM	POS	Headcount (closing)
OTP Core	**361**	**1,936**	**77,962**	**10,083**	**362**	**1,920**	**125,800**	**10,189**
DSK Group (Bulgaria)	440	1,140	12,915	6,186	334	1,094	14,329	5,619
OBH (Croatia)	136	480	10,856	2,251	124	488	11,037	2,228
OTP Bank Serbia	231	338	18,424	3,162	217	323	16,657	3,022
SKB Banka (Slovenia)	53	83	3,982	863	51	83	4,167	889
OTP Bank Romania	95	141	5,125	1,496	95	149	6,256	1,693
OTP Bank Ukraine (w/o employed agents)	88	166	331	2,399	86	161	402	2,313
OTP Bank Russia (w/o employed agents)	134	223	715	5,343	135	280	704	5,127
CKB Group (Montenegro)	48	128	6,908	681	34	115	6,421	514
OTP Bank Albania	37	76	0	424	38	80	0	447
Mobiasbanca (Moldova)	53	145	0	755	54	148	0	830
OTP Banka Slovensko (Slovakia)	58	157	159	671	0	0	0	0
Foreign subsidiaries, total	**1,373**	**3,077**	**59,415**	**24,231**	**1,168**	**2,921**	**59,973**	**22,682**
Other Hungarian and foreign subsidiaries				590				557
OTP Group (w/o employed agents)				**34,902**				**33,427**
OTP Bank Russia - employed agents				5,083				4,402
OTP Bank Ukraine - employed agents				663				618
OTP Group (aggregated)	**1,734**	**5,013**	**137,377**	**40,650**	**1,530**	**4,841**	**185,773**	**38,448**

Definition of headcount number: closing, active FTE (full-time employee). The employee is considered as full-time employee in case his/her employment conditions regarding working hours are in line with a full time employment defined in the Labour Code in the reporting entity's country. Part-time employees are taken into account proportional to the full time working hours being effective in the reporting entity's country.

Definition of branch numbers: data reported from 2020 are not comparable with previous quarters at OTP Core due to a methodological change. The introduction of the new methodology increased the number of branches by 9 units (ceteris paribus).

According to the NBH's definition, from 3Q 2020 the number of POS terminals includes all terminals where OTP is the acquirer, including terminals that are not exclusively authorized by OTP.

STATEMENT ON CORPORATE GOVERNANCE PRACTICE

Corporate governance practice

OTP Bank Plc., being registered in Hungary, has a corporate governance policy that complies with the provisions on companies of the act applicable (Civil Code). As the company conducts banking operations, it also adheres to the statutory regulations pertaining to credit institutions.

Beyond fulfilling the statutory requirements, as a listed company on the Budapest Stock Exchange (BSE), the company also makes an annual declaration on its compliance with the BSE's Corporate Governance Recommendations. After being approved by the General Meeting, this declaration is published on the websites of both the Stock Exchange (www.bet.hu) and the Bank (www.otpbank.hu).

System of internal controls

OTP Bank Plc., as a provider of financial and investment services, operates a closely regulated and state-supervised system of internal controls.

OTP Bank Plc. has detailed risk management regulations applicable to all types of risks (liquidity, market, country, counterparty, credit, operational, compliance), which are in compliance with the legal regulations on prudent banking operations. Its risk management system extends to cover the identification of risks, the assessment and analysis of their impact, elaboration of the required action plans and the monitoring of their effectiveness and results. The business continuity framework is intended to provide for the continuity of services. Developed on the basis of international methodologies, the lifecycle model includes process evaluation, action plan development for critical processes, the regular review and testing of these, as well as related DRP activities.

To ensure effective auditing, the OTP Bank Plc.'s internal audit system is realised on several levels of control built on each other. The system of internal checks and balances includes a combination of process-integrated and management control, independent internal audit organisation and executive information system. The independent internal audit organisation as an element of internal lines of defence promotes the statutory and efficient management of assets and liabilities, the defence of property, the safe course of business, the efficient, economical and productive operation of internal control systems, the minimisation of risks, moreover – beside compliance organisation – it reveals and reports deviations from statutory regulations and internal rules, makes proposal to abolish deficiencies and follows up the execution of actions. The independent internal audit organisation annually and quarterly prepares group-level reports on control actions for the executive boards. Once a year, the internal audit organisation draws up, for the Supervisory Board, objective and independent reports in respect of the operation of risk management, internal control mechanisms and corporate governance functions and, in line with the provisions of the Credit Institutions Act, reports, once a year, to the Supervisory Board and the Board of Directors on the regularity of internal audit tasks, professional requirements and the conduct of audits, and on the review of compliance with IT and other technical conditions needed for the audits.

In line with the regulations of the European Union, the applicable Hungarian laws and supervisory recommendations, OTP Bank Plc. established an independent organisational unit with the task of identifying and managing compliance risks.

General meeting

The General Meeting is the supreme governing body of OTP Bank Plc. The regulations pertaining to its operation are set forth in the Company's Bylaws, and comply fully with both general and special statutory requirements. Information on the General Meeting is available in the Corporate Governance Report.

In accordance with the provisions of the Government Decree 102/2020 (IV.10.), the resolutions on the published agenda items were made by the Company's Board of Directors acting in the competence of the General Meeting, which was originally announced to be on 17 April 2020, but cancelled on 26 March 2020 and then convened again to be held on 30 April 2020.

Regulations and information to be presented in the Business Report concerning securities conferring voting rights issued by the Company and senior officials, according to the effective Articles of Association, and ownership structure

The Company's registered capital is HUF 28,000,001,000, that is twenty-eight thousand million one thousand Hungarian forint, divided into 280,000,010 that is Two hundred and eighty million and ten dematerialised ordinary shares with a nominal value of HUF 100 each, and a total nominal value of HUF 28,000,001,000, that is twenty eight billion one thousand Hungarian forint.

The ordinary shares of the Company specified all have the same nominal value and bestow the same rights in respect of the Company.

There are no restrictions in place concerning the transfer of issued securities constituting the registered capital of the Company.

No securities with special control rights have been issued by the Company.

The Company does not run control systems prescribed by an employee ownership program, where control rights are not exercised directly by the employees.

Rules on the restrictions of the voting rights:

The Company's ordinary shares confer one vote per share.

An individual shareholder or group of shareholders may not exercise voting rights in respect of in an extent exceeding 25%, or – if the voting rights of another shareholder or group of shareholders exceed 10% – exceeding 33% of the total voting rights represented by the shares conferring voting rights at the Company's General Meeting.

The shareholder is obliged to notify the Company's Board of Directors without delay if the shareholder directly or indirectly, or together with other shareholders in the same group of shareholders, holds more than 2% of the voting rights represented by the shares conferring voting rights at the Company's General Meeting. Concurrently with this, the shareholder is obliged to designate the shareholders through which the indirect voting right exists, or the members of the group of shareholders. In the event of a failure to provide such notification, or if there are substantive grounds for assuming that the shareholder has made a misleading declaration regarding the composition of the shareholder group, then the shareholder's voting right shall be suspended and may not be exercised until the shareholder has met the above obligations. The notification obligation stipulated in this paragraph and the related legal consequences are also incumbent upon individuals who are classified or may be classified as the Company's shareholders under Article 61 of the Capital Markets Act. The Company must also be provided with proof of the conditions for exemption from the notification obligation in accordance with Section 61 (7)-(8) and Section 61 (10)-(11)-(12), of the Capital Markets Act.

Shareholder group: the shareholder and another shareholder, in which the former has either a direct or indirect shareholding or has an influence without a shareholding (collectively: a direct and/or indirect influence); furthermore: the shareholder and another shareholder who is exercising or is willing to exercise its voting rights together with the former shareholder, regardless of what type of agreement between the participants underlies such concerted exercising of rights.

For determining the existence and extent of the indirect holding, the rules of the Credit Institutions Act relating to the calculation of indirect ownership shall be applied.

If the voting rights that may be exercised by a shareholder group exceed the threshold stipulated in the first paragraph of this section, the voting rights shall be reduced in such a way that the voting rights relating to the shares most recently acquired by the group of shareholders shall not be exercisable.

If there are substantive grounds to presume that the exercising of voting rights by any shareholder or shareholders might result in a breach of the rules of the Capital Markets Act relating to the acquisition of a controlling interest, the Board of Directors' authorised representative responsible for the registration of shareholders at the venue of the General Meeting, or the Chairman of the General Meeting, may exclude the affected shareholders from attending the General Meeting or exercising voting rights.

The General Meeting has exclusive authority with respect to the decision regarding the delisting of the shares (qualified majority). When making the decisions, shares embodying multiple voting rights shall represent one share.

The Company is not aware of any kind of agreements among the owners that could give rise to the restriction of the transfer of issued securities and/or the voting rights.

Rules on the appointment and removal of executive officers, and rules on amendment of the Articles of Association:

The Board of Directors has at least 5, and up to 11 members.

When making the decisions, shares embodying multiple voting rights shall represent one share. The members of the Board of Directors are elected by the General Meeting based on its decision uniformly either for an indefinite period or for five years; in the latter case the mandate ends with the General Meeting concluding the fifth financial year following the election. The mandate of a member elected during this period expires together with the mandate of the Board of Directors.

The Board of Directors elects a Chairman and, may elect one or more Deputy Chairmen, from among its own members, whose period of office shall be equal to the mandate of the Board of Directors. The Chairman of the Board of Directors is also the Chief Executive Officer (Chairman & CEO) of the Company, unless the Board of Directors decides within its competence that the position of Chairman of the Board of Directors and the Chief Executive Officer of the Company are held by separate persons.

The membership of the Board of Directors ceases to exist by

a. expiry of the mandate,
b. resignation,
c. recall,
d. death,
e. the occurrence of grounds for disqualification as regulated by law.
f. termination of the employment of internal (executive) Board members.

The General Meeting has exclusive authority with respect to the following matters:

- the recall of members of the Board of Directors, the Supervisory Board and Audit Committee, and of the auditor; (qualified majority)
  More than one third of the members of the Board of Directors and the non-executive members of the Supervisory Board may be recalled within a 12-month period only if any shareholder holds more than 33% of the shares issued by the Company, which have been obtained by the shareholder by way of a public purchase offer.
- except in the cases referred by these Articles of Association to the authority of the Board of Directors, the establishment and amendment of the Articles of Association; (qualified majority); the General Meeting decides on proposals concerning the amendment of the Articles of Association – based on a resolution passed by shareholders with a simple majority – either individually or en masse.

The Board of Directors is exclusively authorised to make decisions regarding any change in the Company's name, registered office, permanent establishments and branches, and in the Company's activities – with the exception of its core activity – and, in relation to this, to modify the Articles of Association should it become necessary to do so on the basis of the Civil Code or the Articles of Association.

The Board of Directors is obliged to

- prepare the Company's financial statements in accordance with the Accounting Act, and make a proposal for the use of the profit after taxation;
- prepare a report once a year for the General Meeting, and once every three months for the Supervisory Board, concerning management, the status of the Company's assets and business policy;
- provide for the proper keeping of the Company's business books;
- perform the tasks referred to its authority under the Credit Institutions Act, in particular:
  - ensuring the integrity of the accounting and financial reporting system;
  - elaborating the appropriate strategy and determining risk tolerance levels for each business unit concerned;
  - setting risk assumption limits;
  - providing the necessary resources for the management or risk, the valuation of assets, the use of external credit ratings and the application of internal models.

The following, in particular, come under the exclusive authority of the Board of Directors:

- election of the Chairman & Chief Executive Officer of the Company, and exercising employer's right in respect thereof;
- election of one or more Deputy Chairmen of the Board of Directors;
- determination of the annual plan;
- the analysis and assessment of the implementation of business-policy guidelines, on the basis of the Company's quarterly balance sheet;
- decisions on transactions referred to the authority of the Board of Directors by the Company's organisational and operational regulations;
- decision on launching, suspending, or terminating the performance of certain banking activities within the scope of the licensed activities of the Company;

- designation of the employees entitled to sign on behalf of the Company;
- decision on the increasing of registered capital at the terms set out in the relevant resolution of the General Meeting;
- decision to acquire treasury shares at the terms set out in the relevant resolution of the General Meeting;
- decision on approving internal loans in accordance with the Credit Institutions Act;
- decision on the approval of regulations that fundamentally determine banking operations, or are referred to its authority by the Credit Institutions Act. The following shall qualify as such regulations:
  - the collateral evaluation regulations,
  - the risk-assumption regulations,
  - the customer rating regulations,
  - the counterparty rating regulations,
  - the investment regulations,
  - the regulations on asset classification, impairment and provisioning,
  - the organisational and operational regulations, which contain the regulations on the procedure for assessing requests related to large loans,
  - the regulations on the transfer of signatory rights;
- the decision on approving the Rules of Procedure of the Board of Directors;
- decision on steps to hinder a public takeover procedure;
- decision on the acceptance of a public purchase offer received in respect of treasury shares;
- decision on the commencement of trading in the shares in a regulated market (flotation);
- decision on the cessation of trading in the shares in a given regulated market, provided that the shares are traded in another regulated market (hereinafter: transfer).

The Board of Directors is exclusively authorised to:

- decide, in the cases specified in the Civil Code, on acceptance of the Company's interim balance sheet, subject to the prior approval of the Supervisory Board;
- decide, instead of the General Meeting, to pay an advance on dividends, subject to the preliminary approval of the Supervisory Board;
- make decisions regarding any change in the Company's name, registered office, permanent establishments and branches, and in the Company's activities – with the exception of its core activity – and, in relation to this, to modify the Articles of Association should it become necessary to do so on the basis of the Civil Code or the Articles of Association;
- make decision on mergers (if, according to the provisions of the law on the transformation, merger and demerger of legal entities, the approval of the General Meeting is not required in order for the merger to take place).

The Board of Directors directly exercises employer's rights in respect of the Chairman & CEO. The person affected by a decision may not participate in the decision making. Employer rights in respect of the executive directors of the Company are exercised by the Board of Directors through the Chairman & CEO, with the proviso that the Board of Directors must be notified in advance of the appointment and dismissal of the Deputy CEOs. With regard to issues related to the exercising of employer's rights in respect of employees, the Company is represented by the Chief Executive Officer and by the senior company employees defined in the Organisational and Operational Regulations of the Company, in accordance with the delegation of authority approved by the Board of Directors. If the Chairman of the Board of Directors and the CEO are different persons, the employer rights in respect of the other executive directors of the Company (CEO, deputy CEOs) are exercised by the Board of Directors through the Chairman of Board of Directors, with the proviso that the Board of Directors shall be notified in advance of the appointment and dismissal of the CEO and Deputy CEOs. With regard to issues related to the exercising of employer's rights in respect of employees, the Company is represented by the persons defined in the Organisational and Operational Regulations of the Company, in accordance with the delegation of authority approved by the Board of Directors.

The Board of Directors may delegate, to individual members of the Board of Directors, to executive directors employed by the Company, and to the heads of the individual service departments, any task that does not come under the exclusive authority of the Board of Directors in accordance with these Articles of Association or a General Meeting resolution.

The Company may acquire treasury shares in accordance with the rules of the Civil Code. The prior authorisation of the General Meeting is not required for the acquisition of treasury shares if the acquisition of the shares is necessary in order to prevent a direct threat of severe damage to the Company (this provision is not applicable in the event of a public purchase offer aimed at buying up the Company's shares), as well as if the Company acquires the treasury shares in the context of a judicial procedure aimed at the settlement of a claim to which the Company is entitled, or in the course of a transformation.

The Company has not made agreements in the meaning of points (j) and (k) in paragraph 95/A of Act No. C of 2000 on Accounting.

Ownership structure of OTP Bank Plc.

Description of owner	Total equity					
	1 January 2020			31 December 2020		
	Ownership share	Voting rights[1]	Quantity	Ownership share	Voting rights[1]	Quantity
Domestic institution/company	18.84%	18.86%	52,750,611	20.93%	21.26%	58,605,628
Foreign institution/company	77.01%	77.10%	215,635,699	71.60%	72.73%	200,480,153
Domestic individual	2.98%	2.98%	8,344,202	4.79%	4.87%	13,424,090
Foreign individual	0.13%	0.13%	356,377	0.11%	0.12%	319,346
Employees, senior officers	0.80%	0.80%	2,240,465	0.85%	0.87%	2,393,390
Treasury shares[2]	0.12%	0.00%	323,520	1.55%	0.00%	4,334,140
Government held owner	0.08%	0.08%	219,372	0.08%	0.08%	219,800
International Development Institutions	0.04%	0.04%	122,218	0.04%	0.04%	108,981
Other[3]	0.00%	0.00%	7,546	0.04%	0.04%	114,482
TOTAL	**100.00%**	**100.00%**	**280,000,010**	**100.00%**	**100.00%**	**280,000,010**

[1] Voting rights in the General Meeting of the Issuer for participation in decision-making.
[2] Treasury shares do not include the OTP shares held by ESOP (OTP Bank Employee Stock Ownership Plan Organization). Pursuant to Act V of 2013 on the Civil Code, OTP shares held by the ESOP are not classified as treasury shares, but the ESOP must be consolidated in accordance with IFRS 10 Consolidated Financial Statements standard. On 31 December 2020 ESOP owned 5,097,255 OTP shares.
[3] Non-identified shareholders according to the shareholders' registry.

Number of treasury shares held in the year under review (2020)

	1 January	31 March	30 June	30 September	31 December
OTP Bank	323,520	1,667,632	2,313,939	4,395,242	4,334,140
Subsidiaries	0	0	0	0	0
TOTAL	323,520	1,667,632	2,313,939	4,395,242	4,334,140

Shareholders with over/around 5% stake as at 31 December 2020

Name	Number of shares	Ownership[1]	Voting rights[1,2]
MOL (Hungarian Oil and Gas Company Plc.)	24,000,000	8.57%	8.71%
KAFIJAT Group	19,835,748	7.08%	7.20%
OPUS Securities S.A.	14,496,476	5.18%	5.26%
Groupama Group	14,330,632	5.12%	5.20%

[1] Rounded to two decimals
[2] Voting rights in the General Meeting of the Issuer for participation in decision-making.

Committees[16]

Members of the Board of Directors
Dr. Sándor Csányi – Chairman
Mr. Tamás Erdei – Deputy Chairman
Mr. Mihály Baumstark
Dr. Tibor Bíró
Dr. István Gresa
Mr. Antal Kovács
Dr. Antal Pongrácz
Dr. László Utassy
Dr. József Vörös
Mr. László Wolf

Members of the Supervisory Board
Mr. Tibor Tolnay – Chairman
Dr. Gábor Horváth – Deputy Chairman
Mr. András Michnai
Ms. Klára Bella
Dr. Márton Gellért Vági
Mr. Olivier Péqueux

Members of the Audit Committee
Dr. Gábor Horváth – Chairman
Mr. Tibor Tolnay – Deputy Chairman
Dr. Márton Gellért Vági
Mr. Olivier Péqueux

The résumés of the committee and board members are available in the Corporate Governance Report/Annual Report.

Personal and organizational changes

Concerning the audit of OTP Bank Plc.'s separate and consolidated annual financial statements in accordance with International Financial Reporting Standards for the year 2020, the Board of Directors acting in the competency of the Annual General Meeting is electing Deloitte Auditing and Consulting Ltd. (000083, H-1068 Budapest, Dózsa György út 84/c) as the Bank's auditor from 1 May 2020 until 30 April 2021.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects Mr. Tibor Tolnay as member of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects dr. József Gábor Horváth as member of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects Mr. Olivier Péqueux as member of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects dr. Márton Gellért Vági as member of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects Mrs. Klára Bella as member of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects Mr. András Michnai as member of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

[16] Personal changes can be found in the „Personal and organizational changes" chapter.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects Mr. Tibor Tolnay as member of the Audit Committee of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects dr. József Gábor Horváth as member of the Audit Committee of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects Mr. Olivier Péqueux as member of the Audit Committee of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects dr. Márton Gellért Vági as member of the Audit Committee of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

On 20 July 2020 the labour contract of Dr. Zsolt Barna, Deputy Chief Executive Officer had been terminated by mutual agreement. Along with the termination of the labour contract with OTP Bank Plc, Dr. Zsolt Barna resigned from his positions held in different member companies of OTP Group.

Operation of the executive boards

OTP Bank Plc. has a dual governance structure, in which the Board of Directors is the Company's executive management body in its managerial function, while the Supervisory Board is the management body in its supervisory function of the Company. It controls the supervision of the lawfulness of the Company's operation, its business practices and management, performs oversight tasks and accepts the provisions of the Bank Group's Remuneration Policy. The effective operation of Supervisory Board is supported by the Audit Committee, as a committee, which also monitors the internal audit, the risk management, the reporting systems and the activities of the auditor.

In order to assist the performance of the governance functions the Board of Directors founded and operates, as permanent or other committees, such as the Management Committee, the Remuneration Committee, the Nomination Committee and the Risk Assumption and Risk Management Committee. To ensure effective operation OTP Bank Plc. also has a number of further permanent committees.

OTP Bank Plc. gives an account of the activities of the executive boards and the committees every year in its Corporate Governance Report.

The Board of Directors held 8, the Supervisory Board held 6 meetings, while the Audit Committee held 1 meeting in 2020. In addition, resolutions were passed by the Board of Directors on 155, by the Supervisory Board on 108 and by the Audit Committee on 39 occasions by written vote.

Policy of diversity

OTP Bank Plc. determines and regulates the criteria for the selection of senior executives in line with European Union as well as domestic legal requirements and directives fundamentally determining the operation of credit institutions.
When designating members of the management bodies (Board of Directors, Supervisory Board) as well as appointing members of the Board of Directors and administrative members (Management), OTP Bank Plc. considers the existence of professional preparation, the high-level human and leadership competence, the versatile educational background, the widespread business experience and business reputation of the utmost importance, at the same time, it is also highly committed to taking efficient measures in order to ensure diversity with regard to corporate operation, including the gradual improvement in women's participation rate.
With this in mind, OTP Bank Plc.'s Nomination Committee continuously keeps tracking the European Union and domestic legislation relating to women's quota on its agenda, in that when unambiguously worded expectations are announced, it promptly takes the necessary measures.
It is important to note, however, that, as a public limited company, the selection of the members of the management bodies falls within the exclusive competence of the General Meeting upon which – beyond its capacity to designate enforcing the above aspects to maximum effect – OTP Bank Plc. has no substantive influence.
For the purposes of OTP Bank Plc.'s Articles of Association, a Board of Directors comprising 5-11 members and a Supervisory Board comprising 5-9 members are set up at the Bank. The Board of Directors in its current form operates with 10 members and has no female member, while the Supervisory Board comprises 6 members and has one female member as of 12 April, 2019. The management of OTP Bank Plc. currently comprises 7 members and has no female member.

ENVIRONMENTAL POLICY, ENVIRONMENTAL PROJECTS

Environmental protection principles

OTP Group is committed to the protection of the environment, the combating of climate change and its impacts, and the preservation and low-impact use of natural resources. OTP Bank's environmental activities are regulated in its Environmental Regulation. The Regulation ensures legal compliance and the consideration and integration of environmental criteria into the Bank's business operations in order to minimise the environmental impacts of operating and maintaining the Bank's organisation. It also sets out the rules on implementing the principles of sustainable procurement. OTP Group members operate in full compliance with environmental legislation and received no fines in 2020 either.

In CDP's Climate Change Questionnaire, OTP Group achieved a rating of B-, improving on its performance in the year before.

OTP Bank set up an ESG Steering Committee in 2020 (see the Non-financial statement section about the operations of the committee). The schemes overseen by it focus on the embedding of environmental and climate protection considerations into financial services and on the related disclosures; and as such, among other things, the Committee launched an ESG lending project and created the Green Programme Directorate.

Environmental protection in relation to the provision of banking services

By 2023, OTP Bank aims to become the Central European bank best equipped to provide green financing. The Green Programme Directorate was created to achieve this goal; its main purpose is to take full advantage of the opportunities inherent in green financing, helping OTP Group build as large a green portfolio as possible and exploit the market potential of green financing certification.

Pursuant to our internal regulations, our banking group conducts its lending activities expecting – and always verifying – compliance with the applicable environmental regulations. At the time of the internal approval by the bank of the financing of a project and before first disbursement, the availability of the required permits and authorisations and compliance with the provisions thereof is always verified by one or more external consultants (legal and/or technical experts); the Bank subsequently ensures compliance by obtaining regular declarations from the customer and conducting its own monitoring. The credit agreements stipulate sanctions for any breaches of commitments made or requirements imposed. The long-term sustainability of environmental impacts is taken into consideration as a subjective factor in the credit ratings of large corporate clients.

With regards to project financing, our group gives high priority to financing projects aimed at the utilisation of renewable energy sources. In 2020, our lending policy was to increase the support for lending to this sector even further; we also reviewed our lending guidelines applicable to the solar energy sector. In 2020, we lent HUF 9.2 billion to the renewables sector, financing a total of 30 MW in solar power capacities. In terms of project financing, we also give special attention and preference to office building projects with sustainability / environmental certification.

As far as sectors with environmental benefits are concerned, our corporate lending policy is expressly supportive of the financing of agriculture and solar power. Starting from 2020, we reclassified the paper, paper products and packaging material industry as a category requiring increased caution. The creation of a new agricultural limit framework based on quantity indicators has the potential for accelerating lending from 2021, especially in the case of smaller farms.

OTP Bank leads a consortium offering products of the Hungarian Development Bank (MFB), including both EU-refinanced and those of MFB's own origination, at the MFB Points set up in our branches. Environmental protection has been assigned priority in our available loan products since 2017. Households and businesses can access preferential terms under these products to implement energy projects (improving energy efficiency and increasing the reliance on renewables). In 2020, loans of a total of HUF 16.0 billion were disbursed; of this, 98.6% was retail lending, since the corporate credit facility had been depleted. In the period between 2017 and 2020, the total of disbursed loan contracts amounted to HUF 43.4 billion, representing 28.4% of all loans granted via MFB Points.

OTP Jelzálogbank was the first credit institution in Hungary to join the Energy Efficient Mortgages Initiative (EEMI) pilot. The aim of the programme is to allow participants to jointly develop best practices in green lending and to support the overhaul and energy modernisation of the housing stock.

In 2020, our subsidiaries in Croatia, Moldova, Albania and Slovakia offered preferential loans incentivising energy efficiency and the use of renewables.

The objective of the OTP Climate Change 130/30 Fund of OTP Fund Management is to provide an opportunity to invest in the shares of developed and developing market companies that may be the beneficiaries of the directives, the legislation and the changes in economic policy aimed at reducing climate change impacts. As of the end of 2020, the Fund had HUF 31.3 billion net asset value, nearly four times higher than in the year before.

Our efforts to reduce the direct environmental impact of OTP Group's operations are centred around improving its energy efficiency and reducing its paper usage. The environmental risks associated with our operations are analysed and managed within our operational risk management process. Potential risks are identified in the course of the annual process-based self-assessment, and the assessment of climate change risks is also included in the scenario analysis of risks with low probability but high impact.

Energy consumption and business travel

OTP Group uses state-of-the-art technology in new construction and renovation projects; we also expand our use of LED lighting technology on an ongoing basis. As part of the renovation process, we are replacing air conditioning units, always ensuring that the new units use environmentally-friendly coolants. In 2020, OTP Bank identified the branches with the highest relative energy consumption; all immediate remedial actions were completed at these locations. The refurbishment of 16 branches at the parent bank also yielded energy savings. At the subsidiaries, branch refurbishment projects also included energy efficiency measures; our Montenegrin subsidiary continued installing LED lighting and motion detectors at its head office building.

We are intensifying our reliance on renewable energy based on cost-efficiency criteria. Whenever a branch of the parent bank is renovated, we always examine the possibility of installing solar panels and heat pumps. We installed solar panels at three branches in 2020. Our systems generated a total of 1,250 GJ energy from solar power. Our central archives facility has been using geothermal energy for several years (the facility used to be owned by Monicomp Zrt, which merged into the parent bank during the year). The solar panels of our subsidiaries in Croatia and in Serbia generated a total of 383 GJ of solar power.

Energy use across the Banking Group was greatly impacted by the pandemic. As regards ventilation and fresh air in our buildings, air recirculation was suspended and ventilation was intensified instead; this increased our energy usage. Although the high rate of staff working from home reduced our electricity consumption, heating and cooling consumption was only marginally lower because our employees continued to work on site at all our organisations, albeit in smaller numbers.

The number of business trips and the size of the vehicle fleet are determined by the needs of the business. Our Group's vehicle policy sets carbon limits; also, there are environmentally-friendly vehicles among the cars available to choose from in all the vehicle categories. Our Montenegrin subsidiary installed an electric car charging station in front of its head office building during the year. Group-level total mileage decreased, mainly because of the Covid-19 pandemic. The total distance covered by all OTP Bank vehicles fell by 5% even though the fleets of two subsidiaries with high vehicle use rates (Monicomp, OTP Faktoring) were transferred to the parent bank.

Video conferencing helps cut down on the amount of business travel and is a solution that we are using ever more extensively year after year. The number of video conferencing rooms rose again in 2020, and the rooms were increasingly busy. Our existing bicycle storage facilities continued to be available to both customers and employees in 2020. In addition, 48 new storage spaces were created at OTP Bank's head office buildings; our Serbian and Montenegrin subsidiaries provided new storage at their head offices; our Bulgarian subsidiary provided storage at three locations for employees and customers alike; and the Ukrainian subsidiary installed storage in three locations.

Energy consumption figures are presented in respect of OTP Bank. The bank's overall energy consumption decreased by 3% compared to the previous year. However, due to our workforce expansion, this represents an 8% reduction in per-capita energy consumption.

Volume of energy consumption, OTP Bank	2020	2019
Total energy consumption (GJ)	242,390	250,610
Per-capita energy consumption (GJ)	25,76	28.14

Energy consumption data are derived from readings; the measured consumption volumes are converted to energy using local average calorific values. (Excluding Monicomp Zrt Consumption data.)

The projection basis for the per-capital figure is the average statistical headcount in 2019 and the average full-time employee count (FTE) in 2020.

2019 figures were slightly revised.

Efforts to reduce paper use

OTP Group has been making a consistent effort to reduce paper use and printing. OTP Bank reduced its office paper usage by approximately 30%; the pandemic and increased rates of working from home played a significant role in this development. Nevertheless, our percentage of recycled paper relative to total office paper usage increased to 20% and we plan to increase that figure even further in the future. Since 2020, OTP Bank has been using FSC-certified paper for its account statements and marketing publications, and we use only ECO Label personal hygiene products. Due to the merger of Monicomp the paper usage at OTP Bank increased significantly. Our Serbian subsidiary also uses FSC-certified paper, whereas our Slovenian subsidiary uses paper with PEFC certification. Further factors leading to lower paper usage included the introduction of lower-weight office paper at our Bulgarian subsidiary, and the transitioning to electronic signatures at our Moldovan subsidiary.

Paper usage quantities, OTP Bank	2020	2019
Total amount of paper used (t) (office, packaging, indirect)	1,137	764
Per capita paper use (kg)[1]	121	86

[1] For 2019 the average statistical headcount was used in the numerator, whereas for 2020 it was the average full-time employee (FTE) count.

Sustainable use and waste management

We follow a principle of using all our equipment, devices and machines for the longest time reasonably possible. We explicitly aim to use furniture until the end of its lifecycle, reusing it multiple times and ensuring the compatibility of replacements. OTP Bank, DSK Bank, OTP Bank Romania and OTP banka Srbija all follow the practice of making charitable donations of any furniture no longer used but in good condition, alongside functioning IT equipment (mostly computers and laptops) to institutions and organisations in need.

In order to cut the use of plastics in its archiving practices, our parent bank replaced ethylene bags and plastic wallets with paper products and introduced filtered water fountains. In 2020, we expanded the use of stamps made of recycled plastic. A number of our subsidiaries drew up schemes to reduce the use of plastics; implementation is expected in 2021.

Our subsidiaries in Serbia, Montenegro and Moldova use toner refills to reduce toner and ink cartridge waste.

Waste collection remained unchanged in most respects in 2020. All members of OTP Group collect and manage hazardous waste and paper containing business secrets selectively, in compliance with the relevant laws and regulations. The selective collection of non-confidential paper waste, PET bottles and – in a number of locations – glass is available in the head office buildings of OTP Bank. Our Ukrainian subsidiary operates selective paper collection at its head office building. Our Serbian subsidiary collects paper waste selectively in its branches and head office buildings. Our Albanian subsidiary collects paper waste selectively. Our Romanian subsidiary collects all paper, metal, glass and plastic selectively. Our Slovenian subsidiary also collects communal waste selectively (including biodegradable food waste). Our Croatian subsidiary has collected paper and plastic waste selectively for years, whereas the Slovakian subsidiary does so at the locations where this is facilitated by the municipality. DSK Bank operates selective waste collection at its sites in Sofia and Varna and expanded the selective collection of paper waste during the year. Our Montenegrin subsidiary introduced selective paper waste collection at its head office and its archives facility.

Attitude shaping

Most members of our Banking Group have a tradition of raising awareness and taking joint action to protect environmental and natural resources. The programmes implemented with the help of our employees are increasingly wide-ranging, covering almost all aspects of nature conservation and environmental protection:

- In 2020, OTP Bank continued to support the Hungarian Hikers' Association's efforts to popularise hiking.
- DSK Bank introduced its "Green Week" campaign. Water was the central theme of the first campaign week, when interesting information and water conservation advice was shared, and our employees submitted more than 30 recommendations on how the Bank could help reduce water consumption. A photo competition was announced and over 200 submissions were received. The subject of the second campaign week was waste; this involved, among other things, our continued participation in the nationwide PET bottle cap collection scheme (the caps are used for producing wheelchairs).
- Our Croatian subsidiary sponsored the Adriatic Sea clean-up programme of the scuba diving club in Split.
- Our Serbian subsidiary highlighted the importance of the responsible use of resources in the context of the pandemic. Our employees also planted trees.

- At our Russian subsidiary, environmental awareness messages were displayed on computer screens and in the offices.
- The employees of our Ukrainian subsidiary planted trees at several locations in 2020.
- Volunteers from our Romanian subsidiary participated in the “Let’s Do It, Romania!” cleanup day.
- Our Slovenian subsidiary keeps bees outside its head office building as part of the Nature in the City scheme, contributing to the preservation of a Slovenian species of bee.
- Our Montenegrin subsidiary used posters and newsletters as regular environmental awareness reminders for its employees. In 2020, the bank once again participated in nationwide afforestation and environmental protection campaigns.

NON-FINANCIAL STATEMENT – OTP BANK PLC. (SEPARATE)

The social, environmental and wider economic performance and impacts of OTP Group are also reported in its dedicated Sustainability Report. The Sustainability Report for 2020 is a group-level report that meets the GRI (Global Reporting Initiative) Standard, and is certified by an independent third party. It is available as a digital version on OTP Bank's website. The information in this chapter is provided in order to comply with the Accounting Act, while also aiming to keep the duplication of information to a minimum. Information concerning environmental protection and climate change is provided mainly in the chapter on Environmental Policy and Environmental Protection Measures.

OTP Bank set up an ESG Steering Committee in 2020. The Committee is the governing body of ESG programmes and serves as a decision-making forum. It determines the objectives for these programmes, prioritises projects and allocates resources. The implementation of ESG programmes is supported by the Operational Committee, the Programme Management Team, the ESG team of experts and the Group Management Body.

OTP Bank is committed to ethical business conduct in all respects; our principles are set out in our Code of Ethics, which is binding for all our employees and agents. Our financial services and our operations have significant social and environmental impacts; our objective is to manage risks responsibly while taking advantage of opportunities and delivering positive outcomes.

Providing responsible financial services and managing credit risk

Transparent and prudent operations are the cornerstone of all our activities, and maintaining the stability of the Banking Group remains a high priority. Our Compliance Policy formulates our principles and guidelines for the fair treatment of customers, as well as our compliance with consumer protection requirements. We follow the principles of ethical product design when designing our products, and our New Product Policy requires – among other things – that we investigate any potential risks affecting consumers.

We fulfil our role as financial intermediary in a way that guarantees the security of our customers' savings throughout the entire process. Our rules ensure that we comply with the responsible lending standards concerning the prevention of excessive debt, the provision of fair, clear, comprehensive and easily visible information, and the recommendation of appropriate products.

We invest and lend the money deposited with us, ensuring that it will not serve illegal purposes, or those contrary to the values of society. OTP Bank will not finance

- customers whose financing is forbidden in international accords, EU acts or national laws;
- those whose activity is likely to violate public morals or social value systems, or is connected to crime;
- those who are connected, directly or indirectly, to criminal activities or to the deliberate violation or evasion of legal regulations;
- transactions classified as prohibited business sectors (e.g. the illegal arms trade, prohibited gambling, drug trade, or any other illegal activity);
- transactions that fail to meet environmental standards.

We ensure adherence to our principles, and maintain this balance through:

- our strict Risk Management Policy,
- our annually revised Lending Policy,
- our continuously developed credit approval system.

Our Lending Policy clearly defines the industries, business lines and activities where we pursue active business operations, as well as the areas where we do not wish to assume risks.

We offer our customers banking options to suit their individual needs, and provide our services with the highest standard of quality, while continuing to improve and innovate. While recommending and encouraging the use of online channels, we also kept most of our branches open during the pandemic, albeit with shorter hours. We took numerous protective measures to improve safety.

Our objective is to provide equal access for persons living with disability, through services adapted to their special needs, in line with the Accessibility Strategy of OTP Bank. Accessibility is integrated into our website, which supports one-handed use and provides accessibility options including text-to-speech software and video content transcripts. Physical accessibility was provided in all our branches but one[17] in 2020 as well. Tactile guide strips are available in 41% of our branches. Our customers can request special-needs services at the

[17] There is a single branch where accessibility cannot be implemented, due to the specific characteristics of its building and environment.

queue management machine, with physical push buttons and tactile strips also assisting them in using the device. KONTAKT Interpreter Services are available at 166 branches; this is a service allowing a sign language interpreter to assist with administration tasks through live video chat. Induction loop amplifier systems are also available (in 109 branches), while 25 of our high-traffic branches have employees who can serve customers using sign language. We have made text-to-speech software available on 765 of our ATMs.

OTP Bank's stated objective is to serve its customers without fault. In order to improve the satisfaction of our customers, we are also improving our complaint management practices on an ongoing basis. Our Complaint Management Policy, Complaint Management Regulation and a Glossary are available to view in our branches as well as on our website.

Complaints in 2020 tended to concern the major changes introduced last year, such as the statement of charges, sent to customers early in the year as per the Payment Accounts Directive; instant payments, once they had been introduced; and numerous customer queries and complaints regarding the payment holiday granted in the coronavirus pandemic. The number of complaints regarding card purchases was also high; some of those complaints were attributable to online fraud. Where errors or gaps were identified by the investigation into complaints, the responsible departments carried out the necessary improvements and developments.

Customer complaint data, OTP Bank*	2020	2019
Number of warranted complaints	202,040	125,242
Ratio of warranted complaints	67%	66%
Compensation paid (HUF million)	419	144

** Also includes OTP Lakástakarék and OTP Jelzálogbank data.*

We use TRI*M methodology to measure the satisfaction of our retail customers. OTP Bank's client retention power stood at 66 points in 2020, falling short of the level in the preceding six-month period. In order to understand this result, consideration must be given to the change in methodology (personal inquiry being replaced by sampling online and by telephone) and the impact of the pandemic, which also reduced the average value of the market as a whole. The average satisfaction score of banks in Central Europe was 71.

Security and data protection

Security is a top concern for us. The principles and main guidelines concerning security at the bank are set forth in the Security Policy, which is approved by the Board of Directors. The Policy covers all aspects of security, including IT and cyber security, which have become increasingly important. The processing and protection of personal data is covered by the Compliance Policy, which is also approved by the Board of Directors. Both Policies prescribe the regular evaluation of risks, and the need for maintaining and enhancing awareness. The Deputy CEO responsible for the IT Division and the data protection officer (reporting directly to the top management of the data controller or the data processor and not accepting instructions from anyone regarding the discharging of duties) are responsible for data processing at the bank and the protection of customers' personal data.

Our 24/7 Security Operations Center (SOC) was put into operation in 2020 and provides continuous monitoring, detection and thus prompt alerts of IT security events. In 2020, we received hundreds of reports of phishing. Whenever an actual phishing event occurred, we had the phishing website blocked; where the incident was of greater magnitude, we informed our customers and employees as well. The Bank issued regular press releases on this subject. We took action several times against fraudulent websites and malware (a virus or link sent by email).

We prioritise raising awareness among our employees and customers. A full review and revision of the security awareness training materials for employees was completed in 2020. As a result of the pandemic, the heightened security of working from home was a priority during the year. We improved our employees' security awareness through in-house practices. Our awareness-raising programmes linked to the European Cybersecurity Month focused on the preparations for tackling phishing attempts. In addition, we compiled training materials for customers on how to avoid phishing and how to use smartphones safely.

No bank card information was leaked from OTP Bank's systems; data were only revealed by our customers in response to phishing. The continued low rate of bank card fraud demonstrates the effective operation of our systems. OTP Bank's percentage of fraud cases involving Bank-issued cards relative to turnover was significantly lower (0.0058%) than the European average published by MasterCard (0.0378%). We prevented losses from fraud in the amount of HUF 2.1 billion.

Suspected money laundering was reported 262 times during the year. Expected loss from financial fraud amounted to HUF 680 million, while losses prevented to HUF 138 billion; expected loss relating to branches, ATM equipment and facilities and equipment to HUF 6 million, with prevented losses amounting to HUF 65 million.

Fight against corruption and against the practice of bribery

The Code of Ethics and the Anti-Corruption Policy of OTP Bank contains provisions on the fight against corruption and against the practice of bribery, also on the acceptance of individual differences and the denial of discrimination (https://www.otpbank.hu/portal/en/EthicalDeclaration, https://www.otpbank.hu/static/portal/sw/file/OTP_EtikaiKodex_EN.pdf, https://www.otpbank.hu/static/portal/sw/file/OTP_Korrupcioellenes_Politika_202007.pdf). As it can be read in the foreword of the Code and the Anti-Corruption Policy as well, the Bank and its management have adopted the principle of zero tolerance towards corruption and bribery, taking a definite stance against all forms of corruption and giving full support to the fight against corruption. In addition, the Code states that "As an ethical and compliant institution, the Bank and its management are fully committed to ensuring observance of all relevant legislation, including anti-corruption statutes."

The Bank has set up an ethics reporting system (whistleblowing), which is for the reporting and the handling of the reports on suspected or actual violation of the values set forth in the Code of Ethics, where anonymous reporting of ethics issues is also possible. The Bank conducts inquiries for the purpose of detecting, preventing anomalies in connection with reports made or anomalies it became aware of otherwise.

Through the Bank's ethics reporting system a total of 23 reports were received in 2020, 5 of them was reclassified as complaints and 3 case's investigation resulted in declaring ethics offense – though not due to corruption, bribery or discrimination.

The Bank has created and maintains its Code of Ethics to keep reputational risk and financial losses, which may incur in relation to corruption, bribery and discrimination, on a minimum level. Both employees and newcomers receive education on the Code of Ethics, and in addition, the acceptance to be bound by it is a prerequisite for their employment.

Any requests from third parties affecting human rights are treated by the Bank as a priority.

We manage the risks regarding the fight against corruption and bribery within the framework of our operational risk management process. Our quarterly compliance reports cover the changes in risks as well as the steps necessary steps to manage them. The reports are presented to the Management Committee and the Board of Directors; the annual report is also submitted to the Supervisory Board.

Citizenship

As one of the most generous charitable donors in Hungary, OTP Bank gave a total of HUF 3.7 billion in charitable donations. Playing an active role in managing the hardship generated by the coronavirus pandemic was a priority for us in 2020. Our Bank gave HUF 1.7 billion in donations to healthcare institutions, financing the acquisition of medical devices at several hospitals, including some operating in disadvantaged areas of the country; we also handed out 20 ventilators as donations in kind.

We aim to provide genuine and effective help by supporting programmes and causes that serve the interests of society. We cooperate with a number of local non-governmental organisations, concentrating our donated funds and monitoring their usage and the results achieved. Besides our support to the healthcare sector, our efforts were focused on the following areas:

- developing financial literacy, attitude-shaping;
- sponsoring culture and the arts: creating and preserving values;
- equal opportunities: helping the disadvantaged and those in need;
- sports.

During the pandemic, only a limited set of our voluntary programmes remained possible; in 2020 1,400 employees spent 5,500 hours doing voluntary work.

The Humanitas Social Foundation supports vulnerable communities and individuals with a focus on healthcare and education; donation recipients are selected through an application process. Its most important activity in 2020 involved priority support to hospitals.

The OTP Fáy András Foundation provides financial and economic education services, a key element of which is operating the OK Educational and Innovation Centre. The activities of the Foundation in 2020 were determined mostly by the coronavirus pandemic and the refurbishment of the educational centre in Budapest, which had been started in 2019. 2,212 persons attended classroom training, instead of which emphasis shifted to digital education programmes. The Fáy digital educational programme was created for students in Years 5 to 12 and comprises live presentations, online videos, e-learning materials and a games app. The learning materials produced during the year were used by 2,000 students by the end of the year, while the games app (Platypus: A Finlit Story) had over 30 thousand downloads. The app is available without any limitations and free of charge even outside the school context. Four age-specific outdoor training programmes, each two hours long, were developed to meet the needs of schools. During the year, the Centre also ran a regional educational programme as well as summer camps, and also developed adult educational materials. In order to shape social attitudes and raise awareness, three short films were broadcast 800 times on national commercial channels; these films touched on the subjects of self-provision, digital banking solutions and consumer empowerment. The refurbishment of the OK Educational and Innovation Centre was completed, ensuring that the Foundation can deliver its educational programmes with even greater capacities and relying on an even more modern infrastructure.

Our aim with the short film Keep it in the Family! was also to improve financial literacy and shape attitudes; in this film, two sets of parents and children spoke about money and their relationship with it. The video is available online and has been viewed more than 400,000 times. We also joined the “Life without Leftoversl!” campaign of the Hungarian Food Bank Association, which encourages reducing food waste.

Responsible employment

Our employees play a key role in OTP Bank’s success. The pandemic has forced us to adopt unprecedented measures to protect the safety of our employees. We created the conditions for work from home for thousands of our employees within a short timeframe, and introduced emergency measures relating to working on site in our offices. We also helped our employees recharge their emotional, mental and physical batteries in these difficult working conditions.

OTP Bank’s employees (31 December)	2020			2019		
	Total	Men	Women	Total	Men	Women
Employees, total (individuals)	9,826	3,402	6,424	9,318	2,975	6,343
Distribution by gender	100%	34.6%	65.4%	100%	31.9%	68.1%
Turnover rate[1]	10.5%	9.3%	11.2%	13.0%	13.2%	12.8%

[1] *Compared to the end-of-year headcount; includes termination of employment both by employee and by employer, as well as retirement.*

The central objective of our human resource strategy is to intensify employee experience and commitment. Development projects furthering the achievement of the goals set in accordance with predefined priorities were implemented in 2020, supporting, among others, a consistent and relevant management development process, talent and succession planning with talent identification and selection and the measurement of competencies along consistent principles, and also the development of performance management, with clear targets and continuous feedback. The growth and development of our employees is a priority for us. All our employees attend professional training courses and competency development, based on their performance assessments.

Ethical conduct and compliance with the law remain core principles in our human resource management as well. OTP Bank analyses and manages the risks pertaining to employment within its operational risk management process. The interests of our employees are represented by their trade union, with a Collective Agreement setting out the rights and obligations of every employee.

In our Code of Ethics, our Bank declares its commitment to providing a safe and healthy working environment and states its expectation of mutual respect between executive officers and employees, including the prohibition of discrimination and harassment. We consistently apply the principle of “equal pay for equal work”, including providing equal pay to men and women for the same position and performance. Within the objective limitations of specific job descriptions, we allow for flexible working hours and part-time employment options. We encourage healthy lifestyle choices, offering a complex health insurance package, and subsidising recreation and sports activities.

We regularly measure employee satisfaction. In 2020, we surveyed head office employees to find out their experience of the pandemic. The employees judged the Bank’s performance as very good, both in terms of how efficiently we were dealing with the situation (96%) and how we communicated (90%). As a pilot, we measured engagement within a certain subset of our staff. The 86% engagement score is high, even in comparison with the international benchmarks.

Short description of the business model of the company

OTP Bank is the market-leading credit institution in Hungary. As for its business model, the Bank offers high-quality financial services to retail, private banking, micro and small business, medium and large corporate, as well as municipality clients through both its branch network and its steadily developing digital channels. The Bank provides comprehensive retail and corporate banking services: its activities include deposit collection from customers and raising money from the money and capital markets. On the asset side, OTP Bank offers mortgage loans, consumer credits, working capital and investment loans to companies, as well as loans to municipalities, whereas its liquidity reserves are invested in money and capital market instruments. Moreover, the Bank provides a wide range of state-of-the-art services, including the areas of wealth management, investment services, payment services, treasury and other services.

In addition, OTP Bank's Hungarian subsidiaries deliver a wide range of further financial services. The Bank owns foreign subsidiaries in many countries of Central and Eastern Europe through capital investments.

Non-financial performance indicators

- Internal audit: 181 closed investigations, 1,127 proposals, 1,126 accepted proposals;
- Compliance with Budapest Stock Exchange (BSE) Recommendations (yes/no ratio): 72 yes, 0 no;
- Compliance: 19 closed consumer protection related investigations, 4,838 reports due to suspicion of money laundering;
- Bank security: expected damages arising from crimes detected: HUF 680 million, prevented damages: HUF 813 million; reported criminal charges on suspicion of money laundering: 471; the ratio of bank card abuses 0.0058% which is better than the European average (European average 0.0378%, world average 0.0679%);
- Ethics issues: 23 ethics reports, establishing ethics offense in 3 cases.

LIST OF NON-AUDIT SERVICES BY SERVICE CATEGORIES USED BY THE BANK

The statutory audit of OTP Bank is carried out by Deloitte Auditing and Consulting Ltd., in addition to which the following services were contracted:

- Issue of Comfort letters;
- Engagements to perform agreed-upon procedures regarding financial information (AUP according to ISRS 4400);
- Assurance engagements other than audits or reviews of historical financial information (ISAE 3000);
- Engagements carried out according to standards on review engagements (ISRE 2400, 2410).

SUPPLEMENTARY DATA

FOOTNOTES TO THE TABLE 'CONSOLIDATED NET PROFIT BREAKDOWN BY SUBSIDIARIES (IFRS)'

General note: regarding OTP Core and other subsidiaries, profit after tax is calculated without received dividends and net cash transfers (and other adjustment items). Dividends and net cash transfers received from non-group member companies are shown on a separate line in one sum in the table, regardless to the particular receiver or payer group member company.

(1) Aggregated adjusted after tax profit of OTP Core and foreign banks.

(2) OTP Core is an economic unit for measuring the result of core business activity of OTP Group in Hungary. Financials of OTP Core are calculated from the partially consolidated IFRS financial statements of certain companies engaged in OTP Group's operation in Hungary. These companies include OTP Bank Hungary Plc., OTP Mortgage Bank Ltd, OTP Building Society Ltd, OTP Factoring Ltd, OTP Financial Point Ltd., and companies providing intragroup financing; OTP Bank Employee Stock Ownership Plan Organization was included from 4Q 2016; OTP Card Factory Ltd., OTP Facility Management Llc., MONICOMP Ltd. and OTP Real Estate Lease Ltd. were included from 1Q 2017 (from 1Q 2019 OTP Real Estate Lease Ltd. was eliminated from OTP Core); OTP Mobile Service Llc. and OTP Ingatlanpont Llc. were included from 1Q 2019; OTP eBIZ Ltd. was included from 1Q 2020. The consolidated accounting results of these companies are segmented into OTP Core and Corporate Centre. Latter is a virtual entity.

(3) The result and balance sheet of OTP Factoring Bulgaria EAD is included. From 1Q 2019 Expressbank AD and its subsidiaries, OTP Leasing EOOD and Express Factoring EOOD (altogether: Express Group) were included into the Bulgarian operation. From 1Q 2019 the statement of recognised income and balance sheet of DSK Leasing AD was included.

(4) From 1Q 2019 the statement of recognised income and balance sheet of OTP Leasing d.d. and SB Leasing d.o.o. was included. In February 2020 the company name of OTP banka Hrvatska dioničko društvo was changed to OTP banka dioničko društvo.

(5) The financial performance of OTP Factoring Serbia d.o.o is included. From 1Q 2019 the statement of recognised income and balance sheet of OTP Lizing d.o.o and OTP Services d.o.o. was included. The balance sheet of the newly acquired OTP banka Srbija was included in 3Q 2019, its P&L from 4Q 2019.

(6) The statement of recognised income and balance sheet of OTP Faktoring SRL was included. From 1Q 2019 the statement of recognised income and balance sheet of OTP Leasing Romania IFN S.A. was included.

(7) Figures are based on the aggregated financial statements of OTP Bank JSC, LLC OTP Leasing Ukraine, and OTP Factoring Ukraine LLC.

(8) The statement of recognised income and balance sheet of LLC MFO "OTP Finance" is included in the Russian performance.

(9) From 3Q 2019 the statement of recognised income and balance sheet of Podgoricka banka was included.

(10) P&L data and related indicators are adjusted for the special banking tax and the Slovakian Deposit Protection Fund contributions being introduced again in 2014, as well as the contribution into the Resolution Fund. Including the financial performance of OTP Faktoring Slovensko s.r.o. The sale of the Slovakian subsidiary was concluded at the end of November 2020.

(11) Until the end of 2019 the after tax profit of Merkantil Bank without dividends, net cash transfer and other adjustment items, since 1Q 2020 the sub-consolidated after tax profit of Merkantil Group (Merkantil Bank Ltd., Merkantil Bérlet Ltd., OTP Real Estate Leasing Ltd., NIMO 2002 Ltd., SPLC-P Ltd., SPLC Ltd.) was presented.

(12) LLC AMC OTP Capital, OTP Asset Management SAI S.A. (Romania), DSK Asset Management EAD (Bulgaria).

(13) OTP Buildings s.r.o. (Slovakia), Velvin Ventures Ltd. (Belize), R.E. Four d.o.o., Novi Sad (Serbia), SC Aloha Buzz SRL, SC Favo Consultanta SRL, SC Tezaur Cont SRL (Romania), Cresco d.o.o. (Croatia), OTP Osiguranje d.d. (Croatia), OTP Solution Fund (Ukraine).

(14) Within OTP Group, the Corporate Centre acts as a virtual entity established by the equity investment of OTP Core for managing the wholesale financing activity for all the subsidiaries within OTP Group but outside OTP Core. Therefore the balance sheet of the Corporate Centre is funded by the equity and intragroup lending received from OTP Core, the intragroup lending received from other subsidiaries, and the subordinated debt and senior notes issued by OTP Bank. From this funding pool, the Corporate Centre is to provide intragroup lending to, and hold equity stakes in OTP subsidiaries outside OTP Core. Main subsidiaries financed by Corporate Centre are as follows: Hungarians: Merkantil Bank Ltd, Merkantil Leasing Ltd, OTP Fund Management Ltd, OTP Real Estate Fund Management Ltd, OTP Life Annuity Ltd; foreigners: banks, leasing companies, factoring companies.

(15) Total Hungarian subsidiaries: sum of the adjusted after tax results of Hungarian group members, Corporate Centre and related eliminations.

(16) Total Foreign subsidiaries: sum of the adjusted after tax profits of foreign subsidiaries.

CALCULATION OF THE ADJUSTED LINES OF IFRS PROFIT AND LOSS STATEMENTS, AS WELL AS THE ADJUSTED BALANCE SHEET LINES PRESENTED IN THE BUSINESS REPORT, AND THE METHODOLOGY FOR CALCULATING THE FX-ADJUSTED VOLUME CHANGES

In order to present Group level trends in a comprehensive way in the Report, the presented consolidated and separate profit and loss statements of this report were adjusted in the following way, and the adjusted P&Ls are shown and analysed in the Report. Consolidated accounting figures together with Separate accounting figures of OTP Bank are still disclosed in the Supplementary Data section.

Adjustments affecting the income statement:

- The after tax effect of adjustment items (certain, typically non-recurring items from banking operations' point of view) are shown separately in the Statement of Recognised Income. The following adjustment items emerged in the period under review and the previous year: received dividends, received and paid cash transfers, the effect of goodwill/investment impairment charges, special tax on financial institutions, the expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia, the impact of fines imposed by the Hungarian Competition Authority, the effect of acquisitions, and the one-off impact of regulatory changes related to FX consumer contracts in Serbia.

  Beside the Slovakian banking levy, the total amount of the special banking tax includes and the Slovakian Deposit Protection Fund contributions being introduced again in 2014, and the contribution into the Resolution Fund in Slovakia, too. Within banking taxes, the special tax booked by the Romanian subsidiary was also included in 4Q 2019.

- Until 4Q 2017 other non-interest income elements stemming from provisioning release in connection with provisions on loans originated before the acquisitions of the subsidiaries have been reclassified to and deducted from the volume of *Provision for impairment on loan and placement losses* line in the income statement. Starting from 1Q 2018 this income from the release of pre-acquisition provisions was presented amongst the *Provision for impairment on loan and placement losses* line both in the accounting and adjusted P&L structure.

- In 4Q 2019 the following items have been moved from the Other operating expenses line among the Net interest income after loss allowance, impairment and provisions line: *Release of loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost*, *Provision for commitments and guarantees given*, *Release of impairment of assets subject to operating lease and of investment properties*. In the adjusted P&L structure these items are presented amongst the *Other provisions (adj.)* line (through the *Structural correction between Provision for loan losses and Other provisions* adjustment line).

- Other non-interest income is shown together with Gains and losses on real estate transactions, Net insurance result, Gains and losses on derivative instruments, and Gains and losses on non-trading securities mandatorily at fair value through profit or loss lines in 2019, but without the above mentioned income from the release of pre-acquisition provisions and without received cash transfers. However other non-interest expenses stemming from non-financial activities are added to the adjusted net other non-interest income line, therefore the latter incorporates the net amount of other non-interest income from non-financial activities.

- OTP Bank's share in the change in the shareholders' equity of companies consolidated with equity method is reclassified from the After tax dividends and net cash transfers line to the Net other non-interest result (adj.) without one-offs line. In the addition to this, OTP Bank has changed the way how private equity funds managed by PortfoLion are recorded. As a result of this, as opposed to the previous method of recording the funds at book value (initial book value less impairments), starting from 3Q 2019 the funds are evaluated based on their net asset value. The change in the carrying value was reclassified to the Net other non-interest result (adj.) without one-offs line in the adjusted P&L structure. Furthermore, received cash transfers within the framework of the subsidy programme targeting the expansion of POS network in Hungary were reclassified from the After tax dividends and net cash transfers line to the Net other non-interest result (adj.) without one-offs line.

- Other provisions are separated from other expenses and shown on a separate line in the adjusted profit or loss statement.

- Other administrative expenses have been adjusted in the following way in order to create a category comprising administrative cost items exclusively. Other costs and expenses and other non-interest expenses were included into the adjusted Other non-interest expenses. At the same time, the following cost items were excluded from adjusted other non-interest expenses: paid cash transfers (except for movie subsidies and cash transfers to public benefit organisations, whereas from 2019 certain part of cash transfers to public benefit organizations was presented amongst net fees and commissions), Other other non-interest expenses stemming from non-financial activities, and special tax on financial institutions.

- Tax deductible transfers (offset against corporate taxes) paid by Hungarian group members were reclassified from Other non-interest expenses to Corporate income tax. As a result, the net P&L effect of these transfers (i.e. the paid transfer less the related corporate tax allowances) is recognised in the corporate income tax line of the adjusted P&L. The amount of tax deductible transfers offset against the special tax on financial institutions is shown on a net base on the special tax on financial institutions line.

- The financial transaction tax paid from the beginning of 2013 in Hungary is reclassified from other (administrative) expenses to net fee and commission income, both on consolidated and OTP Core level.

- OTP Group is hedging the revaluation result of the FX provisions on its FX loans and interest claims by keeping hedging open FX positions. In the accounting statement of recognized income, the revaluation of FX provisions is part of the risk costs (within line “Provision for loan losses”), other provisions and net interest income lines, whereas the revaluation result of the hedging open FX positions is made through other non-interest income (within line “Foreign exchange result, net”). The two items have the same absolute amount but an opposite sign. As an adjustment to the accounting statement of income, these items are eliminated from the adjusted P&L. By modifying only the structure of the income statement, this correction does not have any impact on the bottom line net profits.
- The Compensation Fund (established in Hungary in order to indemnify the victims of Quaestor and Hungarian Securities Ltd.) contributions are recognized on the Other administrative expenses line of the accounting income statement, and are presented on the financial transaction tax and/or Special tax on financial institutions line the in the adjusted P&L structure (due to the tax deductibility).
- In case of OTP Banka Slovensko and OTP Bank Romania the total revaluation result of intra-group swap deals – earlier booked partly within the net interest income, but also on the Foreign exchange gains and Net other non-interest result lines within total Other non-interest income – is presented on a net base on the net interest income line.
- Due to the introduction of IFRS16 from 2019, certain items previously presented on the Other non-interest expenses line (rental fees) were moved to the interest expenses and depreciation lines in the accounting income statement. These items were shifted back to the Other non-interest expenses line in the adjusted P&L structure.
- Staring from 2020 the currency exchange result was shifted in the accounting P&L structure from the FX result to the net fees and commissions line, retroactively for the 2019 base period as well. In the adjusted P&L structure this
- Performance indicators (such as cost/income ratio, net interest margin, risk cost to average gross loans as well as ROA and ROE ratios, etc.) presented in this report are calculated on the basis of the adjusted profit and loss statement excluding adjustment items (unless otherwise indicated).
- Within the report, FX-adjusted statistics for business volume developments and their product breakdown, as well as the FX-adjusted stock of allowances for loan losses are disclosed, too. For FX adjustment, the closing cross currency rates for the current period were used to calculate the HUF equivalent of loan and deposit volumes in the base periods. Thus the FX-adjusted volumes will be different from those published earlier. Regarding the FX-adjusted volume change of DPD90+ loans (adjusted for sales and write-offs), instead of the previously applied 3Q 2009 FX rates, from 4Q 2020 onwards the actual end of period FX rates are used for calculating the FX-adjusted figures.

Adjustments affecting the balance sheet:

- On 17 February 2020 OTP Bank announced the signing of the sale agreement of its Slovakian subsidiary. According to IFRS 5 the Slovakian bank was presented as a discontinued operation in the consolidated income statement and balance sheet. With regards to the consolidated accounting balance sheet, all assets and liabilities of the Slovakian bank was shown on one-one line of the 2019 and 9M 2020 balance sheet (there was no change in the 2018 closing balance sheet structure, whereas by the end of 4Q 2020 the Slovakian entity was deconsolidated). As for the consolidated accounting income statement, the Slovakian contribution for 2018, 2019 and 2020 (in 2020 the January-October contribution was consolidated) was shown separately from the result of continued operation, on the Loss from discontinued operation line, i.e. the particular P&L lines in the ‘continuing operations’ section of the accounting P&L don’t incorporate the contribution from the Slovakian subsidiary. As opposed to this, the adjusted financial statements presented in the Stock Exchange Report incorporated the Slovakian banks’ balance sheet and P&L contribution in the relevant respective lines, in line with the structure of the financial statements monitored by the management.
- At the end of 2020, OTP Osiguranje d.d. was presented as asset classified as held for sale in the accounting financial statements. Accordingly, its assets and liabilities were shown on a separate line in the consolidated balance sheet. Regarding the 2020 accounting statement of recognized income, the entity’s annual result was presented on the *Gains from held for trading operations* line, therefore the particular P&L lines in the ‘continuing operations’ section of the accounting P&L don’t incorporate the contribution from this entity. As opposed to this, the adjusted financial statements presented in the Stock Exchange Report incorporated the company’s balance sheet and P&L contribution in the relevant respective lines, in line with the structure of the financial statements monitored by the management.
- Finance lease receivables – earlier presented within customer loans – are shown on a separate line in the accounting balance sheet from 2019. As for the adjusted balance sheet, net customer loans continue to include the stock of finance lease receivables.
- In the adjusted balance sheets presented in the analytical section of the report, the total amount of accrued interest receivables related to Stage 3 loans under IFRS 9 were netted with the provisions created in relation to the total exposure toward those particular clients, in case of the affected Group members. Therefore, this adjustment made on the accounting balance sheet has an impact on the consolidated gross customer loans and allowances for loan losses.

ADJUSTMENTS ON THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (IFRS)

	2020 HUF million	2019 HUF million
Net interest income	**782,671**	**699,041**
(-) Revaluation result of FX provisions	(57)	30
(+) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian and Slovakian operations	337	76
(-) Netting of interest revenues on DPD90+ loans with the related provision (booked on the Provision for loan losses line) at OTP Core and CKB	5,951	3,135
(-) Effect of acquisitions	(600)	1,583
(-) Initial NPV gain on the monetary policy interest rate swap (MIRS) deals	0	0
(-) Reclassification due to the introduction of IFRS16	(1,623)	(1,652)
(-) Netting of the interest subsidy repaid by OTP Mortgage Bank to the State by the already created other provision for that purpose (and other related items) in 3Q 2019	0	(1,535)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	8,755	10,733
(-) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	15	
(-) Adjustment in 2019 due to the reclassification of amounts related to mandatorily measured at fair value through profit or loss		1,992
Net interest income (adj.)	**788,079**	**706,298**
Net fees and commissions	**397,633**	**374,180**
(+) Financial Transaction Tax	(61,588)	(61,920)
(-) Effect of acquisitions	(145)	(42)
(+) Shifting of certain cash transfers to public benefit organisations to the Net fees and commissions line	0	0
(-) Netting of the interest subsidy repaid by OTP Mortgage Bank to the State by the already created other provision for that purpose (and other related items) in 3Q 2019	0	(30)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	3,210	3,906
(-) Structural shift of income from currency exchange from net fees to the FX result	46,290	33,736
Net fees and commissions (adj.)	**293,112**	**282,504**
Foreign exchange result	**7,864**	**5,734**
(-) Revaluation result of FX positions hedging the revaluation of FX provisions	11,195	(5,166)
(-) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian and Slovakian operations	(1,964)	(477)
(-) Effect of acquisitions	0	1
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	3	66
(+) Structural shift of income from currency exchange from net fees to the FX result	46,290	33,736
Foreign exchange result (adj.)	**44,927**	**45,177**
Gain/loss on securities, net	**16,106**	**11,611**
(-) Shifting of Non-trading securities mandatorily at fair value through profit or loss line to Net other non-interest income from 1Q 2019 until 4Q 2019	-	1,914
(-) Effect of acquisitions	(98)	
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	349	
Gain/loss on securities, net (adj.) with one-offs	**16,553**	**9,697**
(-) Revaluation result of the treasury share swap agreement (booked as Gain on securities, net (adj) at OTP Core)	2,360	(2,675)
Gain/loss on securities, net (adj.) without one-offs	**14,193**	**12,373**
Result of discontinued operation and gains from disposal of subsidiaries classified as held for sale	**5,590**	**(4,668)**
(-) Effect of acquisitions	7,496	(6,037)
Result of discontinued operation and gains from disposal of subsidiaries classified as held for sale (adj.)	**(1,907)**	**1,369**
Gains and losses on real estate transactions	**3,631**	**8,231**
Result of discontinued operation and gains from disposal of subsidiaries classified as held for sale (adj.)	**(1,907)**	**1,369**
(+) Other non-interest income	**29,109**	**102,015**
(+) Gains and losses on derivative instruments	**11,339**	**1,048**
(+) Net insurance result	**721**	**849**
(+) Losses on loans measured mandatorily at fair value through other comprehensive income and on securities at amortized cost	**(2,396)**	**(849)**
(-) Received cash transfers	65	174
(+) Other other non-interest expenses	(5,800)	(6,778)
(+) Change in shareholders' equity of companies consolidated with equity method, and the change in the net asset value of the private equity funds managed by PortfoLion	128	1,862
(-) Investment impairment in relation to the sale of Express Life Bulgaria (presented on the *Goodwill/investment impairment charges* adjustment line on consolidated level)	0	(163)
(-) Effect of acquisitions	7,264	79,538
(-) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian and Slovakian operations	2,301	553
(-) One-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	(226)	(277)
(-) Impact of fines imposed by the Hungarian Competition Authority	823	0
(-) Netting of refunds related to legal cases (accounted for on the Net other non-interest result line) with the release of provisions created earlier for these cases (accounted for on the Other provisions line) from 1Q 2017 at OTP Bank Romania	(216)	(483)
(+) Shifting of Non-trading securities mandatorily at fair value through profit or loss line to Net other non-interest income from 1Q 2019 until 4Q 2019	-	1,914
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	3,149	(1,072)
(-) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	(1,646)	
(+) Adjustment in 2019 due to the reclassification of amounts related to mandatorily measured at fair value through profit or loss		2,131
Net other non-interest result (adj.) with one-offs	**29,610**	**31,376**
(-) Gain on the repurchase of own Upper and Lower Tier2 Capital (booked as Net other non-interest result (adj) at OTP Core and at the Corporate Centre)	0	0
Net other non-interest result (adj.) without one-offs	**29,610**	**31,376**

	2020 HUF million	2019 HUF million
Provision for impairment on loan and placement losses	**(200,315)**	**(44,605)**
(+) Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	**(3,262)**	**(4,376)**
(+) Loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost	**(7,309)**	**9**
(+) Provision for commitments and guarantees given	**(8,662)**	**(7,995)**
(+) Impairment of assets subject to operating lease and of investment properties	**877**	**280**
(+) Non-interest income from the release of pre-acquisition provisions	-	-
(-) Revaluation result of FX provisions	(10,997)	5,176
(-) One-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	459	263
(+) Netting of interest revenues on DPD90+ loans with the related provision (booked on the Provision for loan losses line) at OTP Core and CKB	5,951	3,135
(-) Effect of acquisitions	(2,149)	(19,868)
(-) One-off impact of regulatory changes related to FX consumer contracts in Serbia	0	(2,127)
(-) Structural correction between Provision for loan losses and Other provisions	(15,094)	(7,705)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	(3,024)	(46)
(-) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	(29,543)	
(-) Adjustment in 2019 due to the reclassification of amounts related to mandatorily measured at fair value through profit or loss	-	139
Provision for impairment on loan and placement losses (adj.)	**(158,421)**	**(29,474)**
Dividend income	**527**	**7,955**
(+) Received cash transfers	65	174
(+) Paid cash transfers	(12,768)	(13,195)
(-) Sponsorships, subsidies and cash transfers to public benefit organisations	(12,508)	(13,139)
(-) Dividend income of swap counterparty shares kept under the treasury share swap agreement	0	5,710
(-) Change in shareholders' equity of companies consolidated with equity method, and the change in the net asset value of the private equity funds managed by PortfoLion	128	1,862
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	8	3
After tax dividends and net cash transfers	**213**	**505**
Depreciation and goodwill impairment charges	**(92,762)**	**(81,935)**
(-) Goodwill impairment charges	0	(4,887)
(-) Effect of acquisitions	(7,415)	(7,881)
(-) Reclassification due to the introduction of IFRS16	(16,447)	(14,280)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	(1,385)	(1,495)
Depreciation (adj.)	**(70,286)**	**(56,383)**
Personnel expenses	**(308,643)**	**(276,755)**
(-) Effect of acquisitions	(2,785)	(3,777)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	(6,638)	(7,024)
Personnel expenses (adj.)	**(312,495)**	**(280,002)**
Income taxes	**(27,376)**	**(49,902)**
(-) Corporate tax impact of goodwill/investment impairment charges	886	(3,378)
(-) Corporate tax impact of the special tax on financial institutions	1,773	1,623
(+) Tax deductible transfers (offset against corporate taxes)	(8,083)	(3,802)
(-) Corporate tax impact of the effect of fines imposed by the Hungarian Competition Authority	(74)	0
(-) Corporate tax impact of the effect of acquisitions	497	(5,713)
(-) Corporate tax impact of the one-off impact of regulatory changes related to FX consumer contracts in Serbia	0	483
(-) Netting of the interest subsidy repaid by OTP Mortgage Bank to the State by the already created other provision for that purpose (and other related items) in 3Q 2019 (corporate tax impact)	0	146
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	(80)	(56)
(-) Corporate tax impact of the expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	2,913	
Corporate income tax (adj.)	**(41,534)**	**(46,921)**
Other operating expense	**(39,447)**	**(44,758)**
(-) Other costs and expenses	(7,506)	(9,172)
(-) Other non-interest expenses	(18,568)	(19,973)
(-) Effect of acquisitions	1,022	(7,575)
(-) Revaluation result of FX provisions	(141)	(40)
(-) One-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	(233)	14
(-) Netting of refunds related to legal cases (accounted for on the Net other non-interest result line) with the release of provisions created earlier for these cases (accounted for on the Other provisions line) from 1Q 2017 at OTP Bank Romania	216	483
(-) Netting of the interest subsidy repaid by OTP Mortgage Bank to the State by the already created other provision for that purpose (and other related items) in 3Q 2019	0	1,420
(+) Structural correction between *Provision for loan losses* and *Other provisions*	(15,094)	(7,705)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	(243)	(12)
(-) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	0	
Other provisions (adj.)	**(29,574)**	**(17,633)**
Other general expenses	**(306,263)**	**(282,528)**
(+) Other costs and expenses	(7,506)	(9,172)
(+) Other non-interest expenses	(18,568)	(19,973)
(-) Paid cash transfers	(12,768)	(13,195)
(+) Film subsidies and cash transfers to public benefit organisations	(12,508)	(13,139)
(-) Shifting of certain cash transfers to public benefit organisations to the Net fees and commissions line	0	0
(-) Other other non-interest expenses	(5,800)	(6,778)
(-) Special tax on financial institutions (recognised as other administrative expenses)	(19,138)	(17,792)
(-) Tax deductible transfers (offset against corporate taxes)	(8,083)	(3,802)
(-) Financial Transaction Tax	(61,588)	(61,920)
(-) Effect of acquisitions	(9,940)	(10,963)
(+) Reclassification due to the introduction of IFRS16	(18,069)	(15,933)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	(4,105)	(5,003)
Other non-interest expenses (adj.)	**(249,702)**	**(231,298)**

ADJUSTMENTS OF CONSOLIDATED IFRS BALANCE SHEET LINES

	2020 HUF million	2019 HUF million
Cash, amounts due from Banks and balances with the National Banks	2,432,312	1,784,378
(+) Allocation of *Assets classified as held for sale* among balance sheet lines	3	57,586
Cash, amounts due from Banks and balances with the National Banks (adjusted)	2,432,314	1,841,963
Placements with other banks, net of allowance for placement losses (including net repo receivables in 2019)	1,148,744	410,078
(+) Allocation of *Assets classified as held for sale* among balance sheet lines	244	354
Placements with other banks, net of allowance for placement losses (adjusted)	1,148,987	410,433
Financial assets at fair value through profit or loss	234,006	251,991
(+) Allocation of Assets classified as held for sale among balance sheet lines	1,188	
Financial assets at fair value through profit or loss (adjusted)	235,194	251,991
Securities at fair value through other comprehensive income	2,136,709	2,426,779
(+) Allocation of Assets classified as held for sale among balance sheet lines	3,410	759
Securities at fair value through other comprehensive income (adjusted)	2,140,118	2,427,537
Gross customer loans (incl. loans at amortized cost and loans mandatorily at fair value through profit or loss) (incl. accrued interest receivables related to loans)	13,326,189	11,603,116
Gross finance lease receivables	1,075,742	982,853
Gross customer loans (incl. finance lease receivables and accrued interest receivables related to loans)	14,401,930	12,585,969
(-) Accrued interest receivables related to DPD90+ / Stage 3 loans	38,650	35,450
(+) Allocation of *Assets classified as held for sale* among balance sheet lines	0	391,490
Gross customer loans (adjusted)	14,363,281	12,942,009
Allowances for loan losses (incl. impairment of finance lease receivables)	(873,344)	(706,907)
(-) Allocated provision on accrued interest receivables related to DPD90+ / Stage 3 loans	(38,650)	(35,450)
(+) Allocation of *Assets classified as held for sale* among balance sheet lines	0	(23,033)
Allowances for loan losses (adjusted)	(834,695)	(694,490)
Securities at amortized costs	2,624,921	1,968,072
(+) Allocation of *Assets classified as held for sale* among balance sheet lines	1,031	27,555
Securities at amortized costs (adjusted)	2,625,952	1,995,627
Tangible and intangible assets, net	589,743	595,128
(+) Allocation of *Assets classified as held for sale* among balance sheet lines	135	10,545
Tangible and intangible assets, net (adjusted)	589,878	605,673
Other assets (including net repo receivables in 2020)	588,378	785,456
(+) Allocation of *Assets classified as held for sale* among balance sheet lines	(6,010)	(465,255)
Other assets (adjusted)	582,368	320,201
Amounts due to banks, the National Governments, deposits from the National Banks and other banks, and Financial liabilities designated at fair value through profit or loss (including repo liabilities in 2019)	1,219,446	844,261
(+) Allocation of Liabilities directly associated with assets classified as held-for-sale among balance sheet lines	0	1,898
Amounts due to banks, the National Governments, deposits from the National Banks and other banks, and Financial liabilities designated at fair value through profit or loss (adjusted)	1,219,446	846,158
Deposits from customers	17,890,863	15,171,308
(+) Allocation of *Liabilities directly associated with assets classified as held-for-sale* among balance sheet lines	0	351,346
Deposits from customers (adjusted)	17,890,863	15,522,654
Other liabilities (including repo liabilities in 2020)	949,502	1,171,805
(+) Allocation of *Liabilities directly associated with assets classified as held-for-sale* among balance sheet lines	0	(353,244)
Other liabilities (adjusted)	949,502	818,561
Subordinated bonds and loans	274,704	249,938
(+) Allocation of Liabilities directly associated with assets classified as held-for-sale among balance sheet lines	0	
Subordinated bonds and loans (adjusted)	274,704	249,938

STATEMENT OF PROFIT OR LOSS OF OTP BANK PLC., ACCORDING TO IFRS STANDARDS AS ADOPTED BY THE EUROPEAN UNION (SEPARATE)[1]

	2020 HUF million	2019 HUF million	Change %
NET INTEREST INCOME	**221,666**	**204,512**	**8**
Interest incomes and similar to interest incomes	**321,296**	**323,896**	**(1)**
Interest expenses total	**(99,630)**	**(119,384)**	**(17)**
Risk cost total	**(66,765)**	**(39,881)**	**67**
Loss allowance on loan, placement and repo receivables losses	(61,310)	(29,056)	111
Loss allowance / (Release of loss allowance) on securities at fair value through other comprehensive income and on securities at amortised cost	(1,848)	401	(561)
Provision for loan commitments and financial guarantees given	(3,202)	(5,794)	(45)
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)	(93)
NET INTEREST INCOME AFTER RISK COST	**154,901**	**164,631**	**(6)**
MODIFICATION LOSS	**(17,358)**	-	
NET PROFIT FROM FEES AND COMMISSIONS	**219,031**	**213,363**	**3**
Income from fees and commissions	**259,781**	**248,954**	**4**
Expenses from fees and commissions	**(40,750)**	**(35,591)**	**14**
NET OPERATING INCOME	**60,632**	**130,358**	**(53)**
Foreign exchange (losses) and gains	(4,518)	3,288	(237)
Gains on securities, net	17,955	8,188	119
from this: gain from derecognition of securities at amortised cost	360	714	(50)
Gains on financial instruments at fair value through profit or loss	(671)	1,260	(153)
Gains on deivative instruments, net	7,057	4,715	50
Dividend income	60,973	78,887	(23)
Other operating income	7,900	7,505	5
Other operating expenses	(28,064)	26,515	(206)
OTHER ADMINISTRATIVE EXPENSES	**(323,960)**	**(305,158)**	**6**
Personnel expenses	(118,498)	(115,035)	3
Depreciation and amortization	(38,948)	(29,925)	30
Other general expenses	(166,514)	(160,198)	4
PROFIT BEFORE INCOME TAX	**93,246**	**203,194**	**(54)**
Income tax	(772)	(9,840)	(92)
NET PROFIT FOR THE YEAR	**92,474**	**193,354**	**(52)**

[1] The rows of the table are based on audited numbers, but the structure of the table can differ from the IFRS financial statements presented in the Annual Report (certain rows might be merged or represent different level of aggregation).

STATEMENT OF FINANCIAL POSITION OF OTP BANK PLC., ACCORDING TO IFRS STANDARDS AS ADOPTED BY THE EUROPEAN UNION (SEPARATE)[1]

	2020 HUF million	2019 HUF million	Change %
Cash, amounts due from banks and balances with the National Bank of Hungary	579,120	289,686	100
Placements with other banks, net of allowance for placement losses	1,535,884	1,560,142	(2)
Repo receivables	183,364	45,539	303
Financial assets at fair value through profit or loss	160,483	172,229	(7)
Financial assets at fair value through other comprehensive income	911,950	1,485,977	(39)
Securities at amortised cost	2,007,692	1,447,224	39
Loans at amortised cost and mandatorily measured at fair value through profit or loss	3,898,697	3,315,069	18
Investments in subsidiaries	1,548,972	1,542,538	0
Property and equipment	77,974	77,754	0
Intangible assets	57,639	53,282	8
Right of use assets	13,479	13,607	(1)
Investments properties	1,936	2,381	(19)
Current tax assets	593	-	
Derivative financial assets designated as hedge accounting relationships	6,817	16,677	(59)
Other assets	169,794	116,699	45
TOTAL ASSETS	**11,154,394**	**10,138,804**	**10**
Amounts due to banks and deposits from the National Bank of Hungary and other banks	766,977	738,054	4
Repo liabilities	109,612	462,621	(76)
Deposits from customers	7,895,735	6,573,550	20
Leasing liabilities	14,106	13,660	3
Liabilities from issued securities	28,435	43,284	(34)
Financial liabilities at fair value through profit or loss	25,902	28,861	(10)
Derivative financial liabilities designated as held for trading	99,987	83,088	20
Derivative financial liabilities designated as hedge accounting relationships	3,104	10,023	(69)
Deferred tax liabilities	3,062	5,875	(48)
Current tax liabilities	-	2,896	
Other liabilities	224,897	243,780	(8)
Subordinated bonds and loans	304,243	279,394	9
TOTAL LIABILITIES	**9,476,060**	**8,485,086**	**12**
Share capital	28,000	28,000	0
Retained earnings and reserves	1,697,133	1,628,354	4
Treasury shares	(46,799)	(2,636)	
TOTAL SHAREHOLDERS' EQUITY	**1,678,334**	**1,653,718**	**1**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**11,154,394**	**10,138,804**	**10**

[1] The rows of the table are based on audited numbers, but the structure of the table can differ from the IFRS financial statements presented in the Annual Report (certain rows might be merged or represent different level of aggregation).

STATEMENT OF PROFIT OR LOSS OF OTP BANK PLC., ACCORDING TO IFRS STANDARDS AS ADOPTED BY THE EUROPEAN UNION (CONSOLIDATED)[1]

	2020 HUF million	2019 HUF million	Change %
CONTINUING OPERATIONS			
Interest income calculated using the effective interest method	841,901	762,639	10
Income similar to interest income	135,986	133,497	2
Interest incomes	977,887	896,136	9
Interest expenses	(195,216)	(197,095)	(1)
NET INTEREST INCOME	**782,671**	**699,041**	**12**
Risk cost total	**(218,670)**	**(56,687)**	**286**
Loss allowance / Release of loss allowance on loans, placements and repo receivables	(200,315)	(44,605)	349
Loss allowance / Release of loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost	(3,262)	(4,376)	(25)
Loss allowance / Release of loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost	(7,309)	9	
Provision for commitments and guarantees given	(8,662)	(7,995)	8
Impairment / (Release of impairment) of assets subject to operating lease and of investment properties	878	280	214
NET INTEREST INCOME AFTER LOSS ALLOWANCE, IMPAIRMENT AND PROVISIONS	**564,001**	**642,354**	**(12)**
Income from fees and commissions	486,529	447,084	9
Expense from fees and commissions	(88,896)	(72,903)	22
Net profit from fees and commissions	**397,633**	**374,181**	**6**
Foreign exchange gains / losses, net	19,204	6,782	183
Foreign exchange result	7,864	5,734	37
Gains and losses on derivative instruments	11,339	1,048	982
Gains / Losses on securities, net	16,106	11,611	39
Gains / Losses on financial assets /liabilities measured at fair value through profit or loss	(2,396)	(849)	182
Dividend income and gain / loss from associated companies	527	7,955	(93)
Other operating income	33,461	111,093	(70)
Gains and losses on real estate transactions	3,631	8,231	(56)
Other non-interest income	29,109	102,015	(71)
Net insurance result	721	849	(15)
Other operating expense	(39,447)	(44,758)	(12)
Net operating income	**27,455**	**91,834**	**(70)**
Personnel expenses	(308,642)	(276,754)	12
Depreciation and amortization	(92,761)	(77,048)	20
Goodwill impairment	0	(4,887)	(100)
Other general expenses	(306,264)	(282,528)	8
Other administrative expenses	**(707,667)**	**(641,217)**	**10**
PROFIT BEFORE INCOME TAX	**281,422**	**467,152**	**(40)**
Income tax expense	(27,376)	(49,902)	(45)
NET PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	**254,046**	**417,250**	**(39)**
From this, attributable to:			
Non-controlling interest	220	341	(35)
Owners of the company	253,826	416,909	(39)
DISCONTINUED OPERATIONS			
Gains from disposal of subsidiaries classified as held for sale	199	0	
Loss from discontinued operation	5,391	(4,668)	(215)
PROFIT FROM CONTINUING AND DISCOUNTINUED OPERATION	**259,636**	**412,582**	**(37)**

[1] The rows of the table are based on audited numbers, but the structure of the table can differ from the IFRS financial statements presented in the Annual Report (certain rows might be merged or represent different level of aggregation).

STATEMENT OF FINANCIAL POSITION OF OTP BANK PLC., ACCORDING TO IFRS STANDARDS AS ADOPTED BY THE EUROPEAN UNION (CONSOLIDATED)[1]

	2020 HUF million	2019 HUF million	Change %
Cash, amounts due from banks and balances with the National Banks	2,432,312	1,784,378	36
Placements with other banks, net of loss allowance for placements	1,148,743	342,922	235
Repo receivables	190,849	67,157	184
Financial assets at fair value through profit or loss	234,007	251,990	(7)
Securities at fair value through other comprehensive income	2,136,709	2,426,779	(12)
Loans at amortized cost and mandatorily at fair value through profit or loss	12,477,447	10,909,799	14
Finance lease receivables	1,051,140	969,263	8
Associates and other investments	52,443	20,822	152
Securities at amortized cost	2,624,920	1,968,072	33
Property and equipment	322,766	320,430	1
Intangible assets and goodwill	239,004	242,219	(1)
Right-of-use assets	46,283	52,950	(13)
Investment properties	38,601	41,560	(7)
Derivative financial assets designated as hedge accounting	6,820	7,463	(9)
Deferred tax assets	22,317	26,543	(16)
Current income tax receivable	38,936	12,769	205
Other assets	266,474	214,580	24
Assets classified as held-for-sale	6,070	462,071	(99)
TOTAL ASSETS	**23,335,841**	**20,121,767**	**16**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	1,185,315	812,911	46
Repo liabilities	117,991	488	
Financial liabilities at fair value through profit or loss	34,131	30,862	11
Deposits from customers	17,890,863	15,171,308	18
Liabilities from issued securities	464,213	393,167	18
Derivative financial liabilities held for trading	104,823	86,743	21
Derivative financial liabilities designated as hedge accounting	11,341	10,709	6
Leasing liabilities	48,451	54,194	(11)
Deferred tax liabilities	25,990	29,195	(11)
Current income tax payable	27,684	35,928	(23)
Other liabilities	607,737	592,540	3
Subordinated bonds and loans	274,704	249,938	10
Liabilities directly associated with assets classified as held-for-sale	5,486	362,496	(98)
TOTAL LIABILITIES	**20,798,729**	**17,830,479**	**17**
Share capital	28,000	28,000	0
Retained earnings and reserves	2,629,076	2,319,263	13
Treasury shares	(124,080)	(60,931)	104
Non-controlling interest	4,116	4,956	(17)
TOTAL SHAREHOLDERS' EQUITY	**2,537,112**	**2,291,288**	**11**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**23,335,841**	**20,121,767**	**16**

[1] The rows of the table are based on audited numbers, but the structure of the table can differ from the IFRS financial statements presented in the Annual Report (certain rows might be merged or represent different level of aggregation).

INDEPENDENT AUDITORS' REPORT
(CONSOLIDATED AND SEPARATE, IN ACCORDANCE WITH IFRS)

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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.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the matter</th></tr>
<tr><td colspan="2">Calculation of expected credit losses on corporate and retail loans</td></tr>
<tr><td>(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</td><td>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</td></tr>
</table>

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

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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

....
Horváth Tamás

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

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Registration number: 000083

Registration number of statutory registered auditor: 003449

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of OTP Bank Plc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of OTP Bank Plc. (the "Bank") and its subsidiaries (the "Group") for the year 2020 which comprise the consolidated statement of financial position as at December 31, 2020 – which shows total assets of HUF 23,335,841 million –, the related consolidated statement of profit or loss and the consolidated statement of comprehensive income – which shows a net profit for the period of HUF 259,636 million –, consolidated statement of changes in equity, and the consolidated statement of cash-flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020 and of its consolidated financial performance and its consolidated 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 consolidated 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 consolidated 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 Consolidated Financial Statements"* section of our report.

We are independent of the Group 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	How our audit addressed the matter
Calculation of expected credit losses on corporate and retail loans	
(See notes 11., 31., and 36.1. to the consolidated financial statements for the details) As described in the notes to the consolidated 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 Group reported total gross loans of HUF 12,504,385 million and loss allowance on loans of HUF 829,543 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 Group'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 Group'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 Group 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 consolidated financial statements.

Other Information

Other information comprises the information included in the section called "Management's Analysis" of the annual report and the consolidated business report of the Group 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 consolidated financial statements and our independent auditor's report thereon. Management is responsible for the other information and for the preparation of the consolidated business report in accordance with the relevant provisions of the Accounting Act and other regulations. Our opinion on the consolidated 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 consolidated financial statements is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 consolidated business report also include reviewing the consolidated business report to assess whether the consolidated business report was prepared in accordance with the relevant provisions of the Accounting Act and other regulations, if any, including the assessment whether the consolidated 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 consolidated business report is consistent with the consolidated 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 consolidated business report, and whether the consolidated business report contains the non-financial statement provided for in Section 134 (5).

In our opinion, the consolidated business report of the Group for 2020 corresponds to the consolidated financial statements of the Group 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 consolidated business report contains the non-financial statement provided for in Section 134 (5).

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

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In addition to the above, based on the information obtained about the Group 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, which had not yet been made available to us at 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives during the audit are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes to the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 Group'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 consolidated 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 OTP Bank Plc. 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 consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of OTP Bank Plc., 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 Group. In addition, there are no other non-audit services, which were provided by us to the OTP Bank Plc. and its controlled undertakings which have not been disclosed in the consolidated 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

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SEPARATE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS (2020)

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.
1.
elnök-vezérigazgató

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 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**

OTP BANK PLC
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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**

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%**

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					Write-off
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**	
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:

		Gross carrying amount / Notional amount					Loss allowance					
Assets measured at amortised cost and FVOCI as at 31 December 2019	**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	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	Effects to the P&L in 3 months period 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 of fair value hedge adjustments – 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.

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS (2020)

OTP BANK PLC.
CONSOLIDATED 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 Banks	5.	2,432,312	1,784,378
Placements with other banks, net of loss allowance for placements	6.	1,148,743	342,922
Repo receivables	7.	190,849	67,157
Financial assets at fair value through profit or loss	8.	234,007	251,990
Securities at fair value through other comprehensive income	9.	2,136,709	2,426,779
Securities at amortized cost	10.	2,624,920	1,968,072
Loans at amortized cost and mandatorily at fair value through profit or loss	11.	12,477,447	10,909,799
Finance lease receivables	35.	1,051,140	969,263
Associates and other investments	12.	52,443	20,822
Property and equipment	13.	322,766	320,430
Intangible assets and goodwill	13.	239,004	242,219
Right-of-use assets	35.	46,283	52,950
Investment properties	14.	38,601	41,560
Derivative financial assets designated as hedge accounting	15.	6,820	7,463
Deferred tax assets	34.	22,317	26,543
Current income tax receivables		38,936	12,769
Other assets	16.	266,474	214,580
Assets classified as held for sale / discontinued operations	49.	6,070	462,071
TOTAL ASSETS		**23,335,841**	**20,121,767**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	17.	1,185,315	812,911
Repo liabilities	18.	117,991	488
Financial liabilities designated at fair value through profit or loss	19.	34,131	30,862
Deposits from customers	20.	17,890,863	15,171,308
Liabilities from issued securities	21.	464,213	393,167
Derivative financial liabilities held for trading	22.	104,823	86,743
Derivative financial liabilities designated as hedge accounting	23.	11,341	10,709
Leasing liabilities	35.	48,451	54,194
Deferred tax liabilities	34.	25,990	29,195
Current income tax payable		27,684	35,928
Other liabilities	24.	607,737	592,540
Subordinated bonds and loans	25.	274,704	249,938
Liabilities directly associated with assets classified as held for sale / discontinued operations	49.	5,486	362,496
TOTAL LIABILITIES		**20,798,729**	**17,830,479**
Share capital	26.	28,000	28,000
Retained earnings and reserves	27.	2,629,076	2,319,263
Treasury shares	28.	(124,080)	(60,931)
Non-controlling interest	29.	4,116	4,956
TOTAL SHAREHOLDERS' EQUITY		**2,537,112**	**2,291,288**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**23,335,841**	**20,121,767**

Budapest, 17 March 2021

Dr. Sándor Csányi
Chairman and Chief Executive Officer

OTP BANK Nyrt.
elnök-vezérigazgató

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

	Note	2020	2019
CONTINUING OPERATIONS			
Interest income calculated using the effective interest method	30.	841,901	762,639
Income similar to interest income	30.	135,986	133,497
Interest income and income similar to interest income		**977,887**	**896,136**
Interest expense		**(195,216)**	**(197,095)**
NET INTEREST INCOME		**782,671**	**699,041**
Loss allowance on loans, placements and on repo receivables	31.	(200,315)	(44,605)
from this: gain / (loss) from derecognition of impaired financial assets		1,978	(15,137)
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss		(3,262)	(4,376)
(Loss allowance) / Release of loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost	31.	(7,309)	9
Provision for commitments and guarantees given	31.	(8,662)	(7,995)
Release of impairment of assets subject to operating lease and of investment properties	31.	878	280
Risk cost total		**(218,670)**	**(56,687)**
NET INTEREST INCOME AFTER RISK COST		**564,001**	**642,354**
Income from fees and commissions	32.	486,529	447,084
Expense from fees and commissions	32.	(88,896)	(72,903)
Net profit from fees and commissions		**397,633**	**374,181**
Foreign exchange gains, net		19,204	6,782
Gains on securities, net		16,106	11,611
from this: gain from derecognition of securities at amortized cost		1,402	714
Loss on financial assets /liabilities measured at fair value through profit or loss		(2,396)	(849)
Dividend income		527	7,955
Other operating income	33.	33,461	111,093
Other operating expense	33.	(39,447)	(44,758)
Net operating income		**27,455**	**91,834**
Personnel expenses	33.	(308,642)	(276,754)
Depreciation and amortization	13.	(92,761)	(77,048)
Goodwill impairment	13.	-	(4,887)
Other general expenses	33.	(306,264)	(282,528)
Other administrative expenses		**(707,667)**	**(641,217)**
PROFIT BEFORE INCOME TAX		**281,422**	**467,152**
Income tax expense	34.	(27,376)	(49,902)
NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**254,046**	**417,250**
From this, attributable to:			
Non-controlling interest		**220**	**341**
Owners of the company		**253,826**	**416,909**
DISCONTINUED OPERATIONS			
Gains from disposal of subsidiary classified as held for sale	49.	**199**	**-**
Gains / (Loss) from discontinued operations	49.	**5,391**	**(4,668)**
PROFIT FROM CONTINUING AND DISCOUNTINUED OPERATION		**259,636**	**412,582**
Earnings per share (in HUF)			
From continuing operations			
Basic	45.	**982**	**1,594**
Diluted	45.	**982**	**1,593**
From continuing and discontinued operations			
Basic	45.	**1,004**	**1,576**
Diluted	45.	**1,003**	**1,575**

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

	Note	2020	2019
NET PROFIT FOR THE YEAR		**259,636**	**412,582**
Items that may be reclassified subsequently to profit or loss:			
Fair value adjustment of securities at fair value through other comprehensive income		(3,175)	26,164
Deferred tax related to fair value adjustment of securities at fair value through other comprehensive income		918	(2,915)
Derivative financial instruments designated as cash flow hedge		(2)	11
Net investment hedge in foreign operations		(9,440)	(2,776)
Deferred tax related to net investment hedge in foreign operations	27.	849	250
Foreign currency translation difference		68,593	79,440
Items that will not be reclassified subsequently to profit or loss:			
Fair value changes of equity instruments at fair value through other comprehensive income		(2,890)	7,619
Deferred tax related to equity instruments at fair value through other comprehensive income	27.	383	(644)
Remeasurement of net defined benefit asset / (liability)		143	(173)
Deferred tax related to remeasurement of net defined benefit asset / (liability)	27.	1	12
Subtotal		**55,380**	**106,988**
NET COMPREHENSIVE INCOME		**315,016**	**519,570**
From this, attributable to:			
Non-controlling interest		(223)	768
Owners of the company		315,239	518,802

OTP BANK PLC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020
(in HUF mn)

	Note	Share capital	Capital reserve	Retained earnings and other reserves[50]	Treasury shares	Total attributable to shareholders'	Non-controlling interest	Total
Balance as at 1 January 2019		28,000	52	1,864,152	(67,999)	1,824,205	2,452	1,826,657
Net profit for the year		-	-	412,241	-	412,241	341	412,582
Other Comprehensive Income		-	-	106,561	-	106,561	427	106,988
Total comprehensive income		-	-	518,802	-	518,802	768	519,570
Increase due to business combinations		-	-	-	-	-	1,736	1,736
Share-based payment	39.	-	-	3,547	-	3,547	-	3,547
Dividend for the year 2018		-	-	(61,320)	-	(61,320)	-	(61,320)
Correction due to MRP[51]		-	-	376	-	376	-	376
Sale of Treasury shares	28.	-	-	-	15,956	15,956	-	15,956
Treasury shares – loss on sale	28.	-	-	(5,012)	-	(5,012)	-	(5,012)
Treasury shares – acquisition	28.	-	-	-	(8,888)	(8,888)	-	(8,888)
Payments to ICES holders	27.	-	-	(1,334)	-	(1,334)	-	(1,334)
Balance as at 31 December 2019		28,000	52	2,319,211	(60,931)	2,286,332	4,956	2,291,288
Balance as at 1 January 2020		28,000	52	2,319,211	(60,931)	2,286,332	4,956	2,291,288
Net profit for the year		-	-	259,416	-	259,416	220	259,636
Other Comprehensive Income		-	-	55,823	-	55,823	(443)	55,380
Total comprehensive income		-	-	315,239	-	315,239	(223)	315,016
Purchasing of non-controlling interest		-	-	-	-	-	(382)	(382)
Decrease due to discontinued operation	49.	-	-	-	-	-	(235)	(235)
Share-based payment	39.	-	-	3,394	-	3,394	-	3,394
Sale of Treasury shares	28.	-	-	-	22,773	22,773	-	22,773
Treasury shares - loss on sale	28.	-	-	(3,967)	-	(3,967)	-	(3,967)
Treasury shares - acquisition	28.	-	-	-	(85,922)	(85,922)	-	(85,922)
Payments to ICES holders	27.	-	-	(4,853)	-	(4,853)	-	(4,853)
Balance as at 31 December 2020		28,000	52	2,629,024	(124,080)	2,532,996	4,116	2,537,112

[50] See details in Note 27, where the Retained earnings and other reserves category contains the capital reserve, share-based payment reserve and option reserve.
[51] Based on MRP's Articles of Association, dividend on members' shares paid back to the Founder i.e. OTP Bank.

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

OPERATING ACTIVITIES	Note	2020	2019
Net profit for the year (attributable to the owners of the company)		**259,416**	**412,241**
Net accrued interest		(9,040)	(6,590)
Dividend income		(527)	(7,958)
Depreciation and amortization	13.	98,385	78,864
Goodwill impairment	13.	-	4,887
Loss allowance / (Release of loss allowance) on securities	9.,10.	7,309	(10)
Loss allowance on loans and placements and on repo receivables	6.,11.	251,440	57,058
(Release of loss allowance) / Loss allowance on investments	12.	(381)	3,342
Release of loss allowance on investment properties	14.	(741)	(123)
Impairment on tangible and intangible assets	13.	51	2,078
Loss allowance on other assets	16.	7,416	6,258
Provision on off-balance sheet commitments and contingent liabilities	24.	14,792	3,767
Share-based payment	3.,39.	3,394	3,547
Unrealized losses on fair value change of securities held for trading		762	6,975
Unrealized (gains) / losses on fair value change of derivative financial instruments		(25,068)	14,232
(Gain) / Loss on discontinued operations		(5,391)	6,032
Net changes in assets and liabilities in operating activities			
Net decrease / (increase) in financial assets at fair value through profit or loss	8.	24,406	(30,651)
Net decrease / (increase) in compulsory reserves at the National Banks	5.	17,839	(48,081)
Net increase in loans at amortized cost before loss allowance for loans and in loans at fair value	11.	(1,534,658)	(1,402,625)
Net (increase) / decrease in other assets before loss allowance	16.	(88,225)	7,037
Net increase in deposits from customers	20.	2,374,251	1,476,678
Cash payments for the interest portion of the lease liability	35.	(1,592)	(1,604)
Net increase in other liabilities	24.	60,723	169,290
Income tax paid	34.	(37,729)	(30,170)
Net Cash Provided by Operating Activities		**1,416,832**	**724,474**

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

	Note	2020	2019
INVESTING ACTIVITIES			
(Increase) / Decrease in placement with other banks, before loss allowance for placements	6.	(929,815)	203,483
Purchase of securities at fair value through other comprehensive income	9.	(1,864,934)	(2,392,184)
Proceeds from sale of securities at fair value through other comprehensive income	9.	2,147,495	2,258,296
Net increase in investments	12.	(31,112)	(3,908)
Dividends received		399	6,096
Purchase of securities at amortized cost	10.	(6,655,496)	(4,749,976)
Redemption of securities at amortized cost	10.	6,020,315	4,600,424
Purchase of property, equipment and intangible assets	13.	(136,130)	(267,652)
Proceeds from disposals of property, equipment and intangible assets	13.	67,988	31,612
Net increase in investment properties before loss allowance	14.	(1,924)	(3,022)
Net change in cash and cash equivalents from discontinued operation	49.	5,544	-
Net cash paid for acquisition	41.	-	(38,410)
Net Cash Used in Investing Activities		**(1,377,670)**	**(355,241)**
FINANCING ACTIVITIES			
Net increase / (decrease) in amounts due to banks, the National Governments, deposits from the National Banks and other banks and repo liabilities	17.	488,795	(239,947)
Net increase / (decrease) in financial liabilities designated at fair value through profit or loss	19.	4,647	(6,833)
Cash received from issuance of securities	21.	149,105	9,732
Cash used for redemption of issued securities	21.	(78,487)	(31,969)
Cash payments for the principal portion of the lease liability	35.	(16,856)	(12,440)
Increase in subordinated bonds and loans	25.	24,766	140,387
Payments to ICES holders	27.	(4,853)	(1,334)
Sale of Treasury shares	28.	18,806	10,943
Purchase of Treasury shares	28.	(85,922)	(8,888)
Dividends paid	27.	(10)	(61,307)
Net Cash Provided by / (Used in) Financing Activities		**499,991**	**(201,656)**
Cash and cash equivalents at the beginning of the year	5.	**1,049,737**	**819,979**
Foreign currency translation		69,036	79,034
Net change in cash and cash equivalent		539,153	167,577
Adjustment due to discontinued operation		16,851	(16,853)
Cash and cash equivalents at the end of the year	5.	**1,674,777**	**1,049,737**

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 1: ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

1.1. General information

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

The Bank's registered office address is 16, Nador Street, Budapest 1051.

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 on PORTAL in the USA.

These Consolidated Financial Statements were approved by the Board of Directors and authorised for issue on 17 March 2021.

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%	-
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 and its subsidiaries ("Entities of the Group", together the "Group") provide a full range of commercial banking services through a wide network of 1,530 branches in the following countries Hungary, Bulgaria, Serbia, Croatia, Russia, Romania, Ukraine, Albania, Montenegro, Moldova and Slovenia, as well as provides other services in the Netherlands, Cyprus and Malta.

The number of the active employees without long-term breaks, and with part-time employees taken into account proportionately, at the Group:

	2020	2019
The number of employees at the Group	38,626	39,971
The average number of employees at the Group	39,943	40,795

1.2. Basis of Accounting

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

The Entities of the Group maintain their accounting records and prepare their statutory accounts in accordance with the commercial, banking and fiscal regulations prevailing in Hungary and in case of foreign subsidiaries in accordance with the commercial, banking and fiscal regulations of the country in which they are domiciled.

The Bank's functional currency is the Hungarian Forint ("HUF"). It is also presentation currency for the Group.
The financial statements of the subsidiaries used during the preparation of Consolidated Financial Statements of the Group have the same reporting period – starting from 1 January ending as at 31 December – like the reporting period of the Group.
Due to the fact that the Bank is listed on international and national stock exchanges, the Bank is obliged to present its financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (the "EU").
Certain adjustments have been made to the Entities' statutory accounts in order to present the Consolidated Financial Statements of the Group in accordance with all standards and interpretations approved by the International Accounting Standards Board ("IASB").
The Consolidated Financial Statements have been prepared in accordance with IFRS as adopted by the EU.

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

1.2. Basis of Accounting [continued]

1.2.1. The effect of adopting new and revised International Financial Reporting 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 the Group's consolidated financial statements.

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

At the date of authorization of these financial statements there are new standards, amendments to the existing standards nor interpretations which are issued by IASB and adopted by the EU which are 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).

The Group does not adopt these new standards and amendments to existing standards before their effective date. The Group anticipates that the adoption of these new standards, amendments to the existing standards and new interpretations will have no material impact on the consolidated financial statements of the Group in the period of initial application.

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 International Accounting Standards Board (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 the publication of these consolidated financial statements:

- **IFRS 17 "Insurance Contracts" including amendments to IFRS 17** (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 3 "Business Combinations"; IAS 16 "Property, Plant and Equipment"; IAS 37 "Provisions, Contingent Liabilities and Contingent Assets**" - Annual Improvements (effective for 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),

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

1.2. Basis of Accounting [continued]

1.2.3. Standards and Interpretations issued by IASB, but not yet adopted by the EU [continued]

- **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 Group anticipates that the adoption of these new standards, amendments to the existing Standards and new interpretations will have no significant impact on the Consolidated Financial Statements of the Group in the period of initial application.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of the accompanying Consolidated Financial Statements are summarized below:

2.1. Basis of Presentation

These Consolidated 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 Group does not offset assets and liabilities or income and expenses unless it is required or permitted by an IFRS standard.

The presentation of Consolidated Financial Statements in conformity with IFRS as adopted by the EU requires the Management of the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of 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 financial statements.

2.2. Foreign currency translation

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currencies are translated into functional currencies at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rates quoted by the National Bank of Hungary ("NBH"), or if there is no official rate, at exchange rates quoted by OTP Bank as at the date of the Consolidated Financial Statements.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.
Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see note 2.7. below for hedging accounting policies); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in Other Comprehensive Income and reclassified from equity to profit or loss on repayment of the monetary items.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.2. Foreign currency translation [continued]

For the purposes of presenting Consolidated Financial Statements, the assets and liabilities of the Group's foreign operations are translated into HUF using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in Other Comprehensive Income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in Other Comprehensive Income and accumulated in equity.

2.3. Principles of consolidation

As the ultimate parent, OTP Bank is preparing Consolidated Financial Statements of the Group.

These Consolidated Financial Statements combine the assets, liabilities, equity, income, expenses and cash flows of the Bank and of those subsidiaries of the Bank in which the Bank exercises control.
All intra-group transactions are consolidated fully on a line-by-line basis while under equity method other consolidation rules are applied. Determination of the entities which are involved into the consolidation procedures based on the determination of the Group’s Control over another entity. The control exists when the Bank has power over the investee, is able to use this power and is exposed or has right to variable returns. Consolidation of a subsidiary should begin from the date when the Group obtains control and cease when the Group loses control. Therefore, income and expenses of a subsidiary should be included in the Consolidated Financial Statements from the date the Group gains control of the subsidiary until the date when the Group ceases to have control of the subsidiary.
The list of the major fully consolidated subsidiaries, the percentage of issued capital owned by the Bank and the description of their activities is provided in Note 42.

2.4. Accounting for acquisitions

Business combinations are accounted for using acquisition method. Any goodwill arising on acquisition is recognized in the Consolidated Statement of Financial Position and accounted for as indicated below.
The acquisition date is the date on which the acquirer effectively obtains control over the acquiree. Before this date, it should be presented as Advance for investments within Other assets.
Goodwill, which represents the residual cost of the acquisition after obtaining the control over the acquiree in the fair value of the identifiable assets acquired and liabilities assumed is held as an intangible asset and recorded at cost less any accumulated impairment losses in the Consolidated Financial Statements. The Group tests goodwill for impairment by comparing its recoverable amount with its carrying amount, and recognising any excess of the carrying amount over the recoverable amount an impairment loss. The recoverable amount of goodwill is the higher of its fair value less costs of disposal and its value in use.

If the Group loses control of a subsidiary, derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost and recognizes any difference as a gain or loss on the sale attributable to the parent in Statement of Profit or Loss on Net income from discontinued operation.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.4. Accounting for acquisitions [continued]

Goodwill acquired in a business combination is tested for impairment annually or more frequently if events or changes in circumstances indicate. The goodwill is allocated to the cash-generating units that are expected to benefit from the synergies of the combinations.
The Group calculates the fair value of identified assets and liabilities assumed on discounted cash-flow model. The 3 year period explicit cash-flow model serves as a basis for the impairment test by which the Group defines the impairment need on goodwill based on the strategic factors and financial data of its cash-generating units.

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

Negative goodwill (gain from bargain purchase), when the interest of the acquirer in the net fair value of the acquired identifiable net assets exceeds the cost of the business combination, is recognized immediately in the Consolidated Statement of Profit or Loss as other income.

2.5. Securities at amortized cost

The Group 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 Group 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 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 and foreign Governments, corporate bonds and discounted treasury bills.

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, so unrealized gains and losses on held for trading securities are recognized in profit or loss and included in the Consolidated Statement of Profit or Loss for the period. The Group holds held for trading securities within the business model to obtain short-term gains, consequently realized and unrealized gains and losses are recognized in the net operating income, while interest income is recognized in income similar to interest income. The Group applies the FIFO[1] inventory valuation method for securities held for trading.
Such securities consist of equity instruments, shares in investment funds, Hungarian and foreign government bonds, discounted treasury bills and other securities.

2.6.2. Financial assets designated as fair value through profit or loss

The Group may - at initial recognition - irrevocable designate a financial asset as measured at fair value through profit or loss that would otherwise be measured at fair value through other comprehensive income or at amortized cost.
The Group may use fair value designation only in the following cases:
- if the classification eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases (‘accounting mismatch’)

The use of the fair value designation is based only on direct decision of management of the Group.

[1] First In First Out

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.6. Financial assets at fair value through profit or loss [continued]

2.6.3. Derivative financial instruments

In the normal course of business, the Group 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 Group 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. The Group 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 the Group has almost all of its 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 Consolidated 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 the risk management policy of the Group, 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 Consolidated 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 these forward contracts does not represent the actual market or credit risk associated with these contracts.
Foreign currency contracts are used by the Group for risk management and trading purposes. The risk management foreign currency contracts of the Group were used to hedge the exchange rate fluctuations of loans and deposits to credit institutions denominated in foreign currency.

Foreign exchange swaps and interest rate swaps

The Group enters into foreign exchange swap and interest rate swap (“IRS”) transactions. The swap transaction is an agreement concerning the swap of certain financial instruments, which usually consists of spot and one or more forward contracts.
IRS transactions oblige 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 IRS transactions. Such notional principal amounts often are used to express the volume of these transactions but are not actually exchanged between the counterparties.
IRS transactions are used by the Group for risk management and trading purposes.

Cross-currency interest rate swaps

The Group 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.6. Financial assets at fair value through profit or loss [continued]

2.6.3 Derivative financial instruments [continued]

Equity and commodity swaps

Equity swaps obligate two parties to exchange more payments calculated with reference periodically reset rates of interest and performance of indexes. 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 Group 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 counterparties. The Group's forward rate agreements were transacted for management of interest rate exposures and have been accounted for at mark-to-market fair value.

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.

2.7. Hedge accounting

Derivative financial instruments designated as a fair-value hedge

Changes in the fair value of derivatives that are designated and qualify as hedging instruments in fair value hedges and that prove to be highly effective in relation to the hedged risk, are recorded in the Consolidated 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 hedging instrument in fair value hedges is charged directly to the Consolidated Statement of Profit or Loss.
The conditions of hedge accounting applied by the Bank are the following: formally designated as hedge relationship, proper hedge documentation is prepared, effectiveness test is performed and based on it the hedge is qualified as effective.
The Group implemented hedge accounting rules prescribed by IFRS 9 in 2018.

Derivative financial instruments designated as cash flow hedge

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 the hedged risk are recognized in their effective portion as reserve in Other Comprehensive Income. The ineffective element of the changes in fair value of hedging instrument is charged directly to the Consolidated Statement of Profit or Loss.
The Group terminates the hedge relationship 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 by the Group as long as the underlying asset is derecognized.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.7. Hedge accounting [continued]

Net investment hedge in foreign operations

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, shall be accounted for similarly to cash flow hedges.
On disposal of the foreign operation, the cumulative value of any gains and losses recognized in Other Comprehensive Income is transferred to the Consolidated Statement of Profit or Loss.

2.8. Offsetting

Financial assets and liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position when the Group has a legally enforceable right to set off the recognized amounts and the transactions are intended to be reported in the Consolidated Statement of Financial Position on a net basis. The Group does not offset any financial assets and financial liabilities.

2.9. Embedded derivatives

Sometimes, a derivative may be a component of a combined or hybrid contracts 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 value or is measured at fair value but changes in fair value are recognized 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.

Derivatives that are required to be separated are measured at fair value at initial recognition and subsequently.If the Group is unable to measure the embedded derivative separately either at acquisition or at the end of a subsequent financial reporting period, the Group shall designate the entire hybrid contract as at fair value through profit or loss. The Group shall assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the Bank first becomes a party to the contract.

2.10. Securities at fair value through other comprehensive income

Securities at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting of contractual cash flows and selling securities. Furthermore contractual terms of these 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. Unrealized gains and losses on securities at fair value through other comprehensive income are recognized directly in Other Comprehensive Income, except for interest and foreign exchange gains/losses on monetary items, unless such financial asset at fair value through other comprehensive income is part of an effective hedge. Such gains and losses are reported when realized in Consolidated Statement of Profit or Loss for the applicable period. The Group applies the FIFO[1] inventory valuation method for securities at fair value through other comprehensive income.

[1] First In First Out

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.10. Securities at fair value through other comprehensive income [continued]

Debt instruments [continued]

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.
Securities at fair value through other comprehensive income are remeasured at fair value based on quoted prices or amounts 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 future cash-flows and the fair value of any unquoted equity instruments are calculated using the EPS ratio.

Such securities consist of Hungarian and foreign government bonds, corporate bonds, mortgage bonds, discounted Treasury bills and other securities.

Fair value through other comprehensive income option for equity instruments

The Group has elected to present in the Statement of Other Comprehensive Income changes of fair value of those equity instruments which are neither held for trading nor recognized under IFRS 3.
In some cases the Group made an irrevocable election at initial recognition for certain equity instruments to present subsequent changes in fair value of these securities in the consolidated 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 Group.

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

The Group measures at amortized cost those Loans and placements with other banks and repo receivables, 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 Group recognizes as loans measured at fair value through profit or loss those financial assets, which are held for trading or the contractual cash flows that are not solely payments of principal and interest on the principal amount outstanding.
Those Loans and placements with other banks and repo receivables that are accounted at amortized cost, stated at the principal amounts outstanding (including accrued interest), net of allowance for loan or placement losses, respectively.

Transaction fees and charges adjust the carrying amount at initial recognition and are included in effective interest calculation.
Loans and placements with other banks and repo receivables are derecognized when the contractual rights to the cash-flows expire or they are transferred. When a financial asset is derecognized the difference of the carrying amount and the consideration received is recognized 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 recognized as a modification gain or loss in the profit or loss.

Interest and amortized cost are accounted using effective interest rate method.

Initially financial assets shall be recognized at fair value which is usually equal to transaction value in case of loans and placements. However, when the amounts are not equal, the initial fair value difference should be recognized. This difference is amortized with effective interest rate.
Initial fair value of loans lent at interest below market conditions is lower than their transaction price. As a consequence the Group 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 are not available on observable markets.

The Group recognizes a loss allowance for expected credit losses on a financial asset at each reporting date. The loss allowance for a financial asset equals to 12-month expected credit loss or equals to the lifetime expected credit losses. The maximum period over which expected credit losses shall be measured is the maximum contractual period over which the Group is exposed to credit risk.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

If the credit risk on a financial asset has not increased significantly since initial recognition then 12-month expected credit losses, otherwise (in case of significant credit risk increase) lifetime expected credit losses should be calculated. The expected credit loss is the present value of the difference between the contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive.

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 loans, placements and on repo receivables / from this: gain / loss from derecognition" in the Consolidated Statement of Profit or Loss.

The Group applies partial or full write-off for loans based on the definitions and prescriptions of financial instruments in accordance with IFRS 9. If the Group 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 amount and impairment loss of the loans shall be written off in the same amount to the estimated maximum recovery amount while the net carrying value remains unchanged. In those cases when on the previously partially or fully written-off loans or placements, which perhaps were derecognized from the books no having been reasonable expectations later nevertheless recoveries could be determined then it will be reversal of loss allowance in the Consolidated Statement of Profit or Loss on "Income from recoveries of written-off, but legally existing loans".

2.12. Modified assets

If the net present value of the contracted cash flows changes due to the modification of the contractual terms and it is not qualified as derecognition, modification gain or loss should be calculated and accounted for in the consolidated statement of profit or loss.

Among the possible contract amendments, the Group considers as a derecognition and a new recognition when the discounted present value – discounted at the original effective interest rate – of the cash flows under the new terms is at least 10 per cent different from the discounted present value of the remaining cash flows. In case of derecognition and new recognition the unamortized fees of the derecognized asset should be presented as Income similar to interest income. The newly recognized financial asset is initially measured at fair value and is placed in stage 1 if the derecognized financial asset was in stage 1 or stage 2 portfolio. The newly recognized financial asset will be purchased or originated credit impaired financial asset ("POCI") if the derecognized financial asset was in stage 3 portfolio or it was POCI.

The modification gain or loss shall be calculated at each contract amendments unless they are handled as a derecognition and new recognition. In case of modification the Group recalculates the gross carrying amount of the financial asset. To do this, the new contractual cash flows should be discounted using the financial asset's original effective interest rate (or credit-adjusted effective interest rate for POCI financial asset). Any costs or fees incurred adjust the carrying amount of the modified financial asset are amortized over the remaining term of the modified financial asset.

2.13. Purchased or originated credit impaired financial assets

Purchased or originated financial assets are credit-impaired on initial recognition. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

A purchased credit-impaired asset is likely to be acquired at a deep discount. In unusual circumstances, it may be possible that an entity originates a credit-impaired asset, for example, following a substantial modification of a distressed financial asset that resulted in the derecogniton of the original financial asset.

In the case of POCI financial assets, interest income is always recognized by applying the credit-adjusted effective interest rate.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.13. Purchased or originated credit impaired financial assets [continued]

For POCI financial assets, in subsequent reporting periods an entity is required to recognize:
- the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance,
- the impairment gain or loss which is the amount of any change in lifetime expected credit losses.
  An impairment gain is recognized (with the parallel increase of the net amortized cost of receivable) if due to the favourable changes after initial recognition the lifetime expected credit loss estimation is becoming lower than the original estimated credit losses at initial recognition.

The POCI qualification remains from initial recognition to derecognition in the Group's books.

2.14. Loss allowance

Loss allowance for loans and placements with other banks and repo receivables is recognized by the Group based on the expected credit loss model in accordance with IFRS 9. Based on the three stage model the recognized loss allowance equals to 12-month expected credit loss from the initial recognition. On financial assets with significantly increased credit risk or credit impaired financial assets (based on objective evidences) the recognized loss allowance is the lifetime expected credit loss.

In case of purchased or originated credit impaired financial assets loss allowance is recognized in amount of lifetime expected credit loss since initial recognition. Impairment gain in the Consolidated Statement of Profit or Loss is recognized 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.

Loss allowance for loans and placements with other banks and repo receivables represent Management assessment for potential losses in relation to these activities.

Impairment losses on credit and placement losses are determined at a level that provides coverage for individually identified credit losses. For loans for which it is not possible to determine the amount of the individually identified credit loss in the absence of objective evidence, a collective impairment loss is recognized. With this, the Bank reduces the carrying amount of financial asset portfolios with similar credit risk characteristics to the amount expected to be recovered based on historical experience.

At subsequent measurement the Group recognizes impairment gain or loss through "Impairement gain on POCI loans" in the Consolidated Statement of Profit 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 recognized in accordance with IFRS 9.

If a financial asset, for which previously there were no indicators of significant increase in credit risk (i.e. classified in Stage 1) is subsequently classified in Stage 2 or Stage 3 then loss allowance is adjusted to lifetime expected credit loss. If a financial asset, which previously was classified in Stage 2 or Stage 3 is subsequently classified in Stage 1 then loss allowance is adjusted to the level of 12 month expected credit loss.

Classification into risk classes

According to the requirements of the IFRS9 standard Group classifies the financial assets measured at amortized cost, at fair value through other comprehensive income and loan commitments and financial guarantees into the following stages:
- stage 1 – performing financial instruments without significant increase in credit risk since initial recognition
- stage 2 – performing financial instruments with significant increase in credit risk since initial recognition but not credit-impaired
- stage 3 – non-performing, credit-impaired financial instruments
- POCI – purchased or originated credit impaired

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.14. Loss allowance [continued]

Classification into risk classes [continued]

In the case of trade receivables and contract assets 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.

Stage 1: financial instruments for which the events and conditions specified in respect of Stage 2 and Stage 3 do not exist on the reporting date.

A client or loan must be qualified as default if one or both the following two conditions occur:
- The client delays more than 90 days. This is considered a hard trigger.
- There is reasonable probability that the client will not pay all of its obligation. This condition is examined on the basis of probability criteria of default.

The subject of default qualification is that exposure (on-balance and off-balance) which originates credit risk (so originated from loan commitments, risk-taking contracts).

A financial instruments shows significant increase in credit risk, and is allocated to stage 2, if in respect of which any of the following triggers exist on the reporting date, without fulfilling any of the conditions for the allocation to the non-performing stage (stage 3):
- the payment delay exceeds 30 days,
- it 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 retail mortgage loans, the loan-to-value ratio exceeds a predefined rate,
- default on another loan of the retail client, if no cross-default exists,
- monitoring classification of corporate and municipal clients above different thresholds defined on group level (without aiming to give an exhaustive list):
  - financial difficulties at the debtor (capital adequacy, liquidity, deterioration of the instrument quality),
  - significant decrease of the liquidity or the activity on the active market of the financial instrument can be observed,
  - the rating of the client reflects high risk but it is better than the default one,
  - significantly decrease in the value of the recovery from which the debtor would disburse the loan,
  - clients under liquidation.

A financial instrument is non-performing and it is allocated to Stage 3 when any of the following events or conditions exists on the reporting date:
- defaulted (based on the group level default definition),
- classified as non-performing forborne (based on the group level forborne definition),
- the monitoring classification of corporate and municipal clients above different thresholds defined on group level (including but not limited to):
  - breaching of contracts,
  - significant financial difficulties of the debtor (like capital adequacy, liquidity, deterioration of the instrument quality),
  - bankruptcy, liquidation, debt settlement processes against debtor,

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.14. Loss allowance [continued]

Classification into risk classes [continued]

- forced strike-off started against debtor,
- termination of loan contract by the bank,
- occurrence of fraud event,
- termination of the active market of the financial instrument.
-

If the exposure is no longer considered as credit impaired, the Group allocates this exposure to Stage 2.

When loss allowance is calculated at exposures categorized into stages the following process is needed by stages:
- stage 1 (performing): loss allowance at an amount equal to 12-month expected credit loss should be recognized,
- stage 2 (significant increase in credit risk): loss allowance at an amount equal to lifetime expected credit loss should be recognized,
- stage 3 (non-performing): loss allowance at an amount equal to lifetime expected credit loss should be recognized.

For lifetime expected credit losses, an entity 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 the lifetime cash shortfalls that will result if a default occurs in the 12 months after the reporting date (or a shorter period if the expected life of a financial instrument is less than 12 months), weighted by the probability of that default occurring.

An entity shall measure expected credit losses of a financial instrument in a way that reflects:
- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- the time value of money and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2.15. 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 Consolidated Statement of Financial Position and the consideration received is recorded in Other liabilities or Amounts due to banks, the National Governments, deposits from the National Banks and other banks. Conversely, debt or equity securities purchased under a commitment to resell are not recognized in the Consolidated Statement of Financial Position and the consideration paid is recorded either in Placements with other banks or Deposits from customers. Interest is accrued based on the effective interest method evenly over the life of the repurchase agreement.
In the case of security lending transactions the Group doesn’t recognize or derecognize the securities because believes 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.

2.16. Associates and other investments

Companies where the Bank has the ability to exercise significant influence are accounted for using the equity method. Subsidiaries and associated companies that were not accounted for using the equity method and other investments where the Bank does not hold a significant interest are recorded according to IFRS 9.

Under the equity method, the investment is initially recognized at cost, and the carrying amount is adjusted subsequently for:
- the Group’s share of the post-acquisition profits or losses of the investee, which are recognized in the Group’s profit or loss; and
- the distributions received from the investee, which reduce the carrying amount of the investment.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.16. Associates and other investments [continued]

The Group's share of the profits or losses of the investee, or other changes in the investee's equity, is determined on the basis of its proportionate ownership interest. The Group recognizes its share of the investee's income and losses based on the percentage of the equity interest owned by the Group.

Gains and losses on the sale of investments are determined on the basis of the specific identification of the cost of each investment.

2.17. Property and equipment, Intangible assets

Property and 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 the useful lives.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets based on the following annual percentages:

Intangible assets	
Software	3.33%-52.63%
Property rights	1.25%-50.0%
Property	0.1%-33.3%
Office equipment and vehicles	1-50%
Vehicle	5.63% - 48%

Depreciation and amortization on Property and equipment and Intangible assets commence on the day such assets are ready to use.

At each balance sheet date, the Group reviews the carrying value of its Property and equipment and Intangible assets to determine if there is any indication that those assets have suffered an impairment loss. If any 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where the carrying value of Property and equipment and Intangible assets is greater than the estimated recoverable amount, it is impaired immediately to the estimated recoverable amount.

The Group may conclude contracts for purchasing property, equipment and intangible assets, where the purchase price is settled in foreign currency. By entering into such agreements, firm commitment in foreign currency due on a specified future date arises at the Group.
Reducing the foreign currency risk caused by firm commitment, forward foreign currency contracts may be concluded to ensure the amount payable in foreign currency on a specified future date on one hand and to eliminate the foreign currency risk arising until settlement date of the contract on the other hand.
In the case of an effective hedge the realized profit or loss of the hedging instrument is stated as the part of the cost of the hedged asset as it has arisen until recognizing the asset.

2.18. 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 Group 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.19. Financial liabilities

The financial liabilities are presented within financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost.
The Group at initial recognition measures financial liabilities at fair value plus or minus – in the case of a financial liability not at fair value through profit or loss – transaction costs that are directly attributable to the acquisition or issue of the financial liability.

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 connection to the derivative financial liabilities measured at fair value through profit or loss, the Group presents the amount of change in their fair value originated from the changes of market conditions and business environment.

The Group designated some financial liabilities upon initial recognition to measure at fair value through profit or loss. This classification eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases ("accounting mismatch").

In the case of financial liabilities measured at amortized cost fees and commissions related to the origination of the financial liability are recognized through profit or loss during the maturity of the instrument using effective interest method. In certain cases the Group 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 recognized in the net profit or loss for the period and included in other operating income.

2.20. Leases

The Group as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Lease classification is made at the inception date and is reassessed only if there is a lease modification.

Finance leases

At the commencement date, a lessor derecognizes the assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease. The lessor shall use the interest rate implicit in the lease to measure the net investment in the lease. Direct costs such as commissions are included in the initial measurement of the finance lease receivables.
The Group as a lessor recognizes finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease. The Group applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease.

Operating leases

The Group as a lessor recognizes lease payments from operating leases as income on either a straight-line basis or another systematic basis.
The depreciation policy for depreciable underlying assets subject to operating leases is consistent with the Group's normal depreciation policy for similar assets. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

The Group as a lessee

The Group recognizes a right-of-use asset and a lease liability at the commencement of the lease term except for short-term leases and leases, where the underlying asset is of low value (less than USD 5,000). For these leases, the Group recognizes the lease payments as an expense on either a straight-line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the lessee's benefit.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.20. Leases [continued]

The Group as a lessee [continued]

Deferred tax implication if the Group is lessee: At inception of the lease, there is no net lease asset or liability, no tax base and, therefore, no temporary difference. Subsequently, as depreciation on the right-of-use asset initially exceeds the rate at which the debt reduces, a net liability arises resulting in a deductible temporary difference on which a deferred tax asset should be recognized if recoverable. Assuming that the lease liability is not repaid in advance, the total discounted cash outflows should equal the total rental payments deductible for income tax purposes.

Right-of-use asset

The right-of-use assets are initially measured at cost, subsequently the Group applies cost model and these assets are depreciated on a straight line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the right-of-use asset are depreciated from the commencement date to the end of the useful life of the underlying asset.

Lease liability

At the commencement date, the lease liability is measured at the present value of the lease payments that are not paid at that date discounted by using the rate implicit in the lease, or if this cannot be determined, by using the incremental borrowing rate of the Group.Variable lease payments that do not depend on an index or a rate but e.g. on revenues or usage are recognized as an expense. The Group always separates the non-lease components of the lease contracts and accounts them as an expense. Lease payments must be included in the measurement of the lease liability without value added taxes. Non-deductible VAT is recognized as other expense.

The lease liability is remeasured in case of reassessment of the lease liability or lease modification

2.21. Investment properties

Investment properties of the Group are land, buildings, part of buildings which 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 Group 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. The depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets.
The Group discloses the fair value of the investment properties in Note 14 established mainly by external experts.

2.22. 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.

2.23. Treasury shares

Treasury shares are shares which are purchased on the stock exchange and the over-the-counter market by the Bank and its subsidiaries and are presented in the Consolidated Financial Position at cost as a deduction from Consolidated Shareholders' Equity.
Gains and losses on the sale of treasury shares are credited or charged directly to shareholder's equity. Derecognition of treasury shares is based on the FIFO method.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.24. Non-current assets held-for-sale and discontinued operations

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The Group does not account for a non-current asset that has been temporarily taken out of use as if it had been abandoned.
The Group measures a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. When the sale is expected to occur beyond one year, the Group measures the costs to sell at their present value. Any increase in the present value of the costs to sell that arises from the passage of time shall be presented in profit or loss. Immediately before the initial classification of the asset (or disposal group) as held for sale, the carrying amounts of the asset (or all the assets and liabilities in the group) shall be measured in accordance with applicable IFRS.

The Group does not depreciate (or amortize) a non-current asset while it is classified as held for sale or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale shall continue to be recognized.

If the Group has classified an asset (or disposal group) as held for sale, but the criteria for that are no longer met, the Group ceases to classify the asset (or disposal group) as held for sale. The Group measures a non-current asset that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of:
- its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognized had the asset (or disposal group) not been classified as held for sale, and
- its recoverable amount at the date of the subsequent decision not to sell.

The Group presents a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the Consolidated Statement of Financial Position. The liabilities of a disposal group classified as held for sale is presented separately from other liabilities in the Statement of Financial Position. Those assets and liabilities shall not be offset and presented as a single amount. The major classes of assets and liabilities classified as held for sale shall be separately disclosed in the Notes.
The Group presents separately any cumulative income or expense recognized in other comprehensive income relating to a non-current asset (or disposal group) classified as held for sale. Results from discontinued operations are reported separately in the consolidated statement of profit or loss as result from discontinued operations.

2.25. Interest income and income similar to interest income and interest expense

Interest income and expense are recognized in profit or loss in the period to which they relate, using the effective interest rate method. The time-proportional income similar to interest income of derivative financial instruments is calculated without using the effective interest method and the positive fair value adjustment of interest rate swaps are included in income similar to interest income.

Interest from loans and deposits are accrued on a daily basis. Interest income and expense include certain 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.

All interest income and expense recognized are arising from loans, placements with other banks, repo receivables, securities at fair value through other comprehensive income, securities at amortized cost and amounts due to banks, repo liabilities, deposits from customers, liabilities from issued securities, subordinated bonds and loans are presented under these lines of financial statements.

2.26. Fees and Commissions

Fees and commissions that are not involved in the amortized cost model are recognized in the Consolidated Statement of Profit or Loss on an accrual basis according to IFRS 15 Revenue from contracts with customers (see more details in Note 32). These fees are related to deposits, cash withdrawals, security trading, bank card etc.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.27. Dividend income

Dividend income refers to any distribution of an entity earnings to shareholders from stocks or mutual funds that is owned by the Group. The Group recognizes dividend income in the Consolidated Financial Statements when its right to receive payment is established.

2.28. Income tax

The annual taxation charge is based on the tax payable under fiscal regulations prevailing in the country where the company is incorporated, 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 apply to the future period when the asset is expected to be realized or the liability is settled.

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

The Group recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint arrangements, to the extent that, and only to the extent that, it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, except to the extent that both of the following conditions are satisfied:

- the Bank is able to control the timing of the reversal of the temporary difference, and
- it is probable that the temporary difference will not reverse in the foreseeable future.

2.29. Banking tax

The Bank and some of its subsidiaries are obliged to pay banking tax based on Act LIX of 2006. The calculation is based on the adjusted total assets as reported in the Separate Financial Statements of the Bank and its entities for the second period preceding the current tax year (not on the taxable profit). Therefore, the banking tax is considered as an other administrative expense, not as income tax.

2.30. Off-balance sheet commitments and contingent liabilities

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

In case of commitments and contingent liabilities, the management determines the adequacy of the loss allowance 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 Group recognizes 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. For financial guarantees and loan commitments given which are under IFRS 9 the expected credit loss model is applied when the provision is calculated (see more details in Note 2.14.).

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.31. Share-based payment

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

The Bank issues equity-settled share-based payment to certain employees. Equity-settled share-based payment is measured at fair value at the grant date. The fair value determined at the grant date of the equity-settled share-based payment is expensed on a straight-line basis over the year, based on the Bank's estimate of shares that will eventually vest. Share-based payment is recorded in Consolidated Statement of Profit or Loss as Personnel expenses.

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.

2.32. Employee benefits

The Group has applied the requirement of IAS 19 Employee Benefits. IAS 19 requires to recognize employee benefits to be paid as a liability and as an expense in the Consolidated Financial Statements.

2.33. Consolidated Statement of Cash-flows

Cash flows arising from the operating, investing or financing activities are reported in the Statement of Cash-Flows of the Group primarily on a gross basis. Net basis reporting are applied by the Group in the following cases:
- when the cash flows reflect the activities of the customer rather than those of the Group, and
- for items in which the turnover is quick, the amounts are large, and the maturities are short.

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

2.34. Segment reporting

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

2.35. Comparative figures

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

In 2020, the Group 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 Group's accounting policy, these loans were measured at amortised cost. For the year ended 31 December 2020, the Group 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 Group's financial position and financial performance in the financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.35. Comparative figures [continued]

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

In parallel with the change in accounting policy, the Group also changed the structure of its balance sheet. In the statement of financial position, presenting loans in a uniform manner, based on the nature of the instruments, on the line Loans at amortized cost and mandatorily at fair value through profit or loss, with further details of classification and valuation category provided in Note 11 and any other notes as appropriate.

The new accounting policy is applied retrospectively by the Group as if it had always applied this accounting policy. The Group 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 Group did not change the related balance sheet values for the adjustment relating to periods before those presented, and the Consolidated 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 Group 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 Group 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 Group 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 Group presents the change in the fair value of loans measured at fair value through profit or loss, broken down into two components:
  - o The Group 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.
  - o The Group 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 shown below 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 regarding the loans at amortized cost. 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 Group 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]

2.35. Comparative figures [continued]

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

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

- Note 11 Loans at amortized cost and at fair value
- Note 30 Interest income, income similar to interest income and expenses
- Note 31 Loss allowances / impairment and provisions
- Note 36.1.1. Financial instruments by stages
- Note 36.1.2. Movement table of loss allowance / provision on financial instruments
- Note 36.1.3. Loan portfolio by countries
- Note 36.2. Maturity analysis of assets, liabilities and liquidity risk
- Note 36.4. Interest rate risk management
- Note 46 Net gain or loss realized on financial instruments
- Note 47 a) Fair value of financial assets and liabilities
- Note 48 Segment reporting by business and geographical segments

Except as described above, these consolidated financial statements are prepared in accordance with the same accounting policies in all respects as the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union for the year ended 31 December 2019.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.35. 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	841,901	762,639	(14,863)	-	777,502
Income similar to interest income	135,986	133,497	16,855	-	116,642
Interest income and income similar to interest income	**977,887**	**896,136**	**1,992**	**-**	**894,144**
Interest expense	**(195,216)**	**(197,095)**	**-**	**-**	**(197,095)**
Loss allowance on loans, placements and on repo receivables	(200,315)	(44,605)	4,515	-	(49,120)
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	(3,262)	(4,376)	(4,376)	-	-
Further risk cost items	(15,093)	(7,706)	-	-	(7,706)
Risk cost total	**(218,670)**	**(56,687)**	**139**	**-**	**(56,826)**
NET INTEREST INCOME AFTER RISK COST	**564,001**	**642,354**	**2,131**	**-**	**640,223**
Income from fees and commissions	**486,529**	**447,084**	**-**	**33,736**	**413,348**
Net profit from fees and commissions	**397,633**	**374,181**	**-**	**33,736**	**340,445**
Foreign exchange gains, net	19,204	6,782	-	(33,736)	40,518
(Losses) / Gains on financial instruments at fair value through profit or loss	(2,396)	(849)	(2,131)	-	1,282
Net operating income	**27,455**	**91,834**	**(2,131)**	**(33,736)**	**127,701**

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

The presentation of financial statements in conformity with IFRS as adopted by EU requires the Management of the Group to make judgement 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 s tatements 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 ongoing basis. Revisions to accounting estimates are recognized in the period. Actual results could differ from those estimates. Significant areas of subjective judgement include:

3.1. Loss allowances on financial instruments exposed to credit risk

The Group regularly assesses its financial instruments portfolio for loss allowance. Management determines the adequacy of the loss 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 the three stage model was implemented for IFRS 9 purposes. The impairment methodology is used to classify financial instruments in order to determine whether credit risk has significantly increased since initial recognition and to identify the credit-impaired assets. For instruments with credit-impairment or significant increase of credit risk lifetime expected losses will be recognized (see more details in Note 36.1.)

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. 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 recognized 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 recognized based on the credit conversion factor, which shows the proportion of the undrawn credit line that will probably be drawn.
Other provisions are recognized and measured based on IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The Group is involved in a number of ongoing legal disputes. Based upon historical experience and expert reports, the Group 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 includes provision for litigation, provision for retirement and expected liabilities and provision for confirmed letter of credit.
A provision is recognized by the Group 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.

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

3.4. Impairment on goodwill

Goodwill acquired in a business combination is tested for impairment annually or more frequently when there is an indication that the unit might be impaired, in accordance with IAS 36 "Impairment of assets".
The Group 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 Group defines the impairment need on goodwill based on the strategic factors and financial data of its cash-generating units. In the calculation of the goodwill impairment, also the expectations about possible variations in the amount or timing of those future cash-flows, the time value of money, represented by the current market risk-free rate of interest and other factors are reflected.

3.5. Business model

The financial assets held by the Group 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 Group 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 Group only manages securities.
- Business model whose objective is to achieve gains in a short term period. Within this business model the Group manages securities and derivative financial instrument.

NOTE 4: IMPACT OF CORONA VIRUS (COVID-19)

Covid-19 has had substantial implications for the operations of the Group during 2020. Below are some of the more important Covid-19 related events that occurred by country of operation.

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).

NOTE 4: IMPACT OF CORONA VIRUS (COVID-19) [continued]

Hungary [continued]

- 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.
- 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.

NOTE 4: IMPACT OF CORONA VIRUS (COVID-19) [continued]

Hungary [continued]

- 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.
- 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. The scope of eligible entities will be discussed with the Hungarian Chamber of Commerce and Industry.

Bulgaria

- On 19 March 2020 the Bulgarian National Bank (BNB) announced its decisions with the aim to strengthen the capital and liquidity position of the banking system:
  - to cancel the increase of the countercyclical capital buffer to 1% planned for 2020 and to 1.5% planned for 2021;
  - credit institutions shall not distribute dividends from the 2019 realized profit nor distribute other elements of the capital which are retained from the financial results from previous years.
- On 24 March 2020 key tax and spending measures were implemented: it was disallowed to accrue penalty interest and to carry out any action that may have negative consequences for borrowers due to non-payment. Legal enforcement and eviction procedures were also frozen during the emergency period.
- On 10 April 2020 the BNB approved the draft of the payment moratorium, which provides specific terms of the deferred payment. Accordingly, banks could voluntarily offer the moratorium to their clients. The eligible clients are those private individuals or companies who did not have more than 90 days of delay as at 1 March 2020, and have faced difficulties in meeting their obligations due to the COVID 19 pandemic. Participation was not automatic, clients had to indicate their intention to participate.

NOTE 4: IMPACT OF CORONA VIRUS (COVID-19) [continued]

Bulgaria [continued]

- On 10 July 2020 Bulgaria officially joined the ERM-II currency mechanism.
- On 14 July 2020 the Bulgarian National Bank decided to extend the deadlines of the moratorium on payments. Accordingly, the deadline for submitting a request by customers for postponing payments and their approval by banks was extended until 30 September 2020; the deadline for postponing payments was extended until 31 March 2021. The extension of the deadlines applies to exposures for which no request for moratorium participation was submitted before 22 June 2020.
- DSK Bank is supervised by the ECB starting from 1 October 2020.
- On 11 December 2020, the National Bank of Bulgaria approved the extension of the debt repayment moratorium. The deadline to apply for the moratorium is 23 March 2021. Borrowers can take advantage of the deferral until 31 December 2021, but for maximum nine months altogether. Debtors who are not more than 90 days past due at the application date can benefit from the moratorium. In cases where the request for deferral was submitted before 30 September 2020, further deferral is possible, provided that the total duration of the moratorium does not exceed nine months.

Croatia

- On 20 March 2020 the Croatian National Bank (HNB) imposed measures on credit institutions regarding the retention of net income for 2019.
- On 20 March 2020 the HNB reduced the mandatory reserve requirement ratio from 12 to 9%, and started purchasing Republic of Croatia bonds with an aim of maintaining stability in the market of government securities.
- A payment moratorium on loans has not been implemented in Croatia through legislation. Therefore, the application for moratorium is voluntary and has to be requested by the client.
- However, on 1 April 2020 the Croatian Banking Association outlined a non-binding regime which could serve as a basis for setting the conditions of banks' own moratoria offered to their clients.
- Furthermore, all banks agreed not to initiate forced collection measures for the collection of debt from their debtors who, in the period of three months starting from April 2020, failed to meet their payment obligations. The measure applied to both legal and natural persons.
- On 10 July 2020 Croatia officially joined the ERM-II currency mechanism.
- On 1 October 2020, the loan repayment moratorium was extended (applications will be accepted until 31 March 2021.). The extension of the moratorium is available to customers whose primary source of income is the tourism sector, those living in earthquake-hit areas, and whose income has decreased by at least 30% compared to 2019. The duration of the moratorium can be up to 9 months except for those living in the area affected by the earthquake, for those borrowers it is 12 months.

Serbia

- On 18 March 2020 the National Bank of Serbia adopted decisions imposing a moratorium on debt payments:
  a) the moratorium was available for all debtors (natural persons, farmers and entrepreneurs, corporates);
  b) it implied a suspension of debt payments for at least 90 days and/or for the duration of the emergency state;
  c) lessors will not charge any default interest on past due outstanding receivables and will not initiate enforcement or enforced collection procedures, or take other legal actions to collect receivables from their clients.
- On 27 July 2020 National Bank of Serbia has adopted a regulation that offers borrowers one more suspension in the settlement of their liabilities to banks, maturing in the period between 1 August 2020 and 30 September 2020, as well as a suspension in the payment of liabilities that matured in July 2020, and which the borrower has not settled.
- In December 2020 the Serbian central bank decided to introduce the third round of payment moratorium with an effect between 1 January - 30 June 2021. The participation is opt-in. The deadline for submitting request by borrowers is 30 April 2021.

NOTE 4: IMPACT OF CORONA VIRUS (COVID-19) [continued]

Slovenia

- On 20 March 2020 the Slovenian Parliament passed an act regarding the debt payment moratorium. Payment moratorium could be granted at the request of customers, in the case of loans disbursed before the declaration of an emergency, for both retail and corporate customers. Banks were obliged to provide a moratorium on loan repayments if the debtor proves that it had payment difficulties due to the epidemiological situation. The suspension of repayment may not exceed 12 months, the original term being extended by the duration of the suspension.
- On 10 April 2020 the Bank of Slovenia issued the Resolution on macroprudential measures for banks, in which it imposed restrictions on dividend and bonus payments.
- At the end of 2020 the option to apply for the moratorium has been extended to 26 February 2021. Banks have to approve applications until 31 March 2021. After the approval by the bank, the deferral of payments for eligible borrowers can be 9 months.

Romania

- On 24 March 2020 the National Bank of Romania (NBR) allowed banks to operate with a capital level excluding the capital buffer requirements.
- On 24 March 2020 the NBR decided to allow banks to operate with a Liquidity Coverage Ratio (LCR) below its minimum threshold (100%).
- Starting from 30 March 2020 a moratorium on loan payments was introduced. Based on client request, payment obligations arising from loans (including capital, interest and fees) could be suspended for maximum 9 months, but until 31 December 2020 the latest.
- Conditions for the applicant include that the income of the debtor was directly or indirectly affected by the pandemic. Legal entities had to prove that their activities were interrupted fully or partially; they suffered a more than 25% income decrease in March compared to the average of January and February 2020; and that they were not in insolvency at the date of the request.
- In May 2020 the deadline for applying for the moratorium was extended by one month, to 15 June.
- On 2 April, based on the European Central Bank advice, the NBR recommended local commercial banks not to distribute dividends in 2020.
- On 30 December 2020 the government decided to prolong the loan repayment moratorium, but borrowers can spend altogether up to 9 months in the moratoria. The application deadline is 15 March 2021 and requests should be processed by 31 March.

Ukraine

- On 30 January 2020 the National Bank of Ukraine (NBU) decided to lower the base rate by 250 bps, from 13.5% to 11%. The referemce rate was further cut to 10% on 23 March, followed by another 200 bps cut to 8% on 23 April. Effective from 12 June the base rate was further reduced by 200 bps to 6%.
- On 25 March 2020 the NBU delayed the schedule for banks to create the following capital buffers:
  - the capital conservation buffer, which was to be created from 1 January 2020 in the amount of 0.625% of regulatory capital and would gradually rise to 2.5% by 1 January 2023 according to the original schedule;
  - the systemically important institutions buffer, which originally was to be created the banks from 1 January 2021.
- The NBU recommended banks to refrain from paying out dividend until October 2020 (later extended until the end of 2020).
- On 30 March 2020 the Ukrainian Parliament adopted a prohibition on lenders to increase interest rates under loan agreements for the duration of the pandemic. The law forbids the banks from charging any penalties and fines on consumer loans during this period.
- In June 2020 Ukraine made a USD 5 billion deal with the IMF, which was designed to help the Ukrainian economy overcome the shocks of the coronavirus crisis.
- In September the NBU pre-announced plans to increase risks weights on consumer lending from 100% up to 150% starting in the second half of 2021.

NOTE 4: IMPACT OF CORONA VIRUS (COVID-19) [continued]

Russia

- Through March and April, the Central Bank of Russia (CBR) engaged in repo auctions of more than 2,000 billion rubles to ensure sufficient liquidity in the banking sector. On 20 March the suspension of add-on risk weights was introduced by the CBR in case of restructured loans, mortgage loans, loans under equity construction contracts, and loans with low down payments.
- To support lending, effective until 1 January 2021, the CBR entitled credit institutions to recognize equity and debt securities, acquired before 1 March 2020, at fair value in the accounting records; and to recognize debt securities, acquired from 1 March 2020 through 30 September 2020, at fair value as of the acquisition date.
- On 27 March CBR announced that banks do not have to increase loan loss provisions if the loan was restructured due to consequences of the pandemic.
- The period from 30 March until 30 April was declared a nationwide paid holiday (banks were recognized as continuously working organizations). This period was later extended until 12 May.
- Starting from 3 April a debt repayment holiday came into effect for private individuals, sole proprietors and SMEs facing difficulties in connection with the coronavirus epidemic. Borrowers were able to apply at the lender for a moratorium on their mortgage and consumer loan payments (including interest and principal) for up to six months if their respective income fell by at least 30% in the month preceding the application compared with the average monthly income in the previous year. Applications could be registered until 30 September 2020.
- During the second quarter of 2020 the CBR cut the policy rate in three steps by 125 bps to 4.5%, and on 24 July a futher 25 bps cut was announced.
- On 10 August 2020 the CBR announced that it reduced risk weights for unsecured consumer loans issued after 1 September 2020, and cancelled additional capital requirements for consumer loans issued until 31 August 2019.
- On 20 January 2021 the Central Bank of Russia published its 2021-2022 road map for regulating consumer lending, as a result loosening measures taken in 2020 to facilitate lending will be reversed through higher risk weights being introduced.

The following table below shows the volume of loans in moratorium as at 31 December 2020 in OTP Group and the ratio of these loans of the portfolio by countries:

	Current volume in moratorium (million LCY)	Current volume in moratorium (million HUF)	Gross loans (million HUF)	Current participation ratio
OTP Core	1,760,231	1,760,231	4,631,974	38.00%
Merkantil Group	120,379	120,379	416,987	28.87%
DSK Bank EAD (Bulgaria)	60	11,190	2,634,870	0.42%
OTP banka d.d. (Croatia)	3,372	163,052	1,642,170	9.93%
JSC “OTP Bank” (Russia)	734	2,907	597,849	0.49%
SKB Banka d.d. Ljubljana (Slovenia)	150	54,835	909,439	6.03%
OTP Bank Romania S.A. (Romania)	545	40,853	861,393	4.74%
Crnogorska komercijalna banka a.d. (Montenegro)	13	4,589	362,067	1.27%
Total		**2,158,036**	**12,056,749**	

NOTE 4: IMPACT OF CORONA VIRUS (COVID-19) [continued]

Financial assets modified during the period related to moratorium for the year ended 31 December 2020

	Hungary	Serbia
	2020	**2020**
Gross carrying amount before modification	1,119,943	53,080
Loss allowance before modification	(61,445)	(9,881)
Net amortised cost before modification	**1,058,498**	**43,199**
Modification loss due to covid moratoria	(26,774)	(239)
Net amortised cost after modification	**1,031,724**	**42,960**

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

	2020	2019
Cash on hand		
In HUF	113,492	186,172
In foreign currency	372,972	337,245
	486,464	**523,417**

Amounts due from banks and balances with the National Banks

	2020	2019
Within one year		
In HUF	208,074	79,295
In foreign currency	1,675,628	1,130,023
	1,883,702	**1,209,318**
Over one year		
In HUF	-	-
In foreign currency	62,146	51,643
	62,146	**51,643**
Total	**2,432,312**	**1,784,378**
Compulsory reserve set by the National Banks[1]	**(757,535)**	**(734,641)**
Cash and cash equivalents	**1,674,777**	**1,049,737**

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

	2020	2019
Within one year		
In HUF	251,206	35,804
In foreign currency	729,249	194,985
	980,455	**230,789**
Over one year		
In HUF	136,418	102,048
In foreign currency	33,359	10,563
	169,777	**112,611**
Loss allowance on placements	(1,489)	(478)
Total	**1,148,743**	**342,922**

[1] Foreign subsidiary banks within the Group have to comply with country specific regulation of local National Banks. Each country within the Group has its own regulation for compulsory reserve calculation and maintenance. Based on that banks are obliged to place compulsory reserve at their National Bank in a specified percentage of their liabilities considered in compulsory reserve calculation.

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

An analysis of the change in the loss allowance on placements with other banks is as follows:

	2020	2019
Balance as at 1 January	**478**	**485**
Loss allowance for the period	16,476	3,463
Release of loss allowance for the period	(15,629)	(3,602)
Foreign currency translation difference	164	132
Closing balance	**1,489**	**478**

Interest conditions of placements with other banks:

	2020	2019
Interest rates on placements with other banks denominated in HUF	0.0% - 3.84%	(1.5)% - 3.84%
Interest rates on placements with other banks denominated in foreign currency	(17.33)% - 5.50%	(2.39)% - 15.5%

	2020	2019
Average interest rates on placements with other banks (%)	0.70%	2.06%

NOTE 7: REPO RECEIVABLES (in HUF mn)

	2020	2019
Within one year		
In HUF	183,656	45,545
In foreign currency	7,485	21,674
	191,141	**67,219**
Loss allowance on repo receivables	(292)	(62)
Total	**190,849**	**67,157**

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

	2020	2019
Balance as at 1 January	**62**	**12**
Loss allowance for the period	362	98
Release of loss allowance for the period	(125)	(48)
Foreign currency translation difference	(7)	-
Closing balance	**292**	**62**

NOTE 7: REPO RECEIVABLES (in HUF mn) [continued]

Interest conditions of repo receivables (%):

	2020	2019
Interest rates on repo receivables denominated in HUF	(0.1)% - 0.9%	(0.1)% - 0.715 %
Interest rates on repo receivables denominated in foreign currency	(0.55)% - 4.15%	(0.25)% - 16.0%

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

	2020	2019
Securities held for trading		
Government bonds	38,036	71,194
Discounted Treasury bills	12,721	50
Equity instruments and fund units	3,740	1,076
Other interest bearing securities	2,075	20,212
Other non-interest bearing securities	-	7,516
	56,572	**100,048**
Non-trading securities mandatorily at fair value through profit or loss		
Equity instruments, open-ended fund units	46,063	34,915
Bonds	11,514	4,402
	57,577	**39,317**
Debt securities designated at fair value through profit or loss	2,235	2,001
Total	**116,384**	**141,366**

Positive fair value of derivative financial assets held for trading

	2020	2019
Foreign exchange swaps held for trading	42,646	35,602
Interest rate swaps held for trading	36,922	61,198
Foreign exchange forward contracts held for trading	8,730	3,543
CCIRS and mark-to-market CCIRS held -for trading[1]	7,359	1,216
Held-for-trading option contracts	4,268	3,404
Held-for-trading forward security agreement	22	5
Held-for-trading forward rate agreements	-	13
Other derivative transactions held for trading[2]	17,676	5,643
Total	**117,623**	**110,624**
Total	**234,007**	**251,990**

[1] CCIRS: Cross Currency Interest Rate Swaps (See Note 2.6.3.)
[2] Other category includes: commodity and equity swaps, exchange traded futures and options.

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

An analysis of securities held for trading portfolio by currency (%):

	2020	2019
Denominated in HUF	19.7%	27.8%
Denominated in foreign currency	80.3%	72.2%
Total	**100.0%**	**100.0%**

An analysis of government bond portfolio by currency (%):

	2020	2019
Denominated in HUF	16.9%	25.7%
Denominated in foreign currency	83.1%	74.3%
Total	**100.0%**	**100.0%**

Interest conditions of held for trading securities (%):

	2020	2019
Interest rates on securities held for trading denominated in HUF	0.5% - 7.0%	0.16% -7.50%
Interest rates on securities held for trading denominated in foreign currency	0.38% - 6.38%	0.01% - 8.25%

Interest conditions and the remaining maturities of **securities held for trading** can be analysed as follows:

	2020	2019
Within one year		
With variable interest	78	124
With fixed interest	17,147	24,496
	17,225	**24,620**
Over one year		
With variable interest	1,370	1,046
With fixed interest	34,237	65,790
	35,607	**66,836**
Non-interest bearing securities	3,740	8,592
Total	**56,572**	**100,048**

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

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

	2020	2019
Within one year		
With variable interest	-	-
With fixed interest	-	866
	-	**866**
Over one year		
With variable interest	-	25
With fixed interest	5,492	3,511
	5,492	**3,536**
Non-interest bearing securities	52,085	34,915
Total	**57,577**	**39,317**

	2020	2019
Dividend income from shares measured at fair value through profit or loss	75	5,728

An analysis of **non-trading securities** mandatorily measured at fair value through profit or loss portfolio by currency (%):

	2020	2019
Denominated in HUF	57.1%	70.6%
Denominated in foreign currency	42.9%	29.4%
Total	**100.0%**	**100.0%**

	2020	2019
Interest rates on non-trading securities mandatorily measured at fair value through profit or loss	0.0% - 2.50%	0.0% - 4.95%

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

	2020	2019
Securities at fair value through other comprehensive income		
Government bonds	1,855,134	1,772,612
Mortgage bonds	88,272	97,268
Corporate bonds	81,620	73,062
Listed securities:		
In HUF	*2,968*	*2,999*
In foreign currency	*52,633*	*46,486*
	55,601	*49,485*
Non-listed securities:		
In HUF	*16,782*	*18,516*
In foreign currency	*9,237*	*5,061*
	26,019	*23,577*
Discounted Treasury bills	76,358	443,690
Total	**2,101,384**	**2,386,632**

	2020	2019
Non-trading equity instruments to be measured at fair value through other comprehensive income		
Listed securities:		
In HUF	-	-
In foreign currency	*4,931*	*5,443*
	4,931	*5,443*
Non-listed securities:		
In HUF	*539*	*539*
In foreign currency	*29,855*	*34,165*
	30,394	*34,704*
	35,325	**40,147**
Total	**2,136,709**	**2,426,779**

An analysis of securities at fair value through other comprehensive income by currency (%):

	2020	2019
Denominated in HUF	36.6%	47.8%
Denominated in foreign currency	63.4%	52.2%
Total	**100.0%**	**100.0%**

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
Strategic investments closely related to banking actitvity		
Fair value	27,502	27,621
Dividend income from instruments held at the reporting date	180	200
Strategic investments originated to offset outstanding		
Fair value	2,637	2,091
Dividend income from instruments held at the reporting date	5	-
Other strategic investments		
Fair value	5,186	10,435
Dividend income from instruments held at the reporting date	38	36
Derecognition		
Fair value of derecognized equity instrument, fund units	-	3,002
Dividend income from derecognized instruments	-	7
Cumulative gain / loss on disposal transferred to retained earnings	-	1,613
Total		
Total fair values	**35,325**	**40,147**
Dividend income from instruments held at the reporting date	**223**	**236**
Fair value of derecognized equity instrument, fund units	**-**	**3,002**
Dividend income from derecognized instruments	**-**	**7**
Cumulative gain / loss on disposal transferred to retained earnings	**-**	**1,613**

An analysis of government bonds by currency (%):

	2020	2019
Denominated in HUF	35.8%	39.5%
Denominated in foreign currency	64.2%	60.5%
Total	**100.0%**	**100.0%**

	2020	2019
Interest rates on securities at fair value through other comprehensive income denominated in HUF	0.5% - 7.5%	0.16% - 7.5%
Interest rates on securities at fair value through other comprehensive income denominated in foreign currency	0.0% - 18.0%	0.25% - 17.25%

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

	2020	2019
Average interest rates securities at fair value through other comprehensive income denominated in HUF (%)	2.17%	1.96%
Average interest rates on securities at fair value through other comprehensive income denominated in foreign currency (%)	2.34%	2.24%

Interest conditions and the remaining maturities of securities at fair value through other comprehensive income can be analysed as follows:

	2020	2019
Within one year		
With variable interest	4,780	7,799
With fixed interest	346,928	878,644
	351,708	**886,443**
Over one year		
With variable interest	62,068	60,974
With fixed interest	1,687,608	1,439,215
	1,749,676	**1,500,189**
Non-interest bearing securities	35,325	40,147
Total	**2,136,709**	**2,426,779**

Certain securities are hedged against interest rate risk. See Note 36.4.

NOTE 10: SECURITIES AT AMORTIZED COST (in HUF mn)

	2020	2019
Government bonds	2,545,476	1,933,837
Corporate bonds	74,632	22,719
Discounted Treasury bills	10,469	6,516
Mortgage bonds	-	7,739
	2,630,577	**1,970,811**
Loss allowance on securities at amortized cost	(5,657)	(2,739)
Total	**2,624,920**	**1,968,072**

NOTE 10: SECURITIES AT AMORTIZED COST (in HUF mn) [continued]

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

	2020	2019
Within one year		
With variable interest	-	-
With fixed interest	156,532	261,358
	156,532	**261,358**
Over one year		
With variable interest	-	-
With fixed interest	2,474,045	1,709,453
	2,474,045	**1,709,453**
Total	**2,630,577**	**1,970,811**

An analysis of securities at amortized cost by currency (%):

	2020	2019
Denominated in HUF	86.9%	86.5%
Denominated in foreign currency	13.1%	13.5%
Total	**100.0%**	**100.0%**

Interest conditions of securities at amortized cost (%):

	2020	2019
Interest rates of securities at amortized cost with variable interest	-	-
Interest rates of securities at amortized cost with fixed interest	0.5% - 7.0%	0.5% - 13.5%

	2020	2019
Average interest rates on securities at amortized cost (%)	2.83%	3.36%

An analysis of the change in the loss allowance on securities at amortized cost is as follows:

	2020	2019
Balance as at 1 January	**2,739**	**2,939**
Loss allowance for the period	6,863	593
Release of loss allowance	(4,061)	(755)
Use of loss allowance	12	(52)
Foreign currency translation difference	104	14
Closing balance	**5,657**	**2,739**

NOTE 11: LOANS AT AMORTIZED COST AND AT FAIR VALUE (in HUF mn)

Loans at amortized cost

	2020	2019 Revised	2019 As previously presented
Within one year			
In HUF	1,154,223	1,040,207	1,068,899
In foreign currency	2,445,006	2,127,581	2,127,581
	3,599,229	**3,167,788**	**3,196,480**
Over one year			
In HUF	2,002,814	1,761,761	2,205,543
In foreign currency	6,902,342	6,168,291	6,168,291
	8,905,156	**7,930,052**	**8,373,834**
	12,504,385	**11,097,840**	**11,570,314**
Loss allowance on loans	(829,543)	(684,319)	(693,317)
Total	**11,674,842**	**10,413,521**	**10,876,997**

An analysis of the gross loan portfolio at amortized cost by currency (%):

	2020	2019 Revised	2019 As previously presented
In HUF	25.25%	25.25%	28.30%
In foreign currency	74.75%	74.75%	71.70%
Total	**100.0%**	**100.0%**	**100.0%**

Interest rates of the loan portfolio at amortized cost are as follows:

	2020	2019
Within one year		
In HUF	0.0% - 47.7%[1]	0.0% - 37.5%[1]
In foreign currency	(0.5)% - 90.0%[2]	(0.45)% - 90.0%[2]
Over one year		
In HUF	0.0% - 37.45%[1]	0.0% - 37.45%[1]
In foreign currency	(0.5)% - 60.0%[2]	(0.45)% - 90.0%[2]

	2020	2019
Average interest rates on loans at amortized cost denominated in HUF (%)	6.04%	6.13%
Average interest rates on loans at amortized cost denominated in foreign currency (%)	5.56%	5.76%

[1] The highest interest rate relates to HUF loans regarding purchasing products and services.
[2] The highest interest rate relates to loans in foreign currency regarding POS services in Russia.

NOTE 11: LOANS AT AMORTIZED COST AND AT FAIR VALUE (in HUF mn) [continued]

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

	2020	2019 Revised	2019 As previously presented
Balance as at 1 January	**684,319**	**685,364**	**685,364**
Reclassification	-	(4,483)	-
Opening change due to finance lease	-	(9,005)	(9,005)
Balance as at 1 January	**684,319**	**671,876**	**676,359**
Loss allowance for the period	650,165	488,802	480,962
Release of loss allowance	(382,800)	(290,134)	(277,779)
Use of loss allowance	(100,711)	(94,458)	(94,458)
Partial write-off [1]	(12,503)	(112,198)	(112,198)
Decrease due to IFRS 5	-	(27,616)	(27,616)
Foreign currency translation difference	(8,927)	48,047	48,047
Closing balance	**829,543**	**684,319**	**693,317**

Movement in loss allowance on loans and placements is summarized as below:

	2020	2019 Revised	2019 As previously presented
Loss allowance / (Release of loss allowance) on placements and gains from write-off and sale of placements	789	(235)	(235)
Loss allowance on loans and gains from write-off and sale of loans	192,506	43,888	44,027
Total [2]	**193,295**	**43,653**	**43,792**

Loans mandatorily at fair value through profit or loss

	2020	2019 Revised	2019 As previously presented
Within one year			
In HUF	48,770	27,166	2,566
In foreign currency	-	-	-
	48,770	**27,166**	**2,566**
Over one year			
In HUF	750,211	466,042	27,166
In foreign currency	3,624	3,070	3,070
	753,835	**469,112**	**30,236**
Total	**802,605**	**496,278**	**32,802**

[1] See details in Note 2.11.
[2] See details in Note 31.

NOTE 11: LOANS AT AMORTIZED COST AND AT FAIR VALUE (in HUF mn) [continued]

An analysis of the loan portfolio mandatorily at fair value through profit or loss by currency (%):

	2020	2019 Revised	2019 As previously presented
In HUF	99.55%	99.38%	90.64%
In foreign currency	0.45%	0.62%	9.36%
Total	**100.00%**	**100.00%**	**100.00%**

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

	2020	2019
Interest rates on loans denominated in HUF	0.77% - 12.83%	1.19% - 10.08%
Interest rates on loans denominated in foreign currency	2.5% - 7.89%	2.5% - 4.5%

NOTE 12: ASSOCIATES AND OTHER INVESTMENTS (in HUF mn)

	2020	2019
Investments		
Investments in associates (non-listed)	14,149	14,254
Other investments (non-listed)	44,158	15,384
	58,307	**29,638**
Impairment on investments	(5,864)	(8,816)
Total	**52,443**	**20,822**

The investments in associates and other investments which are not consolidated are not significant neither on their own as separate entities nor in aggregate.

An analysis of the change in the impairment on investments is as follows:

	2020	2019
Balance as at 1 January	**8,816**	**5,592**
(Release of impairment) / Impairment for the period	(381)	3,342
Reclassification to securities at fair value through other comprehensive income	(2,654)	(80)
Foreign currency translation difference	83	(38)
Closing balance	**5,864**	**8,816**

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

For the year ended 31 December 2020

Cost	Intangible assets	Goodwill	Property	Office equipment	Vehicle	Construction in progress	Tangible assets subject to operating lease	Total
Balance as at 1 January	**320,749**	**111,687**	**279,538**	**192,369**	**23,079**	**22,717**	**31,799**	**981,938**
Additions	92,313	1,413	7,342	27,533	2,208	36,835	6,586	**174,230**
Foreign currency translation differences	7,769	(5,319)	12,987	4,094	215	538	2,602	**22,886**
Disposals	(56,183)	(6,388)	(14,361)	(11,737)	(1,609)	(36,687)	(12,061)	**(139,026)**
Reclassified as held-for-sale	(153)	-	-	(154)	-	-	-	**(307)**
Closing balance	**364,495**	**101,393**	**285,506**	**212,105**	**23,893**	**23,403**	**28,926**	**1,039,721**

Depreciation and amortization	Intangible assets	Property	Office equipment	Vehicle	Tangible assets subject to operating lease	Total
Balance as at 1 January	**183,026**	**71,085**	**139,813**	**5,508**	**10,889**	**410,321**
Charge for the period	44,115	8,981	22,195	1,570	5,064	**81,925**
Foreign currency translation differences	3,875	2,540	2,681	150	1,113	**10,359**
Disposals	(6,733)	(4,853)	(9,302)	(987)	(6,787)	**(28,662)**
Reclassified as held-for-sale	(103)	-	(95)	-	-	**(198)**
Closing balance	**224,180**	**77,753**	**155,292**	**6,241**	**10,279**	**473,745**

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

For the year ended 31 December 2020

Impairment	Intangible assets	Goodwill	Property	Office equipment	Tangible assets subject to operating lease	Total
Balance as at 1 January	**803**	**6,388**	**-**	**1,337**	**440**	**8,968**
Charge for the period	2,328	-	1,601	-	-	**3,929**
Foreign currency translation differences	85	-	129	5	34	**253**
Disposals	(512)	(6,388)	(608)	(1,300)	(136)	**(8,944)**
Closing balance	**2,704**	**-**	**1,122**	**42**	**338**	**4,206**

	Intangible assets	Goodwill	Property	Office equipment	Vehicle	Construction in progress	Tangible assets subject to operating lease	Total
Carrying value								
Balance as at 1 January	**136,920**	**105,299**	**208,453**	**51,219**	**17,571**	**22,717**	**20,470**	**562,649**
Closing balance	**137,611**	**101,393**	**206,631**	**56,771**	**17,652**	**23,403**	**18,309**	**561,770**

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

For the year ended 31 December 2020

Carrying value of the investment and goodwill allocated to the appropriate cash generating units

Subsidiaries	Carrying amounts of the subsidiary in HUF million	Goodwill values in HUF million	Goodwill values in million functional currency	Type of functional currency	Consolidated ownership interest	With ownership adjusted company value in HUF million	Applied long term grow rate	Applied long term discount rate
DSK Bank EAD [1] (Bulgaria)	280,692	42,984	28,541	HUF	99.91%	717,318	3.00%	8.13%
			77	BGN				
OTP banka d.d. (Croatia)	205,349	21,196	58	EUR	100%	336,403	2.69%	9.37%
JSC "OTP Bank" (Russia)	124,410	37,202	9,395	RUB	97.91%	173,315	1.89%	13.26%
POK-DSK Rodina a.d. (Bulgaria)	943	11	11	HUF	99.75%	941	3.00%	8.13%
	611,394	**101,393**						

[1] DSK Bank EAD after merge with the previous Expressbank.

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

For the year ended 31 December 2020 [continued]

An analysis of the intangible assets for the year ended 31 December 2020 is as follows:

Intangible assets	Self-developed	Purchased	Total
Gross values	8,117	356,378	**364,495**
Accumulated amortization	(3,675)	(220,505)	**(224,180)**
Impairment	-	(2,704)	**(2,704)**
Carrying value	**4,442**	**133,169**	**137,611**

The Bank decided that the recoverable amount of goodwill is determined based on fair value less cost of disposal. When the Bank prepares goodwill impairment tests of the subsidiaries, the method which is used based on discounted cash-flow calculation. On one hand is the free cash-flow method (FCF) 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.

On the basis of the internal regulation of the Bank as at 31 December 2020 impairment test was prepared where a three-year cash-flow model was applied with an explicit period between 2021-2023. The basis for the estimation was the financial preliminary estimations for December 2020, and based on the prepared medium-term (2021-2023) forecasts. When the Bank prepared the calculations for the period 2021-2023, it considered the actual worldwide economic situations, the expected economic growth for the following years, their possible effects on the financial sector, the plans for growing which result from these, and the expected changes of the mentioned factors. In case of OTP Bank Romania S.A. a five-year explicit period (2021-2025) was used to be able to include the expected effects of the local strategic growth program more in detail. This five year period presents the achievement of a supposedly stable cost to income ratio, a stabilized risk cost ratio and a positive free cash-flow to equity (FCFE).

Present value calculation with the FCF method

The Bank calculated the expected cash-flow for the given period based on the expected after tax profit of the companies. The calculation is highly sensitive to the level of discount rate and growth rate used. For calculating the discount factor as risk free rates in case of OTP Bank JSC (Ukraine) the government bond yield in foreign currency with a period of three year was applied, while in case of the other subsidiaries the ten-year local government bonds in foreign currency or swap yields were considered as presented in the actual macro forecasts. The Bank calculated risk premiums on the basis of information from the country risk premiums that are published by Aswath Damodaran – New York STERN University, which were modified with CDS spread in case of Crnogorska komercijalna banka a.d., since according to the Bank's assumption the risk free interest rate includes the country-dependent risks in an implicit way. In case the subsidiary owns subordinated debt, the discount rate is calculated as a weighted average of the expected return on equity presented previously and the subordinated debt's interest rate.

The growth rate in the explicit period is the growth rate of the profit after tax adjusted by the interest rate of the cash and subordinated loans. The supposed growth rates for the periods of residual values reflect the long-term economic expectations in case of every country.

The values of the subsidiaries in the FCF method were then calculated as the sum of the discounted cash-flows of the explicit period, the present value of the terminal values and the initial free capital assuming an effective capital structure.

Summary of the impairment test for the year ended 31 December 2020

Based on the valuations of the subsidiaries as at 31 December 2020 no goodwill impairment was needed to recorded by the Group.

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

For the year ended 31 December 2019

Cost	Intangible assets	Goodwill	Property	Office equipment	Vehicle	Construction in progress	Tangible assets subject to operating lease	Total
Balance as at 1 January	**225,541**	**97,728**	**239,639**	**174,060**	**20,980**	**22,881**	**37,845**	**818,674**
Increase due to acquisition	47,100	-	38,869	7,132	513	2,246	2,197	**98,057**
Additions	64,019	6,776	16,565	24,827	3,374	53,066	7,301	**175,928**
Foreign currency translation differences	12,405	7,298	6,144	4,804	313	448	878	**32,290**
Disposals	(16,407)	(115)	(12,517)	(11,075)	(2,101)	(55,837)	(16,422)	**(114,474)**
Reclassified as held-for-sale	(12,692)	-	(9,188)	(7,646)	-	(91)	-	**(29,617)**
Change in consolidation scope	783	-	26	267	-	4	-	**1,080**
Closing balance	**320,749**	**111,687**	**279,538**	**192,369**	**23,079**	**22,717**	**31,799**	**981,938**

Depreciation and amortization	Intangible assets	Property	Office equipment	Vehicle	Tangible assets subject to operating lease	Total
Balance as at 1 January	**148,396**	**68,223**	**130,063**	**5,439**	**14,467**	**366,588**
Charge for the period	35,247	7,830	18,944	1,508	5,397	**68,926**
Foreign currency translation differences	831	2,932	4,135	140	110	**8,148**
Disposals	-	(3,016)	(7,473)	(1,579)	(9,085)	**(21,153)**
Reclassified as held-for-sale	(1,619)	(4,885)	(6,021)	-	-	**(12,525)**
Change in consolidation scope	171	1	165	-	-	**337**
Closing balance	**183,026**	**71,085**	**139,813**	**5,508**	**10,889**	**410,321**

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

For the year ended 31 December 2019 [continued]

Impairment	Intangible assets	Goodwill	Property	Office equipment	Tangible assets subject to operating lease	Total
Balance as at 1 January	**2,200**	**5,962**	**28**	**34**	**585**	**8,809**
Charge for the period	803	6,388		1,294	1,991	**10,476**
Foreign currency translation differences	-	-	-	9	12	**21**
Disposals	(2,200)	(5,962)	(28)	-	(2,148)	**(10,338)**
Closing balance	**803**	**6,388**	**-**	**1,337**	**440**	**8,968**

	Intangible assets	Goodwill	Property	Office equipment	Vehicle	Construction in progress	Tangible assets subject to operating lease	Total
Carrying value								
Balance as at 1 January	**74,945**	**91,766**	**171,388**	**43,963**	**15,541**	**22,881**	**22,793**	**443,277**
Closing balance	**136,920**	**105,299**	**208,453**	**51,219**	**17,571**	**22,717**	**20,470**	**562,649**

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

For the year ended 31 December 2019 [continued]

Carrying value of the investment and goodwill allocated to the appropriate cash generating units

Subsidiaries	Carrying amounts of the subsidiary in HUF million	Goodwill values in HUF million	Goodwill values in million functional currency	Type of functional currency	Consolidated ownership interest	With ownership adjusted company value in HUF million	Applied long term grow rate	Applied long term discount rate
DSK Bank EAD [1] (Bulgaria)	280,692	28,541	28,541	HUF	100.00%	648,176	3.40%	8.11%
Expressbank AD (Bulgaria)	177,638	13,030	77	BGN	99.74%	175,023	3.40%	8.11%
OTP banka d.d. (Croatia)	205,349	19,187	58	EUR	100.00%	418,384	2.69%	8.85%
JSC "OTP Bank" (Russia)	124,409	44,530	9,395	RUB	97.91%	252,205	1.89%	14.42%
POK-DSK Rodina a.d. (Bulgaria)	943	11	11	HUF	99.75%	941	3.40%	8.11%
	789,031	**105,299**						

[1] DSK Bank EAD after merge with the previous Expressbank.

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

For the year ended 31 December 2019 [continued]

An analysis of the intangible assets for the year ended 31 December 2019 is as follows:

Intangible assets	Self-developed	Purchased	Total
Gross values	6,917	313,832	**320,749**
Accumulated amortization	(3,083)	(179,943)	**(183,026)**
Impairment	-	(803)	**(803)**
Carrying value	**3,834**	**133,086**	**136,920**

Summary of the impairment test for the year ended 31 December 2019

Based on the valuations of the subsidiaries as at 31 December 2019 HUF 4,887 million goodwill impairment for OTP Bank Romania S.A. was needed to book by the Group.

NOTE 14: INVESTMENT PROPERTIES (in HUF mn)

An analysis of the change in gross values of investment properties is as follows:

Gross values	2020	2019
Balance as at 1 January	**53,906**	**49,256**
Increase due to transfer from inventories or owner-occupied properties	6,896	3,752
Increase from purchase	574	2,516
Increase due to transfer from held-for-sale properties	86	366
Increase from acquisition	-	299
Other additions	-	12
Transfer to held-for-sale properties	(118)	(999)
Transfer to inventories or owner-occupied properties	(936)	(778)
Disposal due to sale	(8,725)	(1,278)
Other disposal	-	(7)
Foreign currency translation difference	2,471	767
Closing balance	**54,154**	**53,906**

The applied depreciation and amortization rates were the following:

	2020	2019
Depreciation and amortization rates	1% - 20%	1% - 22.2%

NOTE 14: INVESTMENT PROPERTIES (in HUF mn) [continued]

An analysis of the movement in the depreciation and amortization on investment properties is as follows:

Depreciation and amortization	**2020**	**2019**
Balance as at 1 January	**8,352**	**7,139**
Additions due to transfer from inventories or owner-occupied properties	1,657	1,482
Charge for the period	908	926
Additions due to transfer from held-for-sale properties	-	2
Transfer to inventories or owner-occupied properties	(10)	(710)
Disposal due to sale	(322)	(655)
Foreign currency translation difference	798	168
Closing balance	**11,383**	**8,352**

An analysis of the movement in the impairment on investment properties is as follows:

Impairment	**2020**	**2019**
Balance as at 1 January	**3,994**	**4,002**
Impairment for the period	178	255
Release of impairment for the period	(919)	(378)
Use of impairment	-	(27)
Additions due to transfer from inventories or owner-occupied properties	587	-
Foreign currency translation difference	330	142
Closing balance	**4,170**	**3,994**

Carrying values	**2020**	**2019**
Balance as at 1 January	**41,560**	**38,115**
Closing balance	**38,601**	**41,560**
Fair values	**37,842**	**45,768**

The Group chose the cost model for measuring investment properties but estimates and reviews the fair value of the investment properties by external experts, these investment properties would have been presented on level 3 in the fair value hierarchy if the Group didn't apply cost method for these recognition.

Income and expenses	**2020**	**2019**
Rental income	2,520	2,061
Direct operating expense of investment properties – income generating	455	687
Direct operating expense of investment properties – non income generating	8	8

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

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

	2020	2019
CCIRS and mark-to-market CCIRS designated as fair value hedge	6,179	3,705
Interest rate swaps designated as fair value hedge	641	3,758
Total	**6,820**	**7,463**

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

	2020	2019
Other financial assets		
Other advances	26,806	18,294
Receivables from card operations	24,816	28,749
Prepayments and accrued income on other financial assets	23,521	25,498
Trade receivables	17,039	17,861
Accrued day one gain of loans provided at below-market interest	14,465	10,227
Receivables from investment services	10,716	3,896
Stock exchange deals	10,632	6,058
Receivables due from pension funds and investment funds	8,323	15,668
Giro clearing accounts	2,441	2,817
Advances for securities and investments	774	746
Receivables from leasing activities	431	1,768
Other financial assets	19,057	6,088
Loss allowance on other financial assets	(18,459)	(14,617)
Total	**140,562**	**123,053**
Other non-financial assets		
Inventories	78,488	58,420
Prepayments and accrued income on other non-financial assets	19,307	6,946
Settlement and suspense accounts	16,355	6,282
Receivables, subsidies from the State, Government	11,767	17,910
Receivable from the National Asset Management	-	62
Other non-financial assets	11,748	13,778
Impairment on other non-financial assets	(11,753)	(11,871)
Total	**125,912**	**91,527**

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

	2020	2019
Balance as at 1 January	**14,617**	**15,053**
Loss allowance for the period	5,302	2,876
Use of loss allowance	(1,607)	(3,455)
Reclassified as held-for-sale	-	(420)
Foreign currency translation difference	147	563
Closing balance	**18,459**	**14,617**

[1] Other assets – except income tax receivable and fair value of derivative financial assets designated as fair value hedge – are expected to be recovered or settled no more than twelve months after the reporting period. Unrealized gains/losses on derivative financial instruments are recovering in accordance with their maturity.

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

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

	2020	2019
Balance as at 1 January	**11,871**	**12,550**
Impairment for the period	1,537	2,401
Use of impairment	(2,219)	(2,890)
Transfer to tangible assets subject to operating lease	-	(585)
Foreign currency translation difference	564	395
Closing balance	**11,753**	**11,871**

NOTE 17: AMOUNTS DUE TO BANKS, THE NATIONAL GOVERNMENTS, DEPOSITS FROM THE NATIONAL BANKS AND OTHER BANKS (in HUF mn)

	2020	2019
Within one year		
In HUF	132,182	274,871
In foreign currency	117,672	166,813
	249,854	**441,684**
Over one year		
In HUF	741,772	151,415
In foreign currency	193,689	219,812
	935,461	**371,227**
Total	**1,185,315**	**812,911**

Interest rates on amounts due to banks, the National Governments, deposits from the National Banks and other banks are as follows:

	2020	2019
Within one year		
In HUF	0.0% - 20.0%	(0.03)% - 0.9%
In foreign currency	(0.56)% - 5.0%	(0.89)% - 21.5% [2]
Over one year		
In HUF	(2.4)% - 2.73%	0.0% - 3.84%
In foreign currency	(2.4)% - 17.6%	(0.45)% - 17.6% [2]

	2020	2019
Average interest rates on amounts due to banks, the National Governments, deposits from the National Banks and other banks denominated in HUF	1.00%	1.14%
Average interest rates on amounts due to banks, the National Governments, deposits from the National Banks and other banks denominated in in foreign currency	2.32%	2.05%

[1] Other assets – except income tax receivable and fair value of derivative financial assets designated as fair value hedge – are expected to be recovered or settled no more than twelve months after the reporting period. Unrealized gains/losses on derivative financial instruments are recovering in accordance with their maturity.
[2] The highest interest rate for within and over one year due to banks relate to loans taken from EBRD in Ukraine.

NOTE 18: REPO LIABILITIES (in HUF mn)

	2020	2019
Within one year		
In HUF	-	488
In foreign currency	8,379	-
	8,379	**488**
Over one year		
In HUF	-	-
In foreign currency	109,612	-
	109,612	**-**
Total	**117,991**	**488**

Interest rates on repo liabilities are as follows:

	2020	2019
Interest rates on repo liabilities denominated in HUF (%)	-	(0.85)%
Interest rates on repo liabilities denominated in foreign currency (%)	0.0% - 3.85%	-

NOTE 19: FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)

Financial liabilities designated at fair value through profit or loss	**2020**	**2019**
Within one year		
In HUF	2,010	2,679
In foreign currency	-	-
	2,010	**2,679**
Over one year		
In HUF	29,886	28,183
In foreign currency	2,235	-
	32,121	**28,183**
Total	**34,131**	**30,862**

Interest conditions of financial liabilities designated at fair value through profit or loss can be analysed as follows:

	2020	2019
Interest rates on financial liabilities designated at fair value denominated in HUF within one year	0.51% - 2.5%	0.01% - 2.59%
Interest rates on financial liabilities designated at fair value denominated in HUF over one year	0.0% - 2.5%	0.01% - 2.59%

NOTE 20: DEPOSITS FROM CUSTOMERS (in HUF mn)

	2020	2019
Within one year		
In HUF	6,383,882	5,454,729
In foreign currency	10,990,543	8,977,145
	17,374,425	**14,431,874**
Over one year		
In HUF	327,165	302,049
In foreign currency	189,273	437,385
	516,438	**739,434**
Total	**17,890,863**	**15,171,308**

Interest rates on deposits from customers are as follows:

	2020	2019
Within one year		
In HUF	(4.58)% - 7.96%	(3.13)% - 7.96%
In foreign currency	(0.58)% - 16.5%	(0.6)% - 9.70%
Over one year		
In HUF	0.01% - 3.0%	(5.09)% - 7.96%
In foreign currency	0.0% - 7.75%	0.0% - 15% [1]

	2020	2019
Average interest rates on deposits from customers denominated in HUF	0.10%	0.08%
Average interest rates on deposits from customers denominated in foreign currency	0.47%	0.69%

An analysis of deposits from customers by type is as follows:

	2020		2019	
Retail deposits	10,695,792	59.8%	9,195,778	60.6%
Corporate deposits	6,298,143	35.2%	5,171,579	34.1%
Municipality deposits	896,928	5.0%	803,951	5.3%
Total	**17,890,863**	**100.0%**	**15,171,308**	**100.0%**

[1] The highest interest rate regarding foreign currency deposits relate to individually agreed deposits in Ukraine.

NOTE 21: LIABILITIES FROM ISSUED SECURITIES (in HUF mn)

	2020	2019
With original maturity		
Within one year		
In HUF	130,676	26,139
In foreign currency	1,366	3,816
	132,042	**29,955**
Over one year		
In HUF	332,125	363,159
In foreign currency	46	53
	332,171	**363,212**
Total	**464,213**	**393,167**

Interest rates on liabilities from issued securities are as follows:

	2020	2019
Issued securities denominated in HUF	0.0% - 2.5%	0.0% - 9.0%
Issued securities denominated in foreign currency	0.01% - 1.11%	0.74% - 6.70%

	2020	2019
Average interest rates on issued securities denominated in HUF	1.82%	1.80%
Average interest rates on issued securities denominated in foreign currency	1.44%	0.06%

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

	Name	Date of issue	Maturity	Nominal value (in HUF mn)	Amortized cost (in HUF mn)	Interest conditions (actual interest rate in % p.a.)		Hedged
1	OTPX2021A	01/04/2011	01/04/2021	183	246	indexed	NaN	hedged
2	OTPX2021B	17/06/2011	21/06/2021	245	370	indexed	NaN	hedged
3	OTPX2021C	19/09/2011	24/09/2021	231	192	indexed	NaN	hedged
4	OTPX2021D	21/12/2011	27/12/2021	259	325	indexed	NaN	hedged
5	OTPX2022A	22/03/2012	23/03/2022	201	214	indexed	NaN	hedged
6	OTPX2022B	18/07/2012	18/07/2022	172	440	indexed	1.7	hedged
7	OTPX2022C	29/10/2012	28/10/2022	201	233	indexed	1.7	hedged
8	OTPX2022D	28/12/2012	27/12/2022	248	299	indexed	1.7	hedged
9	OTPX2023A	22/03/2013	24/03/2023	324	327	indexed	1.7	hedged
10	OTPX2023B	28/06/2013	26/06/2023	198	225	indexed	0.6	hedged
	Subtotal			**2,262**	**2,871**			

NOTE 21: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

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

	Name	Date of issue	Maturity	Nominal value (in HUF mn)	Amortized cost (in HUF mn)	Interest conditions (actual interest rate in % p.a.)		Hedged
11	OTPX2024A	18/06/2014	21/06/2024	241	237	indexed	1.3	hedged
12	OTPX2024B	10/10/2014	16/10/2024	295	284	indexed	0.7	hedged
13	OTPX2024C	15/12/2014	20/12/2024	242	232	indexed	0.6	hedged
14	OTPRF2021A	05/07/2011	13/07/2021	2,607	2,807	indexed	NaN	hedged
15	OTPRF2021B	20/10/2011	25/10/2021	2,894	2,954	indexed	NaN	hedged
16	OTPRF2021C	21/12/2011	30/12/2021	527	544	indexed	NaN	hedged
17	OTPRF2021D	21/12/2011	30/12/2021	372	381	indexed	NaN	hedged
18	OTPRF2021E	21/12/2011	30/12/2021	76	74	indexed	NaN	hedged
19	OTPRF2022A	22/03/2012	23/03/2022	2,065	1,920	indexed	1.7	hedged
20	OTPRF2022B	22/03/2012	23/03/2022	831	772	indexed	1.7	hedged
21	OTPRF2022C	28/06/2012	28/06/2022	190	196	indexed	1.7	hedged
22	OTPRF2022D	28/06/2012	28/06/2022	260	251	indexed	1.7	hedged
23	OTPRF2022E	29/10/2012	31/10/2022	761	715	indexed	1.7	hedged
24	OTPRF2022F	28/12/2012	28/12/2022	623	592	indexed	1.7	hedged
25	OTPRF2023A	22/03/2013	24/03/2023	787	740	indexed	1.7	hedged
26	OJB2021_I	15/02/2017	27/10/2021	114,000	113,732	2	fixed	
27	OJB2023_I	05/04/2018	24/11/2023	44,120	44,623	1.75	fixed	
28	OJB2024_A	17/09/2018	20/05/2024	46,771	46,639	1.35	floating	
29	OJB2024_C	24/02/2020	24/10/2024	64,379	64,175	1.05	floating	
30	OJB2024_II	10/10/2018	24/10/2024	96,800	95,645	2.5	fix	
31	OJB2025_II	03/02/2020	26/11/2025	17,650	17,499	1.5	fix	hedged
32	OJB2027_I	23/07/2020	27/10/2027	65,800	64,705	1.25	fix	
33	Other			213	213			
	Total issued securities in HUF			**464,766**	**462,801**			

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

	Name	Date of issue	Maturity	Nominal value (in HUF mn)	Amortized cost (in HUF mn)	Interest conditions (actual interest rate in % p.a.)		Hedged
1	OTPX2020A	25/03/2010	30/03/2020	238	326	indexed	NaN	hedged
2	OTPX2020B	28/06/2010	09/07/2020	267	285	indexed	NaN	hedged
3	OTPX2020C	11/11/2010	05/11/2020	166	221	indexed	NaN	hedged
4	OTPX2020D	16/12/2010	18/12/2020	177	193	indexed	NaN	hedged
5	OTPX2020E	18/06/2014	22/06/2020	2,939	2,903	indexed	0.7	hedged
6	OTPX2020F	10/10/2014	16/10/2020	2,650	2,551	indexed	0.2	hedged
7	OTPX2020G	15/12/2014	21/12/2020	2,372	2,273	indexed	0.3	hedged
8	OTPX2021A	01/04/2011	01/04/2021	192	253	indexed	NaN	hedged
9	OTPX2021B	17/06/2011	21/06/2021	255	424	indexed	NaN	hedged
10	OTPX2021C	19/09/2011	24/09/2021	231	198	indexed	NaN	hedged
	Subtotal			**9,487**	**9,627**			

NOTE 21: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

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

	Name	Date of issue	Maturity	Nominal value (in HUF mn)	Amortized cost (in HUF mn)	Interest conditions (actual interest rate in % p.a.)		Hedged
11	OTPX2021D	21/12/2011	27/12/2021	274	305	indexed	NaN	hedged
12	OTPX2022A	22/03/2012	23/03/2022	217	235	indexed	NaN	hedged
13	OTPX2022B	18/07/2012	18/07/2022	183	318	indexed	1.7	hedged
14	OTPX2022C	29/10/2012	28/10/2022	217	278	indexed	1.7	hedged
15	OTPX2022D	28/12/2012	27/12/2022	265	379	indexed	1.7	hedged
16	OTPX2023A	22/03/2013	24/03/2023	340	370	indexed	1.7	hedged
17	OTPX2023B	28/06/2013	26/06/2023	214	268	indexed	0.6	hedged
18	OTPX2024A	18/06/2014	21/06/2024	241	253	indexed	1.3	hedged
19	OTPX2024B	10/10/2014	16/10/2024	311	302	indexed	0.7	hedged
20	OTPX2024C	15/12/2014	20/12/2024	259	249	indexed	0.6	hedged
21	OTPRF2020A	12/07/2010	20/07/2020	2,152	2,252	indexed	NaN	hedged
22	OTPRF2020B	12/07/2010	20/07/2020	1,276	1,429	indexed	NaN	hedged
23	OTPRF2020C	11/11/2010	05/11/2020	2,622	2,662	indexed	NaN	hedged
24	OTPRF2021A	05/07/2011	13/07/2021	2,402	2,804	indexed	NaN	hedged
25	OTPRF2021B	20/10/2011	25/10/2021	2,655	2,858	indexed	NaN	hedged
26	OTPRF2021C	21/12/2011	30/12/2021	505	558	indexed	NaN	hedged
27	OTPRF2021D	21/12/2011	30/12/2021	357	385	indexed	NaN	hedged
28	OTPRF2021E	21/12/2011	30/12/2021	67	68	indexed	NaN	hedged
29	OTPRF2022A	22/03/2012	23/03/2022	1,869	1,797	indexed	1.7	hedged
30	OTPRF2022B	22/03/2012	23/03/2022	728	698	indexed	1.7	hedged
31	OTPRF2022C	28/06/2012	28/06/2022	171	205	indexed	1.7	hedged
32	OTPRF2022D	28/06/2012	28/06/2022	249	278	indexed	1.7	hedged
33	OTPRF2022E	29/10/2012	31/10/2022	661	645	indexed	1.7	hedged
34	OTPRF2022F	28/12/2012	28/12/2022	538	532	indexed	1.7	hedged
35	OTPRF2023A	22/03/2013	24/03/2023	760	746	indexed	1.7	hedged
36	OJB2020_I	19/11/2004	12/11/2020	5,503	5,599	9	fixed	
37	OJB2020_II	31/05/2011	12/11/2020	1,487	1,502	9	fixed	
38	OJB2021_I	15/02/2017	27/10/2021	114,000	112,979	2	fixed	
39	OJB2023_I	05/04/2018	24/11/2023	43,600	44,137	1.75	fixed	
40	OJB2024_A	17/09/2018	20/05/2024	48,475	48,130	0.72	floating	
41	OJB2024_B	18/09/2018	24/05/2024	55,829	55,461	0.72	floating	
42	OJB2024_II	10/10/2018	24/10/2024	92,000	90,771	2.5	fix	
43	Other			218	218			
	Total issued securities in HUF			**390,132**	**389,298**			

NOTE 21: 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 issue	Maturity	Type of FX	Nominal value (FX mn)	Nominal value (HUF mn)	Amortized cost (FX mn)	Amortized cost (HUF mn)	Interest conditions (actual interest rate in % p.a.)	
1	OTP_VK1_21/1	20/02/2020	20/02/2021	USD	1.39	414	1.39	414	1.1	floating
2	OTP_VK1_21/2	02/04/2020	02/04/2021	USD	1.24	370	1.24	370	0.1	floating
3	OTP_VK1_21/3	14/05/2020	14/05/2021	USD	1.18	351	1.18	351	0.01	floating
4	OTP_VK1_21/4	18/06/2020	18/06/2021	USD	0.74	221	0.74	221	1.1	floating
5	Other[1]				12	47	14	56		
	Total issued securities in FX				**16.55**	**1,403**	**18.55**	**1,412**		
	Total issued securities							**464,213**		

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

	Name	Date of issue	Maturity	Type of FX	Nominal value (FX mn)	Nominal value (HUF mn)	Amortized cost (FX mn)	Amortized cost (HUF mn)	Interest conditions (actual interest rate in % p.a.)	
1	OTP_VK1_20/1	21/02/2019	21/02/2020	USD	1.53	450	1.54	452	1.48	floating
2	OTP_VK1_20/2	04/04/2019	04/04/2020	USD	2.47	727	2.48	731	1.42	floating
3	OTP_VK1_20/3	16/05/2019	16/05/2020	USD	0.89	263	0.89	263	1.32	floating
4	OTP_VK1_20/4	27/06/2019	27/06/2020	USD	1.87	552	1.87	552	1.32	floating
5	OTP_VK1_20/5	15/08/2019	15/08/2020	USD	2	589	2.01	591	1.2	floating
6	OTP_VK1_20/6	26/09/2019	26/09/2020	USD	0.75	220	0.75	221	1.2	floating
7	OTP_VK1_20/7	07/11/2019	07/11/2020	USD	1.68	494	1.68	495	1.1	floating
8	OTP_VK1_20/8	19/12/2019	19/12/2020	USD	1.52	448	1.52	448	1.1	floating
9	Other[1]				22	103	24	116		
	Total issued securities in FX				**34.71**	**3,846**	**36.74**	**3,869**		
	Total issued securities							**393,167**		

[1] Other category includes promissory notes issued by JSC "OTP Bank" (Russia) in the amount of HUF 56 million as at 31 December 2020 and HUF 116 million as at 31 December 2019.

NOTE 21: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

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.

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 23 April 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 25 June 2019 the prospectus of Term Note Program and the disclosure as at 28 June 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.

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

Negative fair value of derivative financial liabilities held for trading by type of contracts

	2020	2019
Foreign exchange swaps held for trading	39,103	28,453
Interest rate swaps held for trading	32,960	46,717
Foreign exchange forward contracts held-for-trading	10,750	5,561
CCIRS and mark-to-market CCIRS held for trading	7,419	1,037
Held for trading option contracts	3,843	3,128
Held-for-trading forward security agreement	116	8
Held-for-trading forward rate agreements	-	32
Other derivative transactions held for trading [1]	10,632	1,807
Total	**104,823**	**86,743**

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

The negative fair value of derivative financial liabilities designated as hedge accounting by type of contracts

	2020	2019
CCIRS and mark-to-market CCIRS designated as fair value hedge	6,007	1,870
Interest rate swaps designated as fair value hedge	5,334	8,839
Total	**11,341**	**10,709**

NOTE 24: OTHER LIABILITIES[2] (in HUF mn)

	2020	2019
Other financial liabilities		
Liabilities connected to Cafeteria benefits	121,711	80,003
Liabilities from investment services	62,667	101,417
Accrued expense on other financial liabilities	42,212	6,638
Accounts payable	41,460	50,974
Liabilities from card transactions	20,402	20,563
Giro clearing accounts	14,589	3,935
Accrued day one gain of loan liabilities at below-market interest	14,391	10,177
Advances received from customers	11,259	15,555
Liabilities due to short positions	9,131	7,040
Loans from government	3,435	1,291
Dividend payable	119	108
Liabilities due to refunding assets	-	9,133
Other financial liabilities	48,526	31,186
Subtotal	**389,902**	**338,020**

NOTE 24: OTHER LIABILITIES[3] (in HUF mn) [continued]

[1] Other category includes: commodity and equity swaps, exchange traded futures and options.

[2] Other liabilities – except deferred tax and corporate tax liabilities and fair value of derivative financial liabilities designated as fair value hedge – are expected to be recovered or settled no more than twelve months after the reporting period. Unrealized gains/losses on derivative financial instruments is recovering in accordance with their maturity. Besides the total other liabilities mentioned above, which are expected to be recovered or settled more than twelve months after the reporting period are the following: accrued contractual liabilities, compulsory pension reserve, loans from government and liabilities from preferential dividend shares.

[3] Other liabilities – except deferred tax liabilities, corporate tax and fair value of derivative financial liabilities designated as fair

Other non-financial liabilities	2020	2019
Provision on off-balance sheet commitments and contingent liabilities	114,518	102,449
Clearing and giro settlement accounts	38,912	35,393
Salaries and social security payable	25,207	24,937
Liabilities related to housing loans	8,868	6,055
Accrued expense on other non-financial liabilities	6,997	41,610
Insurance technical reserve	4,545	10,396
Provision due to CHF loans conversion at foreign subsidiaries	1,949	1,985
Other non-financial liabilities	16,839	31,695
Subtotal	**217,835**	**254,520**
Total	**607,737**	**592,540**

The provisions are detailed as follows:

	2020	2019
Commitments and guarantees given	54,810	48,662
Total provision according to IFRS 9	**54,810**	**48,662**
Pending legal issues and tax litigation	34,894	28,650
Pensions and other retirement benefit obligations	10,975	11,253
Other long-term employee benefits	2,396	2,343
Provision due to CHF loans conversion at foreign subsidiaries	1,949	1,985
Restructuring	1,531	2,626
Other provision	9,912	8,915
Total provision according to IAS 37	**61,657**	**55,772**
Total	**116,467**	**104,434**

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

value hedge – are expected to be recovered or settled no more than twelve months after the reporting period. Unrealized gains/losses on derivative financial instruments is recovering in accordance with their maturity. Besides the total other liabilities mentioned above, which are expected to be recovered or settled more than twelve months after the reporting period are the following: accrued contractual liabilities, compulsory pension reserve, loans from government and liabilities from preferential dividend shares.

[1] Other liabilities – except deferred tax liabilities, corporate tax and fair value of derivative financial liabilities designated as fair

The movements of provisions according to IFRS 9 can be summarized as follows:

	2020	2019
Balance as at 1 January	**48,662**	**28,144**
Provision for the period	98,703	50,919
Release of provision for the period	(90,041)	(42,924)
Use of provision	(2,276)	(1)
Change due to acquisition	-	5,693
Reclassified as held-for-sale	-	(451)
Transfer	-	5,259
Foreign currency translation differences	(238)	2,023
Closing balance	**54,810**	**48,662**

The movements of provisions according to IAS 37 can be summarized as follows:

	2020	2019
Balance as at 1 January	**55,772**	**57,285**
Provision for the period	23,381	11,196
Release of provision for the period	(17,251)	(7,538)
Use of provision	(4,501)	(4,438)
Change due to actuarial gains or losses related to employee benefits	(143)	173
Change due to acquisition	-	4,005
Reclassified as held-for-sale	-	(904)
Transfer	-	(5,259)
Foreign currency translation differences	4,399	1,252
Closing balance	**61,657**	**55,772**

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

	2020	2019
Within one year		
In HUF	-	-
In foreign currency	2,843	2,700
	2,843	**2,700**
Over one year		
In HUF		
In foreign currency	271,861	247,238
	271,861	**247,238**
Total	**274,704**	**249,938**

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

value hedge – are expected to be recovered or settled no more than twelve months after the reporting period. Unrealized gains/losses on derivative financial instruments is recovering in accordance with their maturity. Besides the total other liabilities mentioned above, which are expected to be recovered or settled more than twelve months after the reporting period are the following: accrued contractual liabilities, compulsory pension reserve, loans from government and liabilities from preferential dividend shares.

Types of subordinated bonds and loans

	2020	2019
Debt securities issued	269,566	244,924
Deposits	5,138	5,014
Total	**274,704**	**249,938**

Interest rates on subordinated bonds and loans are as follows:

	2020	2019
Denominated in HUF	-	-
Denominated in foreign currency	2.5% - 5.0%	2.6% - 5.0%

	2020	2019
Average interest rates on subordinated bonds and loans	2.83%	2.82%

Subordinated bonds and loans can be detailed as follows:

Type	Nominal value	Date of issuance	Date of maturity	Issue price	Interest conditions	Interest rate as at 31 December 2020
Subordinated bond	EUR 231.34 million	07/11/2006	Perpetual	99.875%	Three-month EURIBOR + 3%, variable after year 10 (payable quarterly)	2.48%
Subordinated bond	EUR 499.8 million	15/07/2019	15/07/2029	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 end of the 5 year.	2.88%
Subordinated loan	USD 17.0 million	05/06/2018	30/06/2025	100.00%	Bullet repayment, once at the end of the loan agreement	5.00%

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[1] (in HUF mn)

NBH warns the financial institutions in an executive 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.

The retained earnings and reserves according to IFRS contains the retained earnings (HUF 744,802 million and HUF 632,436 million) and reserves (HUF 1,884,274 million and HUF 1,686,827 million) as at 31 December 2020 and 31 December 2019 respectively. The reserves include mainly the option reserve, other reserves, the fair value adjustment of financial instruments at fair value through other comprehensive income, share-based payment reserve, fair value of hedge transactions, additional reserves of Income Certificates Exchangeable for Shares ("ICES"), changes in equity accumulated in the previous years at the subsidiaries and due to consolidation as well as translation of foreign exchange differences.
In the Consolidated Financial Statements the Group recognizes the non-monetary items at historical cost. The difference between the historical cost of the non-monetary items in forint amount and the translated foreign currencies into the presentation currency using the exchange rate at the balance sheet date, is presented in the shareholders' equity as a translation difference. The accumulated amounts of exchange differences were HUF (3,369) million and HUF (72,404) million as at 31 December 2020 and 31 December 2019 respectively.

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.

Retained earnings

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

Other reserves

The other reserves contain separated reserves due to statutory provisions.

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.

NOTE 27: RETAINED EARNINGS AND RESERVES[2] (in HUF mn) [continued]

[1] See more details in the Consolidated Statement of Comprehensive Income and in the Consolidated statement of Changes in equity on page 6 and 7.
[2] See more details in the Consolidated Statement of Comprehensive Income and in the Consolidated statement of Changes in equity on page 6 and 7.

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 (see details in Note 39).

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.

Net investment hedge in foreign operations

Reserve presented as net investment hedge in foreign operations in the sharholders' equity is related to DSK Bank EAD, OTP banka d.d. and Crnogorska komercijalna banka a.d.

Extra reserves

The result of ICES bond issuance is presented as extra reserve in the consolidation books due to the detailed conditions below (see the details below in this note) and therefore any payment to the owner of the ICES will be booked as decreasing item in the reserves.

Changes in equity accumulated in the previous year at the subsidiaries and due to consolidation

The accumulated changes at the subsidiaries contain the accumulated gains and losses of the subsidiaries from the first day when they were included in the consolidation process. The changes due to consolidation contain the effect on the result of the eliminations in the consolidation process of the previous years.

	2020	**2019**
Retained earnings	744,802	632,436
Capital reserve	52	52
Option reserve	(55,468)	(55,468)
Other reserves	93,056	87,035
Fair value of financial instruments measured at fair value through other comprehensive income	61,396	68,314
Share-based payment reserve	42,573	39,179
Fair value of derivative financial instruments designated as cash-flow hedge	-	2
Net investment hedge in foreign operations	(27,405)	(18,814)
Extra reserves	89,935	89,935
Net profit for the year	259,416	412,241
Changes in equity accumulated in the previous year at the subsidiaries and due to consolidation	1,424,088	1,136,755
Foreign currency translation differences	(3,369)	(72,404)
Retained earnings and other reserves	**2,629,076**	**2,319,263**

NOTE 27: RETAINED EARNINGS AND RESERVES[1] (in HUF mn) [continued]

[1] See more details in the Consolidated Statement of Comprehensive Income and in the Consolidated statement of Changes in equity on page 6 and 7.

Fair value adjustment of securities at fair value through other comprehensive income	2020	2019
Balance as at 1 January	**50,272**	**29,311**
Change of fair value correction	(10,897)	16,258
Deferred tax related to change of fair value correction	1,403	(1,904)
Transfer to profit or loss due to reclassification to FVTPL securities	(144)	(15)
Transfer to profit or loss due to derecognition	3,329	7,382
Deferred tax related to accumulated transfer to profit or loss	(472)	(760)
Foreign currency translation difference	467	-
Closing balance	**43,958**	**50,272**

Expected credit loss on securities at fair value through other comprehensive income	2020	2019
Balance as at 1 January	**2,927**	**3,360**
Increase of loss allowance	6,303	1,368
Release of loss allowance	(1,441)	(1,652)
Decrease due to sale, derecognition	(724)	(149)
Foreign currency translation difference	(81)	-
Closing balance	**6,984**	**2,927**

Fair value changes of equity instruments as at fair value through other comprehensive income	2020	2019
Balance as at 1 January	**15,115**	**10,092**
Change of fair value correction	(3,336)	4,026
Deferred tax related to change of fair value correction	363	(616)
Transfer to retained earnings due to derecognition	(1,746)	1,613
Foreign currency translation difference	58	-
Closing balance	**10,454**	**15,115**

Net investment hedge in foreign operations	2020	2019
Balance as at 1 January	**(18,814)**	**(16,288)**
Change of fair value correction on hedging item	(9,440)	(2,776)
Deferred tax related to change of fair value correction	849	250
Closing balance	**(27,405)**	**(18,814)**

On 19 October 2006, the Bank sold 14.5 million Treasury shares owned by the Group through an issue of ICES. Within the transaction 10 million shares owned by OTP Bank, and a further 4.5 million shares owned by the Group 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 years 6 and 10. The bonds carry a fixed coupon of 3.95% during the first 10 years, and thereafter the Issuer has the right to redeem the bonds at face value. Following year 10, the bonds carry a coupon of 3 month EURIBOR +3%. OTP Bank has a discretional right to cancel the interest 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.

NOTE 28: TREASURY SHARES (in HUF mn)

	2020	2019
Nominal value (Ordinary shares)	2,392	1,778

Carrying value at acquisition cost	124,080	60,931

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	**17,779,845**	**18,475,833**
Additions	8,296,388	906,194
Disposals	(2,151,333)	(1,602,182)
Closing number of shares	**23,924,900**	**17,779,845**

Change in carrying value:

	2020	2019
Balance as at 1 January	**60,931**	**67,999**
Additions	85,922	8,887
Disposals	(22,773)	(15,955)
Closing balance	**124,080**	**60,931**

NOTE 29: NON-CONTROLLING INTEREST (in HUF mn)

	2020	2019
Balance as at 1 January	**4,956**	**2,452**
Increase due to business combination	-	1,736
Non-controlling interest included in net profit for the year	221	341
Changes due to ownership structure	-	(10)
Purchase of non-controlling interest	(382)	-
Decrease due to discontinued operation	(235)	-
Foreign currency translation difference	(444)	437
Closing balance	**4,116**	**4,956**

The non-controlling interest is not significant in respect of the whole OTP Group.

NOTE 30: INTEREST INCOME, INCOME SIMILAR TO INTEREST INCOME AND EXPENSE (in HUF mn)

	2020	2019

Interest income calculated using the effective interest method from / on		
loans	658,579	599,390
securities at amortized cost	69,905	62,468
finance lease receivables	54,046	40,914
securities at fair value through other comprehensive income	44,782	46,521
placements with other banks	7,572	8,989
banks and balances with the National Banks	5,103	2,037
liabilities (negative interest expense)	1,628	1,532
repo receivables	286	788
Subtotal	**841,901**	**762,639**
Income similar to interest income from		
swap deals related to placements with other banks	78,577	78,113
loans mandatorily at fair value through profit or loss	28,251	16,653
swap deals related to credit institutions	20,322	28,710
rental income	8,363	9,819
non-trading securities mandatorily at fair value through profit or loss	473	202
Subtotal	**135,986**	**133,497**
Total interest income and income similar to interest income	**977,887**	**896,136**

	2020	**2019**
Interest expense due to / from / on		
swaps related to banks, National Governments and to deposits from the National Banks	82,301	81,261
deposits from customers	53,196	59,242
swaps related to deposits from customers	17,226	24,789
banks, National Governments and on deposits from the National Banks	13,785	10,173
issued securities	7,750	6,749
subordinated and supplementary bonds and loans	7,718	4,743
depreciation of assets subject to operating lease and investment properties	5,624	6,147
on financial assets (negative interest income)	5,014	2,036
leases	1,623	1,652
repo liabilities	653	148
other	326	155
Total interest expense	**195,216**	**197,095**

NOTE 31: LOSS ALLOWANCES / IMPAIRMENT AND PROVISIONS (in HUF mn)

	2020	**2019**

	2020	2019
Loss allowance on loans		
Loss allowance for the period	647,873	398,022
Release of loss allowance	(390,102)	(297,925)
Income from loan recoveries	(98,300)	(60,735)
Modification loss on loans measured at amortized cost	29,773	150
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	3,262	4,376
Loss allowance on finance lease	9,972	4,440
Loss on financial lease	310	888
	202,788	**49,216**
Loss allowance / (Release of loss allowance) on placements and on repo receivables		
Allowance for the period	16,476	3,561
Release of allowance	(15,691)	(3,650)
Gains on placements due to write-off and sale	4	(146)
	789	**(235)**
Loss allowance / (Release of loss allowance) on securities at fair value through other comprehensive income and on securities at amortized cost		
Allowance for the period	11,370	746
Release of allowance	(4,061)	(755)
	7,309	**(9)**
Release of impairment of intangible, tangible assets subject to operating lease and of investment properties		
Impairment for the period	178	2,246
Release of impairment	(1,056)	(2,526)
	(878)	**(280)**
Provision for commitments and guarantees given		
Provision for the period	98,703	49,832
Release of provision	(90,041)	(41,837)
	8,662	**7,995**
Loss allowances / Impairment and provisions	**218,670**	**56,687**

NOTE 32: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn)

Income from fees and commissions	**2020**	**2019**

Fees and commissions related to lending[1]	**33,233**	**25,687**
Deposit and account maintenance fees and commissions	173,578	166,483
Fees and commissions related to the issued bank cards	83,474	76,247
Currency exchange gains and losses	46,290	33,736
Fees related to cash withdrawal	39,120	40,206
Fees and commissions related to fund management	28,800	35,354
Fees and commissions related to security trading	25,830	24,293
Insurance fee income	13,603	14,670
Other	42,601	30,408
Fees and commissions from contracts with customers	**453,296**	**421,397**
Total	**486,529**	**447,084**

Fee type	Nature and timing of obligation settlement, and the significant payment terms	Revenue recognition under IFRS 15
Deposit and account maintenance fees and commissions and fees related to cash withdrawal	The Group 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 Group 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 Group 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 place or charged monthly at the end of the month.

NOTE 32: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn) [continued]

[1] Such kinds of fees and commissions related to lending which aren't included in the effective interest rate calculation due to their nature.

Fee type	Nature and timing of obligation settlement, and the significant payment terms	Revenue recognition under IFRS 15
Fees and commission related to the issued bank cards	The Group 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 Group 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 Group 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 place or charged monthly at the end of the month.
Fees and commissions related to security account management services	The Group provides its clients 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 place.
Fees and commissions related to fund management	Fees from fund management services provided to investment funds and from portfolio management provided to insurance companies, funds. The fee income are calculated on the basis of net asset value of the portfolio and by the fee rates determined in the contracts about portfolio management.	Fees for ongoing services are charged usually on monthly (mutual funds) or semi-annually (venture capital funds) during the period when they are provided but accrued monthly.
Net insurance fee income	Due to the fact that the Group rarely provides 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 Group total income are included in Other fees category. Such fees are safe lease, special procedure fee, account rent 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 were met, usually 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 place.

NOTE 32: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn) [continued]

Expense from fees and commissions	**2020**	**2019**
Fees and commissions paid on loans	6,974	3,146
Fees and commissions related to issued bank cards	32,487	29,528
Interchange fees	18,958	15,405
Fees and commissions related to deposits	7,000	5,422
Fees and commissions related to security trading	3,776	3,132
Cash withdrawal transaction fees	3,696	3,642
Fees and commissions related to collection of loans	1,447	948
Insurance fees	1,036	1,122
Postal fees	714	975
Money market transaction fees and commissions	113	73
Other	12,695	9,510
Total	**88,896**	**72,903**
Net profit from fees and commissions	**397,633**	**374,181**

NOTE 33: OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn)

Other operating income	**2020**	**2019**
Negative goodwill due to acquisition	7,504	80,667
Gains on transactions related to property activities	3,631	8,230
Rental income	1,835	1,308
Income from computer programming	1,529	1,080
Income from real estate management	1,092	446
Gains on transactions related to insurance activity	721	848
Non-repayable assets received	65	174
Other income from non-financial activities	17,084	18,340
Total	**33,461**	**111,093**

Other operating expenses	**2020**	**2019**
Financial support for sport association and organization of public utility	12,080	9,568
Provision for off-balance sheet commitments and contingent liabilities	6,336	3,827
Loss allowance on other financial assets	6,036	3,774
Impairment on other non-financial assets	1,537	2,481
Non-repayable assets contributed	688	3,627
Expense from losses due to foreign currency loan conversion at foreign subsidiaries	224	274
Impairment on tangible and intangible assets	51	2,358
Fine imposed by Competition Authority	25	143
Release of provision due to foreign currency loan conversion at foreign subsidiaries	(206)	(169)
(Release of impairment) / Impairment on investments	(381)	3,342
Other	13,057	15,533
Other expense from non-financial activities	*5,551*	*6,361*
Other costs	*7,506*	*9,172*
Total	**39,447**	**44,758**

NOTE 33: OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn) [continued]

Other administrative expenses	2020	2019
Personnel expenses		
Wages	242,970	214,409
Taxes related to personnel expenses	42,576	40,902
Other personnel expenses	23,096	21,443
Subtotal	**308,642**	**276,754**
Depreciation, amortization of tangible, intangible assets, right-of-use assets and goodwill impairment[1]	**92,761**	**81,935**
Other administrative expenses		
Taxes, other than income tax [2]	103,343	96,932
Services	100,031	88,579
Professional fees	44,542	38,362
Administration expenses	35,552	32,041
Advertising	17,913	18,794
Rental fees	4,883	7,820
Subtotal	**306,264**	**282,528**
Total	**707,667**	**641,217**

The table below contains the detailing of the fees for non-audit services:

Deloitte Auditing and Consulting Ltd.

	2020	2019
OTP – annual audit – separate financial statements	95	53
OTP – annual audit – consolidated financial statements	14	14
Other audit services based on statutory provisions to OTP Group members	861	970
Other services providing assurance	4	4
Other non-audit services	76	92
Total	**1,050**	**1,133**

Deloitte Network

	2020	2019
Audit based on statutory provisions	885	779
Other services providing assurance	157	27
Tax consulting services	67	46
Other non-audit services	508	710
Total	**1,617**	**1,562**

NOTE 34: INCOME TAXES (in HUF mn)

The Group is presently liable for income tax at rates between 9% and 35% of taxable income.

[1] See details in Note 13.

[2] Special tax of financial institutions was paid by the Group in the amount of HUF 17,665 million for the year 2020 and HUF 12,043 million for the year 2019, recognized as an expense thus decreased the corporate tax base. For the year ended 31 December 2020 financial transaction levy was paid by the Bank in the amount of HUF 60 billion while for the year ended 31 December 2019 the same dutiy was HUF 61 billion.

Deferred tax is calculated at the income tax rate of 9% in Hungary and Montenegro, 10% in Bulgaria, 12% in Moldova, 12.5% in Cyprus, 15% in Serbia and Albania, 16% in Romania, 18% in Ukraine and Croatia, 19% in Slovenia, 20% in Russia, 25.5% in the Netherlands and 35% in Malta.

The breakdown of the income tax expense is:

	2020	2019
Current tax expense	25,543	42,591
Deferred tax expense	1,833	7,311
Total	**27,376**	**49,902**

A reconciliation of the net deferred tax asset/liability is as follows:

	2020	2019
Balance as at 1 January	**(2,652)**	**13,904**
Deferred tax expense in profit or loss	(1,833)	(7,311)
Deferred tax receivable / (liability) related to items recognized directly in equity and in Comprehensive Income	3,555	(877)
Due to merge of subsidiary	(919)	-
Due to sale of subsidiary	-	(9,068)
Foreign currency translation difference	(1,824)	700
Closing balance	**(3,673)**	**(2,652)**

A breakdown of the deferred tax assets are as follows:

	2020	2019
Provision for off-balance sheet commitments and contingent liabilities, derivative financial instruments	4,650	3,948
Premium and discount amortization on bonds	4,198	4,975
Loss allowance on granted loans	4,083	12,187
Loss allowance / impairment on other financial, non-financial assets	3,440	3,238
Unused tax allowance	1,552	398
Fair value adjustment of derivative financial instruments	1,351	553
Difference in depreciation and amortization	1,061	1,074
Difference due to IFRS 9	356	483
Difference in accounting for leases	298	156
Amounts unenforceable by tax law	247	210
Tax accrual caused by negative taxable income	238	902
Adjustment from effective interest rate method	127	254
Temporary differences arising on consolidation	120	827
Fair value adjustment of securities at fair value through profit or loss and through other comprehensive income	93	2,766
Other	2,895	6,825
Deferred tax asset	**24,709**	**38,796**

NOTE 34: INCOME TAXES (in HUF mn) [continued]

A breakdown of the deferred tax liabilities are as follows:

	2020	2019
Fair value adjustment of securities at fair value through profit or loss and through other comprehensive income	(11,836)	(13,798)
Difference in depreciation and amortization	(7,858)	(9,200)
Deferred tax due to acquisition	(1,425)	(9,720)
Provision for off-balance sheet commitments and contingent liabilities, derivative financial instruments	(534)	(408)
Loss allowance on granted loans	(489)	(23)
Fair value adjustment of derivative financial instruments	(105)	-
Amounts unenforceable by tax law	(102)	(104)
Loss allowance / impairment on other financial, non-financial assets	(83)	(75)
Difference due to IFRS 9	(52)	(70)
Temporary differences arising on consolidation	-	(598)
Premium and discount amortization on bonds	-	(2,588)
Other	(5,898)	(4,864)
Deferred tax liabilities	**(28,382)**	**(41,448)**
Net deferred tax asset / (liability)	**(3,673)**	**(2,652)**
(the amounts presented in the statement of financial positions)		
Deferred tax assets	**22,317**	**26,543**
Deferred tax liabilities	**(25,990)**	**(29,195)**

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

	2020	2019
Profit before income tax	281,422	467,152
Income tax expense at statutory tax rates	36,847	55,812
Income tax adjustments due to permanent differences are as follows:		
Share-based payment	305	319
Correction on tax basis due to change of accounting policy	230	-
Amounts unenforceable by tax law	(38)	(58)
Permanent differences from unused tax losses	(167)	-
Deferred use of tax allowance	(1,039)	5,046
Use of tax allowance in the current year	(2,023)	(6,975)
Other	(6,739)	(4,242)
Income tax expense	**27,376**	**49,902**
Effective tax rate	**9.73%**	**10.68%**

NOTE 35: LEASE (in HUF mn)

The Group as a lessee:

Right-of-use assets by class of underlying assets as at 31 December 2020:

2020	Property	Office equipment and vehicles	Total
Depreciation expense of right-of-use assets	15,933	514	**16,447**
Additions to right-of-use assets	17,999	250	**18,249**
Carrying amount of right-of-use assets at the end of the reporting period	45,642	641	**46,283**

Right-of-use assets by class of underlying assets as at 31 December 2019:

2019	Property	Office equipment and vehicles	Total
Depreciation expense of right-of-use assets	13,272	1,008	**14,280**
Additions to right-of-use assets	21,081	842	**21,923**
Carrying amount of right-of-use assets at the end of the reporting period	52,038	912	**52,950**

The total cash outflow for leases was HUF 23,028 million and HUF 20,603 million in year 2020 and 2019, respectively.

The Group mainly leases real estate, a significant part of its right-of-use assets are related to branch offices, a smaller part to office buildings and office space.

Leasing liabilities by maturities:

	2020	2019
Within one year	10,937	9,789
Over one year	37,514	44,405
Total	**48,451**	**54,194**

Lease liabilities by payments:

	2020	2019
Arising from fixed lease payments	35,018	42,751
Arising from variable lease payments	13,433	11,443
Total	**48,451**	**54,194**

On 31 December 2020, HUF 126 million is the lease payment to be paid in the future due to leases not yet commenced to which the Group is committed.

Amounts recognized in profit or loss	2020	2019
Interest expense on lease liabilities	1,623	1,652
Expense relating to short-term leases	3,857	5,923
Expense relating to leases of low value assets	721	382
Expense relating to variable lease payments not included in the measurement of lease liabilities	2	4
Income from subleasing right-of-use assets	405	6

NOTE 35: LEASE (in HUF mn) [continued]

The Group as a lessor:

The Group's leasing activities are most significant in Hungary, Bulgaria, Slovenia, Ukraine and Croatia. The main activity of the leasing companies is finance leasing. About half of the underlying assets are passenger cars, besides this the Group leases mainly agricultural machinery, commercial vehicles, vessels and construction machinery.

The Group manages the risk associated with the rights held in the underlying assets by, inter alia, buy-back agreements, determining the residual values on level lower than future market values and registering pledge on the underlying asset.

The Group as a lessor, finance lease:

Amounts receivable under finance leases	**2020**	**2019**
In less than 1 year	410,639	317,799
Between 1 and 2 years	298,354	238,249
Between 2 and 3 years	211,257	196,142
Between 3 and 4 years	127,052	139,292
Between 4 and 5 years	71,428	93,361
More than 5 years	44,473	49,639
Total receivables from undiscounted lease payments	**1,163,203**	**1,034,482**
Unguaranteed residual values	796	401
Gross investment in the lease	**1,163,999**	**1,034,883**
Less: unearned finance income	(88,257)	(52,030)
Present value of minimum lease payments receivable	**1,075,742**	**982,853**
Loss allowance	(24,602)	(13,590)
Net investment in the lease	**1,051,140**	**969,263**

An analysis of the change in the gross values on finance receivables is as follows:

	2020	**2019**
Balance as at 1 January	**982,853**	**519,004**
Increase due to acquisition	-	**344,286**
Additions due to new contracts	372,664	432,625
Additions due to interest income and amortized fees	54,110	52,380
Increase in residual value guarantees	-	4,430
Decrease in residual value guarantees	-	(2,657)
Decrease due to regular lease payment	(328,357)	(346,289)
Decrease due to sale	(3,924)	(3,629)
Decrease due to write-off	(349)	(848)
Decrease due to early repayment	(52,703)	(20,906)
Decrease due to repossession of the asset	(4,422)	(3,961)
Foreign currency translation difference	55,870	8,418
Closing balance	**1,075,742**	**982,853**

NOTE 35: LEASE (in HUF mn) [continued]

The Group as a lessor [continued]:

The Group as a lessor, finance lease [continued]:

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

	2020	2019
Balance as at 1 January	**13,590**	**9,005**
Loss allowance for the period	23,807	13,415
Release of loss allowance	(13,240)	(8,535)
Use of loss allowance	(21)	(809)
Partial write-off	(50)	-
Foreign currency translation difference	516	514
Closing balance	**24,602**	**13,590**

Result from finance leases	**2020**	**2019**
Selling profit or loss	249	(78)
Finance income on the net investment in the lease	54,046	40,914
Income relating to variable lease payments not included in the measurement of the net investment in the lease	-	-

The Group as a lessor, operating lease:

Amounts receivable under operating leases	**2020**	**2019**
In less than 1 year	11,285	11,990
Between 1 and 2 years	8,634	6,928
Between 2 and 3 years	4,856	5,033
Between 3 and 4 years	2,692	3,955
Between 4 and 5 years	1,653	1,781
More than 5 years	20	491
Total receivables from undiscounted lease payments	**29,140**	**30,178**

Result from operating leases	**2020**	**2019**
Lease income	9,861	11,127
Therein lease income relating to variable lease payments that do not depend on an index or a rate	-	-

NOTE 36: 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 Group. The most significant risks the Group faces include:

36.1. Credit risk

The Group 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 Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or banks of borrowers, and to geographical areas and loan types. Such risks are monitored on a periodical basis and subject to an annual or more frequent review. The exposure to any borrower including banks and brokers is further restricted by sub-limits 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 principal repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is managed by obtaining collateral, corporate and personal guarantees.

Defining the expected credit loss on individual and collective basis

On individual basis:

Individually assessed are the non-retail or non- 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 (amortized 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 items' 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. It should be at least one scenario in which the entity anticipates that realized 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.

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

Defining the expected credit loss on individual and collective basis [continued]

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.

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 Headquarter 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 are responsible for parameter estimations / updates, macroeconomic scenarios are calculated by OTP Bank Headquarter for each subsidiary and each parameter. Based on the consensus proposal of Local Risk Management and OTP Bank Headquarter, the Group Reserve Committee decides on the modification of parameters (all parameters for impairment calculation).

At least on a yearly basis the impairment parameters should be backtested as well.

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

36.1. Credit risk [continued]

36.1.1. Financial instruments by stages

Gross carrying amount and accumulated loss allowance of financial assets at amortized cost and of interest bearing securities at fair value through other comprehensive income and financial commitments and provision on them by stages as at 31 December 2020:

		Gross carrying amount / Notinal value					Accumulated loss allowance / Provision				
2020	Carrying amount / Exposure	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Placements with other banks	**1,148,743**	1,150,113	1	118	-	**1,150,232**	1,377	1	111	-	**1,489**
Repo receivables	**190,849**	191,141	-	-	-	**191,141**	292	-	-	-	**292**
Mortgage loans	**3,311,651**	2,729,387	522,312	174,137	70,809	**3,496,645**	10,486	29,970	101,972	42,566	**184,994**
Loans to medium and large corporates	**4,342,003**	3,758,377	604,480	167,402	31,744	**4,562,003**	43,544	67,479	98,800	10,177	**220,000**
Consumer loans	**2,689,621**	2,317,004	397,170	318,448	13,988	**3,046,610**	42,050	75,111	232,138	7,690	**356,989**
Loans to micro and small enterprises	**521,578**	391,810	141,197	34,721	4,105	**571,833**	5,671	17,982	24,654	1,948	**50,255**
Car-finance loans	**362,425**	292,973	71,576	8,370	3,219	**376,138**	1,732	3,746	5,735	2,500	**13,713**
Municipal loans	**447,564**	445,039	5,501	616	-	**451,156**	2,668	653	271	-	**3,592**
Loans at amortized cost	**11,674,842**	**9,934,590**	**1,742,236**	**703,694**	**123,865**	**12,504,385**	**106,151**	**194,941**	**463,570**	**64,881**	**829,543**
Finance lease receivable	**1,051,140**	857,452	183,719	33,606	965	**1,075,742**	4,141	8,103	12,188	170	**24,602**
Interest bearing securities at fair value through other comprehensive income [1]	**2,101,384**	2,099,713	1,671	-	-	**2,101,384**	6,856	128	-	-	**6,984**
Securities at amortized cost	**2,624,920**	2,629,778	-	799	-	**2,630,577**	4,858	-	799	-	**5,657**
Financial assets total	**18,791,878**	**16,862,787**	**1,927,627**	**738,217**	**124,830**	**19,653,461**	**123,675**	**203,173**	**476,668**	**65,051**	**868,567**
Loan commitments given	**3,151,051**	3,034,782	141,527	5,827	-	**3,182,136**	19,914	8,632	2,539	-	**31,085**
Financial guarantees given	**796,961**	777,513	28,646	5,065	-	**811,224**	10,044	1,450	2,769	-	**14,263**
Other commitments given	**954,544**	931,515	28,214	4,277	-	**964,006**	7,339	973	1,150	-	**9,462**
Financial liabilities total	**4,902,556**	**4,743,810**	**198,387**	**15,169**	**-**	**4,957,366**	**37,297**	**11,055**	**6,458**	**-**	**54,810**

[1] Interest bearing securities at fair value through other comprehensive income are recognized in the Consolidated statement of financial position as at fair value (see in Note 8). Loss allowances for securities at fair value through other comprehensive income that are in Stage 1 and / or in Stage 2 is recognized in the Other comprehensive income. It is included in the accumulated loss allowance of this table showed above.

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.1. Financial instruments by stages [continued]

Gross carrying amount and accumulated loss allowance of financial assets at amortized cost and of interest bearing securities at fair value through other comprehensive income and financial commitments and provision on them by stages as at 31 December 2019:

2019	Carrying amount / Exposure	Gross carrying amount / Notinal value					Accumulated loss allowance / Provision				
		Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Placements with other banks	**342,922**	343,224	147	29	-	**343,400**	451	5	22	-	**478**
Repo receivables	**67,157**	67,219	-	-	-	**67,219**	62	-	-	-	**62**
Mortgage loans	**2,882,136**	2,675,104	134,459	203,089	19,760	**3,032,412**	6,877	4,926	99,533	38,940	**150,276**
Loans to medium and large corporates	**3,842,864**	3,672,225	136,145	168,671	25,399	**4,002,440**	39,412	15,169	100,178	4,817	**159,576**
Consumer loans	**2,629,730**	2,458,980	209,035	274,696	7,109	**2,949,820**	53,266	39,808	222,937	4,079	**320,090**
Loans to micro and small enterprises	**408,813**	371,093	35,128	38,668	4,116	**449,005**	5,656	4,934	28,469	1,133	**40,192**
Car-finance loans	**306,228**	272,230	34,352	6,189	4,362	**317,133**	1,922	1,286	4,904	2,793	**10,905**
Municipal loans	**343,750**	343,370	3,257	403	-	**347,030**	2,788	267	225	-	**3,280**
Loans at amortized cost	**10,413,521**	**9,793,002**	**552,376**	**691,716**	**60,746**	**11,097,840**	**109,921**	**66,390**	**456,246**	**51,762**	**684,319**
Finance lease receivable	**969,263**	867,905	86,222	26,967	1,759	**982,853**	3,805	2,383	7,320	82	**13,590**
Interest bearing securities at fair value through other comprehensive income [1]	**2,386,632**	2,386,632	-	-	-	**2,386,632**	2,927	-	-	-	**2,927**
Securities at amortized cost	**1,968,072**	1,970,083	-	728	-	**1,970,811**	2,014	-	725	-	**2,739**
Financial assets total	**16,147,567**	**15,428,065**	**638,745**	**719,440**	**62,505**	**16,848,755**	**119,180**	**68,778**	**464,313**	**51,844**	**704,115**
Loan commitments given	2,955,152	2,937,741	37,380	4,447	-	**2,979,568**	21,254	1,497	1,665	-	**24,416**
Financial guarantees given	641,925	635,410	11,864	5,740	-	**653,014**	6,927	974	3,188	-	**11,089**
Other commitments given	601,412	600,052	4,478	8,110	-	**612,640**	8,316	257	2,655	-	**11,228**
Financial liabilities total	**4,198,489**	**4,173,203**	**53,722**	**18,297**	**-**	**4,245,222**	**36,497**	**2,728**	**7,508**	**-**	**46,733**

[1] Interest bearing securities at fair value through other comprehensive income are recognized in the Consolidated statement of financial position as at fair value (see in Note 8). Loss allowances for securities at fair value through other comprehensive income that are in Stage 1 and / or in Stage 2 is recognized in the Other comprehensive income. It is included in the accumulated loss allowance of this table showed above.

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.2. Movement table of loss allowance / provision on financial instruments

Movement of loss allowance on financial assets at amortized cost and on interest bearing securities at fair value through other comprehensive income and of provision of financial commitments as at 31 December 2020:

2020	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between stages (net)	Changes due to change in credit risk (net)	Changes due to modifications without derecognition (net)	Decrease in loss allowance account due to write-offs	Other adjustments	Closing balance
Stage 1	**119,180**	**141,735**	**(42,569)**	**(185,201)**	**84,111**	**(4,294)**	**(56)**	**10,769**	**123,675**
Placements with other banks	451	10,430	(263)	-	(12,805)	-	-	3,564	**1,377**
Repo receivables	62	306	-	-	(76)	-	-	-	**292**
Loans at amortized cost	109,921	125,137	(40,604)	(183,599)	92,372	(4,132)	(55)	7,111	**106,151**
Finance lease receivables	3,805	1,884	(739)	(1,602)	1,034	(162)	(1)	(78)	**4,141**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	4,941	3,978	(963)	-	3,586	-	-	172	**11,714**
Stage 2	**68,778**	**57,383**	**(15,678)**	**83,013**	**3,297**	**6,130**	**(98)**	**348**	**203,173**
Placements with other banks	5	-	-	-	-	-	-	(4)	**1**
Repo receivables	-	-	-	-	-	-	-	-	**-**
Loans at amortized cost	66,390	53,445	(15,537)	81,777	2,802	6,208	(98)	(46)	**194,941**
Finance lease receivables	2,383	3,938	(141)	1,236	367	(78)	-	398	**8,103**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	-	-	-	-	128	-	-	-	**128**
Stage 3	**464,313**	**119,894**	**(99,345)**	**99,117**	**(15,385)**	**364**	**(92,476)**	**186**	**476,668**
Placements with other banks	22	-	-	-	45	-	-	44	**111**
Repo receivables	-	-	-	-	-	-	-	-	**-**
Loans at amortized cost	456,246	117,198	(98,810)	98,813	(15,913)	373	(92,226)	(2,111)	**463,570**
Finance lease receivables	7,320	2,696	(535)	304	483	(9)	(250)	2,179	**12,188**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	725	-	-	-	-	-	-	74	**799**
Loss allowance on financial assets subtotal	**652,271**	**319,012**	**(157,592)**	**(3,071)**	**72,023**	**2,200**	**(92,630)**	**11,303**	**803,516**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.2. Movement table of loss allowance / provision on financial instruments [continued]

Movement of loss allowance on financial assets at amortized cost and on interest bearing securities at fair value through other comprehensive income and of provision of financial commitments as at 31 December 2020 [continued]:

2020	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between stages (net)	Changes due to change in credit risk (net)	Changes due to modifications without derecognition (net)	Decrease in loss allowance account due to write-offs	Other adjustments	Closing balance
POCI	**51,844**	**16,933**	**(11,752)**	**3,071**	**1,527**	**489**	**(735)**	**3,674**	**65,051**
Loans at amortized cost	51,762	16,933	(11,752)	3,009	1,501	489	(735)	3,674	**64,881**
Finance lease receivables	82	-	-	62	26	-	-	-	**170**
Loss allowance on financial assets total	**704,115**	**335,945**	**(169,344)**	**-**	**73,550**	**2,689**	**(93,365)**	**14,977**	**868,567**
Loan commitments and financial guarantees given - stage 1	36,497	20,712	(2,118)	(900)	(15,344)	(453)	(1,785)	688	**37,297**
Loan commitments and financial guarantees given - stage 2	2,728	3,984	(458)	351	4,474	237	-	(261)	**11,055**
Loan commitments and financial guarantees given - stage 3	7,508	1,071	(570)	549	(3,545)	257	-	1,188	**6,458**
Provision on financial liabilities total	**46,733**	**25,767**	**(3,146)**	**-**	**(14,415)**	**41**	**(1,785)**	**1,615**	**54,810**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.2. Movement table of loss allowance / provision on financial instruments [continued]

Movement of loss allowance on financial assets at amortized cost and on interest bearing securities at fair value through other comprehensive income and of provision of financial commitments as at 31 December 2019:

2019	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between stages (net)	Changes due to change in credit risk (net)	Changes due to modifications without derecognition (net)	Decrease in loss allowance account due to write-offs	Other adjustments	Closing balance
Stage 1	**96,264**	**103,075**	**(26,715)**	**(70,826)**	**16,342**	**(5,070)**	**(960)**	**7,070**	**119,180**
Placements with other banks	463	3,975	(144)	(1)	(1,165)	9	-	(2,624)	**513**
Loans at amortized cost	90,469	97,486	(25,619)	(70,820)	19,575	(5,079)	(960)	8,674	**113,726**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	5,332	1,614	(952)	(5)	(2,068)	-	-	1,020	**4,941**
Stage 2	**58,460**	**19,435**	**(14,881)**	**(2,818)**	**12,219**	**406**	**(388)**	**(3,655)**	**68,778**
Placements with other banks	12	2	-	1	3	-	-	(13)	**5**
Loans at amortized cost	58,448	19,433	(14,881)	(2,824)	12,221	406	(388)	(3,642)	**68,773**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	-	-	-	5	(5)	-	-	-	**-**
Stage 3 and POCI	**532,691**	**28,342**	**(75,635)**	**73,644**	**(16,854)**	**4,647**	**(79,597)**	**48,919**	**516,157**
Placements with other banks	22	-	-	-	-	-	-	-	**22**
Loans at amortized cost	531,964	27,617	(74,853)	73,644	(16,820)	4,647	(79,597)	48,808	**515,410**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	705	725	(782)	-	(34)	-	-	111	**725**
Loss allowance on financial assets subtotal	**687,415**	**150,852**	**(117,231)**	**-**	**11,707**	**(17)**	**(80,945)**	**52,334**	**704,115**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.2. Movement table of loss allowance / provision on financial instruments [continued]

Movement of loss allowance on financial assets at amortized cost and on interest bearing securities at fair value through other comprehensive income and of provision of financial commitments as at 31 December 2019 [continued]:

2019	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between stages (net)	Changes due to change in credit risk (net)	Changes due to modifications without derecognition (net)	Decrease in loss allowance account due to write-offs	Other adjustments	Closing balance
Loan commitments and financial guarantees given - stage 1	21,457	16,460	(4,010)	192	(2,120)	(903)	(1)	5,422	**36,497**
Loan commitments and financial guarantees given - stage 2	2,821	1,188	(92)	(265)	(1,226)	55	(1)	248	**2,728**
Loan commitments and financial guarantees given - stage 3	3,775	3,283	(2,138)	73	2,479	(163)	(100)	299	**7,508**
Provision on financial liabilities total	**28,053**	**20,931**	**(6,240)**	**-**	**(867)**	**(1,011)**	**(102)**	**5,969**	**46,733**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.3. Loan portfolio by countries

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

Country	2020 Gross amount of loan, finance lease receivable at amortized cost, placement with other banks and repo receivable portfolio	2020 Loss allowance	2019 Gross amount of loan, finance lease receivable at amortized cost, placement with other banks and repo receivable portfolio	2019 Loss allowance
Hungary	4,513,208	209,216	3,650,513	125,245
Bulgaria	2,722,998	202,018	2,419,203	148,053
Croatia	1,663,534	101,640	1,380,175	68,906
Serbia	1,557,129	48,429	1,215,038	23,021
Romania	915,030	52,016	747,026	41,319
Slovenia	905,881	14,022	823,611	4,025
Russia	626,269	133,293	812,703	159,045
Ukraine	449,503	50,393	484,678	74,650
Montenegro	376,351	23,440	333,697	20,198
France	231,122	645	92,791	63
Albania	185,711	8,243	152,279	3,688
Germany	151,101	485	46,553	189
Moldova	132,163	4,586	104,796	1,797
Slovakia	74,614	225	69,158	24,769
United States of America	70,901	67	11,471	56
Switzerland	61,804	615	34,232	635
Austria	54,009	58	2,129	16
Belgium	49,401	119	24,042	98
The Netherlands	31,144	497	6,491	167
Italy	25,614	164	5,811	125
Luxembourg	25,062	46	347	13
United Kingdom	21,692	1,282	47,618	1,171
Canada	17,026	5	222	1
Cyprus	16,890	3,102	16,221	431
Ireland	14,053	211	401	118
Norway	7,525	39	568	36
Denmark	5,817	15	427	10
Australia	3,649	1	214	1
Poland	2,006	119	525	21
Turkey	1,567	93	433	46
Spain	996	55	893	23
Greece	989	141	2,147	132
Czech Republic	902	9	454	24
Bosnia and Herzegovina	795	248	382	44
Sweden	536	54	437	45
Israel	455	5	384	2
United Arab Emirates	388	31	34	24
Kazakhstan	193	8	73	21
Egypt	78	6	14	1
Iceland	56	56	51	49
Latvia	34	20	29	15
Other [1]	3,304	209	3,041	156
Total	**14,921,500**	**855,926**	**12,491,312**	**698,449**

[1] 1 Other category as at 31 December 2020 includes e.g.: Japan, China, Malta, Singapore, Macedonia, Algeria, Portugal, Finland, Saudi Arabia, Lithuania , Qatar, Belorussia, Republic of South-Africa, Tunisia, Armenia, Brazil, India, Syria, Hong Kong, South-Korea, Jordan, Estonia, Iran, Georgia, Kosovo, Morocco, Nigeria, Vietnam, Republic of Pakistan, Kyrgyzstan, Saint Vincent, Seychelles.

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.3. Loan portfolio by countries [continued]

Country	2020	2019
	Loans at fair value	
Hungary	798,981	493,208
Bosnia-Herzegovina	2,535	2,581
Croatia	1,089	489
Total	**802,605**	**496,278**

36.1.4. Collateral

The values of collateral held by the Group by type are as follows (**total collateral**). The collateral covers loans as well as off-balance sheet exposures.

Types of collateral	2020	2019
Mortgages	12,346,773	11,113,017
Guarantees of state or organizations owned by state	731,529	486,112
Assignments (revenue or other receivables)	486,670	447,820
Guarantees and warranties	178,139	423,035
Cash deposits	163,489	130,913
Securities	156,857	186,154
Other	2,159,894	2,216,505
Total	**16,223,351**	**15,003,556**

The values of collateral held by the Group by type are as follows (**to the extent of the exposures**). The collaterals cover loans as well as off-balance sheet exposures.

Types of collateral	2020	2019
Mortgages	5,902,854	5,184,997
Guarantees and warranties	984,532	303,711
Assignments (revenue or other receivables)	344,716	306,863
Guarantees of state or organizations owned by state	190,700	439,148
Securities	115,269	137,613
Cash deposits	67,158	70,910
Other	1,244,771	1,331,823
Total	**8,850,000**	**7,775,065**

The coverage level of the loan portfolio (total collateral) decreased by 3.76% but the coverage level to the extent of the exposures increased by 0.58% as at 31 December 2020.

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.5. Restructured loans

	2020		2019	
	Gross portfolio	Loss allowance	Gross portfolio	Loss allowance
Loans to medium and large corporations	58,271	(12,260)	22,418	3,948
Retail consumer loans	31,108	(14,714)	16,344	3,748
Retail mortgage loans	15,159	(2,754)	16,564	1,218
Loans to micro and small enterprises	11,782	(1,237)	9,344	1,728
Municipal	41	(16)	9	3
Other loans	4,412	(791)	305	32
Total	**120,773**	**(31,772)**	**64,984**	**10,677**

The forborne definition used by the Group is based on EBA (EU) 2015/227 regulation.

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.6. Financial instruments by rating categories[1]

Securities held for trading as at fair value through profit or loss as at 31 December 2020

	Aaa	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	Not rated	Total
Government bonds	-	-	-	9,138	2,155	5,734	7,247	-	13,762	-	-	**38,036**
Discounted Treasury bills	-	-	-	-	-	1,233	-	-	11,428	-	60	**12,721**
Equity instruments and fund units	535	36	33	45	7	36	-	7	-	5	3,036	**3,740**
Other interest bearing securities	-	-	495	-	-	998	-	-	-	-	582	**2,075**
Total	**535**	**36**	**528**	**9,183**	**2,162**	**8,001**	**7,247**	**7**	**25,190**	**5**	**3,678**	**56,572**

Non-trading securities mandatorily at fair value through profit or loss as at 31 December 2020

	Aa3	A1	Baa3	Not rated	Total
Non-trading debt instruments mandatorily at fair value through profit or loss	2,794	-	1,457	7,263	**11,514**
Non-trading equity instruments mandatorily at fair value through profit or loss	-	-	-	46,063	**46,063**
Debt securities designated at fair value through profit or loss	-	2,235	-	-	**2,235**
Total	**2,794**	**2,235**	**1,457**	**53,326**	**59,812**

[1] Moody's ratings

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.6. Financial instruments by rating categories[1] [continued]

Securities at fair value through other comprehensive income as at 31 December 2020

	Aaa	Aa2	Aa3	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	B3	Caa1	Not rated	Total
Government bonds	20,639	8,215	-	37,195	120,112	192,994	-	959,133	182,685	-	200,478	18,166	69,248	46,269	-	**1,855,134**
Mortgage bonds	-	-	-	63,577	-	-	-	-	-	-	-	-	-	-	24,695	**88,272**
Corporate bonds	-	-	-	-	4,815	-	2,336	39,179	4,997	979	12,532	-	-	-	16,782	**81,620**
Discounted Treasury bills	-	-	-	-	-	-	-	9,957	66,401	-	-	-	-	-	-	**76,358**
Non-trading equity instruments	-	-	3,875	-	-	47	-	898	-	-	-	-	-	-	30,505	**35,325**
Total	**20,639**	**8,215**	**3,875**	**100,772**	**124,927**	**193,041**	**2,336**	**1,009,167**	**254,083**	**979**	**213,010**	**18,166**	**69,248**	**46,269**	**71,982**	**2,136,709**

Securities at amortized cost as at 31 December 2020

	Aa2	A1	A3	Baa1	Baa3	Ba1	Ba3	B1	B3	Not rated	Total
Government bonds	45,975	10,953	38,987	38,627	2,310,965	10,874	4,147	10,174	74,774	-	**2,545,476**
Corporate bonds	-	-	-	-	14,619	10,527	-	-	-	49,486	**74,632**
Discounted Treasury bills	-	-	-	-	-	-	-	-	10,469	-	**10,469**
Total	**45,975**	**10,953**	**38,987**	**38,627**	**2,325,584**	**21,401**	**4,147**	**10,174**	**85,243**	**49,486**	**2,630,577**

[1] Moody's ratings

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.6. Financial instruments by rating categories[1] [continued]

Securities held for trading as at fair value through profit or loss as at 31 December 2019

	Aaa	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	Not rated	Total
Government bonds	-	-	-	-	-	-	30,070	23,715	-	11,211	6,198	-	**71,194**
Equity instruments and fund units	-	27	41	52	18	30	6	18	-	-	7	877	**1,076**
Discounted Treasury bills	-	-	-	-	-	-	-	12	-	-	38	-	**50**
Other interest bearing securities	123	-	-	-	602	-	8,807	5,377	1,404	3,078	-	821	**20,212**
Other non-interest bearing securities	-	-	-	-	-	-	-	-	-	-	-	7,516	**7,516**
Total	**123**	**27**	**41**	**52**	**620**	**30**	**38,883**	**29,122**	**1,404**	**14,289**	**6,243**	**9,214**	**100,048**

Non-trading securities mandatorily at fair value through profit or loss as at 31 December 2019

	Baa1	Baa2	Baa3	Ba2	Not rated	Total
Non-trading debt instruments mandatorily at fair value through profit or loss	-	-	866	-	3,536	**4,402**
Non-trading equity instruments mandatorily at fair value through profit or loss	8,204	461	-	-	26,250	**34,915**
Debt securities designated at fair value through profit or loss	-	-	-	2,001	-	**2,001**
Total	**8,204**	**461**	**866**	**2,001**	**29,786**	**41,318**

[1] Moody's ratings

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.1. Credit risk [continued]

36.1.6. Financial instruments by rating categories[1] [continued]

Securities at fair value through other comprehensive income as at 31 December 2019

	Aaa	Aa2	Aa3	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	Caa1	Not rated	Total
Government bonds	12,213	7,103	-	38,730	6,536	114,296	180,974	1,013,472	-	137,353	156,000	60,930	45,005	-	**1,772,612**
Discounted Treasury bills	-	-	-	-	-	-	-	339,398	-	104,292	-	-	-	-	**443,690**
Mortgage bonds	-	-	-	-	-	65,086	-	7,841	-	-	-	-	-	24,341	**97,268**
Corporate bonds	-	-	-	-	4,700	-	3,529	34,900	4,950	892	-	-	-	24,091	**73,062**
Non-trading equity instruments	-	-	6,370	-	-	-	-	1,139	-	-	-	-	-	32,638	**40,147**
Total	**12,213**	**7,103**	**6,370**	**38,730**	**11,236**	**179,382**	**184,503**	**1,396,750**	**4,950**	**242,537**	**156,000**	**60,930**	**45,005**	**81,070**	**2,426,779**

Securities at amortized cost as at 31 December 2019

	Aa2	Baa1	Baa3	Ba2	Ba3	B1	B3	Caa1	Not rated	Total
Government bonds	41,010	42,454	1,722,028	1,444	5,520	26,442	5,218	89,721	-	**1,933,837**
Corporate bonds	-	-	-	9,975	-	-	-	-	12,744	**22,719**
Mortgage bonds	-	-	7,739	-	-	-	-	-	-	**7,739**
Discounted Treasury bills	-	-	-	-	-	-	6,516	-	-	**6,516**
Total	**41,010**	**42,454**	**1,729,767**	**11,419**	**5,520**	**26,442**	**11,734**	**89,721**	**12,744**	**1,970,811**

[1] Moody's ratings

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.2. Maturity analysis of assets, liabilities and liquidity risk

Liquidity risk is a measure of the extent to which the Group may be required to raise funds to meet its commitments associated with financial instruments. The Group maintains its liquidity profiles in accordance with regulations prescribed 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 Group 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 Group'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 Group must keep high quality liquidity reserves which means it can fulfill all liabilities when they fall due without material additional costs.

The liquidity reserves can be divided in two parts. There are separate decentralized liquid asset portfolios at subsidiary level and a centralized flexible liquidity pool at a 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 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 Group increased significantly while the liquidity risk exposure has decreased considerably. Currently the (over)coverage of potential liquidity risk exposure by high quality liquid assets is high. There were no material changes in the liquidity risk management process for the year ended 31 December 2020.

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.

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.

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

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

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 Banks	2,370,130	36	41,471	20,675	-	2,432,312
Placements with other banks, net of loss allowance for placements	902,977	77,646	134,780	34,502	635	1,150,540
Repo receivables	191,143	-	-	-	-	191,143
Trading securities at fair value through profit or loss	14,546	16,163	15,093	8,032	777	54,611
Non-trading instruments mandatorily at fair value through profit or loss	28	-	-	9,590	42,879	52,497
Debt securities designated at fair value through profit or loss	2,235	-	-	-	-	2,235
Securities at fair value through other comprehensive income	136,746	278,017	984,596	644,612	31,688	2,075,659
Securities at amortized cost	121,993	47,251	1,577,822	819,600	-	2,566,666
Loans at amortized cost	1,720,314	2,130,394	5,190,401	4,219,165	-	13,260,274
Finance lease receivable	127,856	274,143	659,682	42,439	-	1,104,120
Loans measured at fair value through profit or loss	24,352	25,193	159,934	607,274	-	816,753
Associates and other investments	-	-	-	-	58,307	58,307
Other financial assets [1]	134,672	3,520	4,551	1,902	14,376	159,021
TOTAL ASSETS	**5,746,992**	**2,852,363**	**8,768,330**	**6,407,791**	**148,662**	**23,924,138**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	165,619	86,991	695,707	254,897	-	1,203,214
Repo liabilities	8,379	-	109,612	-	-	117,991
Financial liabilities designated at fair value through profit or loss	3,159	1,421	8,350	21,201	-	34,131
Deposits from customers	15,065,456	2,300,365	305,074	221,028	-	17,891,923
Liabilities from issued securities	1,971	130,445	269,133	65,841	-	467,390
Leasing liabilities	2,859	8,163	27,776	11,169	-	49,967
Other financial liabilities [1]	374,525	19,447	3,239	89	10,496	407,796
Subordinated bonds and loans	2,843	-	6,838	267,083	-	276,764
TOTAL LIABILITIES	**15,624,811**	**2,546,832**	**1,425,729**	**841,308**	**10,496**	**20,449,176**
NET POSITION	**(9,877,819)[2]**	**305,531**	**7,342,601**	**5,566,483**	**138,166**	**3,474,962**

[1] Without derivative financial instruments

[2] 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 Group could be required to pay. On-demand deposits are presented in the earliest (within 3 month) period category, however based on the Management's discretion the Group has appropriate liquidity reserves as maintenance and management of liquidity risk.

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

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

2020	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Receivables from derivative financial instruments held for trading	594,663	3,080,660	532,012	246,922	-	4,454,257
Liabilities from derivative financial instruments held for trading	(473,510)	(3,302,801)	(441,330)	(200,525)	(31)	(4,418,197)
Net position of financial instruments held for trading	**121,153**	**(222,141)**	**90,682**	**46,397**	**(31)**	**36,060**
Receivables from derivative financial instruments designated as hedge accounting	186	8,082	169,339	173,109	-	350,716
Liabilities from derivative financial instruments designated as hedge accounting	(41,382)	(118,914)	(468,378)	(88,720)	-	(717,394)
Net position of financial instruments designated as hedge accounting	**(41,196)**	**(110,832)**	**(299,039)**	**84,389**	**-**	**(366,678)**
Net position of derivative financial instruments total	**79,957**	**(332,973)**	**(208,357)**	**130,786**	**(31)**	**(330,618)**
Commitments to extend credit	2,375,279	609,431	350,195	85,813	-	3,420,718
Bank guarantees	225,440	280,625	416,293	137,739	99,602	1,159,699
Confirmed letters of credit	13,670	8,916	1,476	11,377	276	35,715
Factoring loan commitment	305,269	-	-	-	-	305,269
Off-balance sheet commitments	**2,919,658**	**898,972**	**767,964**	**234,929**	**99,878**	**4,921,401**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

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

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 Banks	1,671,732	19,884	92,762	-	-	1,784,378
Placements with other banks, net of loss allowance for placements	151,893	65,792	110,150	16,206	1,257	345,298
Repo receivables	63,728	3,491	-	-	-	67,219
Trading securities at fair value through profit or loss	10,398	13,875	53,442	13,277	3,203	94,195
Non-trading instruments mandatorily at fair value through profit or loss	227	-	3,309	10,935	19,920	34,391
Debt securities designated at fair value through profit or loss	-	-	2,001	-	-	2,001
Securities at fair value through other comprehensive income	327,488	572,117	952,654	486,814	40,186	2,379,259
Securities at amortized cost	143,579	124,320	1,097,138	530,139	-	1,895,176
Loans at amortized cost	1,707,326	2,297,158	4,176,950	3,583,573	29,721	11,794,728
Finance lease receivable	99,876	246,072	624,206	37,250	-	1,007,404
Loans measured at fair value through profit or loss	6,602	20,160	113,724	358,665	-	499,151
Associates and other investments	-	-	-	-	29,638	29,638
Other financial assets [1]	109,999	3,826	3,233	405	18,748	136,211
TOTAL ASSETS	**4,292,848**	**3,366,695**	**7,229,569**	**5,037,264**	**142,673**	**20,069,049**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	285,246	61,745	334,553	143,979	-	825,523
Repo liabilities	488	-	-	-	-	488
Financial liabilities designated at fair value through profit or loss	677	1,928	11,606	16,651	-	30,862
Deposits from customers	12,372,360	1,301,904	1,150,368	356,471	-	15,181,103
Liabilities from issued securities	1,850	24,902	368,266	104	-	395,122
Leasing liabilities	2,210	7,647	30,540	14,087	5	54,489
Other financial liabilities [1]	310,060	13,998	4,246	23	9,693	338,020
Subordinated bonds and loans	2,695	-	-	249,532	-	252,227
TOTAL LIABILITIES	**12,975,586**	**1,412,124**	**1,899,579**	**780,847**	**9,698**	**17,077,834**
NET POSITION	**(8,682,738)[2]**	**1,954,571**	**5,329,990**	**4,256,417**	**132,975**	**2,991,215**

[1] Without derivative financial instruments

[2] 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 Group could be required to pay. On-demand deposits are presented in the earliest (within 3 month) period category, however based on the Management's discretion the Group has appropriate liquidity reserves as maintenance and management of liquidity risk.

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

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

2019	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Receivables from derivative financial instruments held for trading	2,010,040	1,583,020	698,897	441,348	-	4,733,305
Liabilities from derivative financial instruments held for trading	(2,177,179)	(1,255,660)	(776,359)	(352,566)	(234)	(4,561,998)
Net position of financial instruments held for trading	**(167,139)**	**327,360**	**(77,462)**	**88,782**	**(234)**	**171,307**
Receivables from derivative financial instruments designated as hedge accounting	2,253	94,227	151,825	156,010	-	404,315
Liabilities from derivative financial instruments designated as hedge accounting	(8,737)	(250,345)	(231,794)	(76,210)	-	(567,086)
Net position of financial instruments designated as hedge accounting	**(6,484)**	**(156,118)**	**(79,969)**	**79,800**	**-**	**(162,771)**
Net position of derivative financial instruments total	**(173,623)**	**171,242**	**(157,431)**	**168,582**	**(234)**	**8,536**
Commitments to extend credit	2,240,364	337,644	351,136	92,511	5,457	3,027,112
Bank guarantees	164,575	281,387	259,246	145,286	116,155	966,649
Confirmed letters of credit	12,587	5,887	2,147	7,433	5,242	33,296
Factoring loan commitment	228,145	-	-	-	-	228,145
Off-balance sheet commitments	**2,645,671**	**624,918**	**612,529**	**245,230**	**126,854**	**4,255,202**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.3. Net foreign currency position and foreign currency risk

As at 31 December 2020

	USD	EUR	CHF	Other	Total
Assets	717,819	7,003,090	73,344	6,435,309	14,229,562
Liabilities	(878,916)	(5,926,666)	(87,551)	(5,195,693)	(12,088,826)
Derivative financial instruments	259,993	(921,666)	32,905	(147,436)	(776,204)
Net position	**98,896**	**154,758**	**18,698**	**1,092,180**	**1,364,532**

As at 31 December 2019

	USD	EUR	CHF	Other	Total
Assets	599,946	5,532,766	72,366	5,701,836	11,906,914
Liabilities	(708,409)	(4,808,619)	(75,407)	(4,639,952)	(10,232,387)
Derivative financial instruments	182,049	(735,690)	(755)	(116,723)	(671,119)
Net position	**73,586**	**(11,543)**	**(3,796)**	**945,161**	**1,003,408**

The table above provides an analysis of the main foreign currency exposures of the Group that arise in the non-functional currency of the entities constituting the Group. The remaining foreign currencies are shown within 'Others'. 'Others' category contains mainly foreign currencies in RON, RSD, HRK, UAH, RUB, BGN, ALL and MDL. The Group monitors its foreign exchange position for compliance with the regulatory requirements of the National Banks and its own limit system established in respect of limits on open positions. The measurement of the open foreign currency position of the Group involves monitoring the "VaR" limit on the foreign exchange exposure of the Group. The derivative financial instruments detailed in the table above are presented at fair value.

36.4. 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 interest bearing assets and liabilities of the Group 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 Group 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 Group. 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.

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.4. Interest rate risk management [continued]

As at 31 December 2020

ASSETS	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
Cash, amounts due from banks and balances with the National Banks	**150,707**	**777,104**	**1**	**4,647**	**2,008**	**14,793**	**-**	**9,277**	**-**	**21,056**	**168,850**	**1,283,869**	**321,566**	**2,110,746**	**2,432,312**
fixed rate	149,701	679,634	-	4,647	2,008	14,793	-	9,277	-	21,056	-	-	151,709	729,407	881,116
variable rate	1,006	97,470	1	-	-	-	-	-	-	-	-	-	1,007	97,470	98,477
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	168,850	1,283,869	168,850	1,283,869	1,452,719
Placements with other banks, net of allowance for placements losses	**240,397**	**339,537**	**104**	**103,038**	**665**	**194,919**	**2,003**	**5**	**124,478**	**7,633**	**19,253**	**116,711**	**386,900**	**761,843**	**1,148,743**
fixed rate	220,155	197,680	104	102,080	665	194,919	2,003	5	-	5,750	-	-	222,927	500,434	723,361
variable rate	20,242	141,857	-	958	-	-	-	-	124,478	1,883	-	-	144,720	144,698	289,418
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	19,253	116,711	19,253	116,711	135,964
Repo receivables	**183,364**	**7,485**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**183,364**	**7,485**	**190,849**
fixed rate	183,364	7,485	-	-	-	-	-	-	-	-	-	-	183,364	7,485	190,849
variable rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trading instruments at fair value through profit or loss	**1,261**	**9,247**	**287**	**9,013**	**614**	**14,644**	**1,280**	**2,753**	**5,270**	**8,463**	**2,473**	**1,267**	**11,185**	**45,387**	**56,572**
fixed rate	355	8,721	287	9,013	614	14,644	1,280	2,753	5,254	8,463	-	-	7,790	43,594	51,384
variable rate	906	526	-	-	-	-	-	-	16	-	-	-	922	526	1,448
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	2,473	1,267	2,473	1,267	3,740
Non-trading instruments mandatorily at fair value through profit or loss	**-**	**4,487**	**-**	**1,006**	**-**	**-**	**-**	**-**	**-**	**-**	**30,674**	**21,410**	**30,674**	**26,903**	**57,577**
fixed rate	-	4,459	-	1,006	-	-	-	-	-	-	-	-	-	5,465	5,465
variable rate	-	28	-	-	-	-	-	-	-	-	-	-	-	-	-
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	30,674	21,410	30,674	21,410	52,084
Financial assets designated at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,235**	**-**	**-**	**-**	**2,235**	**2,235**
fixed rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
variable rate	-	-	-	-	-	-	-	-	-	2,235	-	-	-	2,235	2,235
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Securities at fair value through other comprehensive income	**47,073**	**11,706**	**673**	**95,897**	**118,558**	**183,940**	**49,095**	**200,651**	**567,675**	**826,116**	**536**	**34,789**	**783,610**	**1,353,099**	**2,136,709**
fixed rate	600	11,706	673	83,363	117,558	183,940	49,095	200,631	567,675	819,295	-	-	735,601	1,298,935	2,034,536
variable rate	46,473	-	-	12,534	1,000	-	-	20	-	6,821	-	-	47,473	19,375	66,848
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	536	34,789	536	34,789	35,325
Securities at amortized cost	**-**	**79,401**	**-**	**21,055**	**37,771**	**4,574**	**398,158**	**40,066**	**1,844,129**	**199,766**	**-**	**-**	**2,280,058**	**344,862**	**2,624,920**
fixed rate	-	79,401	-	21,055	37,771	4,574	398,158	40,066	1,837,731	199,766	-	-	2,273,660	344,862	2,618,522
variable rate	-	-	-	-	-	-	-	-	6,398	-	-	-	6,398	-	6,398
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans at amortized cost, net of allowance for loan losses	**656,665**	**4,758,061**	**340,558**	**1,115,958**	**52,487**	**998,326**	**49,217**	**349,978**	**1,723,813**	**1,442,688**	**125,865**	**61,226**	**2,948,605**	**8,726,237**	**11,674,842**
fixed rate	68,714	854,962	2,048	264,431	13,026	488,106	36,198	288,272	772,219	806,553	-	-	892,205	2,702,324	3,594,529
variable rate	587,951	3,903,099	338,510	851,527	39,461	510,220	13,019	61,706	951,594	636,135	-	-	1,930,535	5,962,687	7,893,222
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	125,865	61,226	125,865	61,226	187,091
Finance lease receivables	**285,219**	**281,683**	**34,926**	**134,848**	**18**	**134,266**	**-**	**69,096**	**5,685**	**103,954**	**-**	**1,445**	**325,848**	**725,292**	**1,051,140**
fixed rate	167,083	113,778	8,141	6,117	18	26,854	-	25,036	-	41,005	-	-	175,242	212,790	388,032
variable rate	118,136	167,905	26,785	128,731	-	107,412	-	44,060	5,685	62,949	-	-	150,606	511,057	661,663
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	1,445	-	1,445	1,445
Loans mandatorily at fair value through profit or	**24,871**	**1,159**	**68**	**141**	**498**	**634**	**710**	**218**	**772,833**	**1,473**	**-**	**-**	**798,980**	**3,625**	**802,605**
fixed rate	-	70	-	141	-	634	-	218	-	1,473	-	-	-	2,536	2,536
variable rate	24,871	1,089	68	-	498	-	710	-	772,833	-	-	-	798,980	1,089	800,069
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fair value adjustment of derivative financial instruments	**945,704**	**699,341**	**880,168**	**378,971**	**557,280**	**416,304**	**26,776**	**5,084**	**40,243**	**97,805**	**742,345**	**245,973**	**3,192,516**	**1,843,478**	**5,035,994**
fixed rate	929,702	561,503	658,754	183,337	559,388	387,848	26,799	5,084	40,490	97,487	-	-	2,215,133	1,235,259	3,450,392
variable rate	16,002	137,838	221,414	195,634	(2,108)	28,456	(23)	-	(247)	318	-	-	235,038	362,246	597,284
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	742,345	245,973	742,345	245,973	988,318
Other financial assets	**10,221**	**16,335**	**155**	**16**	**-**	**270**	**-**	**-**	**-**	**47**	**50,991**	**62,527**	**61,367**	**79,195**	**140,562**
fixed rate	10,221	10,982	-	14	-	19	-	-	-	-	-	-	10,221	11,015	21,236
variable rate	-	5,353	155	2	-	251	-	-	-	47	-	-	155	5,653	5,808
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	50,991	62,527	50,991	62,527	113,518

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.4. Interest rate risk management [continued]

As at 31 December 2020 [continued]

LIABILITIES	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks	**75,420**	**72,092**	**12,005**	**109,125**	**3,741**	**78,752**	**39,270**	**13,770**	**742,198**	**27,016**	**114**	**11,812**	**872,748**	**312,567**	**1,185,315**
fixed rate	6,185	41,403	12,005	78,467	3,422	17,551	39,270	13,770	735,267	24,708	-	-	796,149	175,899	972,048
variable rate	69,235	30,689	-	30,658	319	61,201	-	-	6,931	2,308	-	-	76,485	124,856	201,341
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	114	11,812	114	11,812	11,926
Repo liabilities	**-**	**2,019**	**-**	**6,360**	**-**	**109,612**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**117,991**	**117,991**
fixed rate	-	2,019	-	6,360	-	-	-	-	-	-	-	-	-	8,379	8,379
variable rate	-	-	-	-	-	109,612	-	-	-	-	-	-	-	109,612	109,612
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities designated at fair value through profit or loss	**25,902**	**-**	**-**	**-**	**5,994**	**-**	**-**	**-**	**-**	**2,235**	**-**	**-**	**31,896**	**2,235**	**34,131**
fixed rate	79	-	-	-	5,994	-	-	-	-	-	-	-	6,073	-	6,073
variable rate	25,823	-	-	-	-	-	-	-	-	2,235	-	-	25,823	2,235	28,058
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits from customers	**6,143,610**	**8,390,678**	**101,521**	**633,365**	**142,203**	**880,099**	**68,741**	**171,992**	**239,805**	**502,668**	**15,169**	**601,012**	**6,711,049**	**11,179,814**	**17,890,863**
fixed rate	413,308	2,873,541	101,521	633,233	142,203	879,857	68,741	171,989	239,805	502,658	-	-	965,578	5,061,278	6,026,856
variable rate	5,730,302	5,517,137	-	132	-	242	-	3	-	10	-	-	5,730,302	5,517,524	11,247,826
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	15,169	601,012	15,169	601,012	616,181
Liabilities from issued securities	**3,090**	**221**	**11,691**	**414**	**223,762**	**721**	**46,451**	**-**	**177,807**	**46**	**-**	**-**	**462,801**	**1,412**	**464,213**
fixed rate	213	-	-	-	111,565	-	46,451	-	177,807	46	-	-	336,036	46	336,082
variable rate	2,877	221	11,691	414	112,197	721	-	-	-	-	-	-	126,765	1,356	128,121
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	10	-	10	10
Fair value adjustment of derivative financial instruments	**1,264,893**	**385,359**	**1,035,006**	**208,880**	**479,592**	**492,998**	**9,260**	**24,904**	**48,555**	**90,112**	**732,937**	**255,219**	**3,570,243**	**1,457,472**	**5,027,715**
fixed rate	1,111,465	376,893	648,487	189,185	481,603	469,867	9,321	24,904	48,802	89,931	-	-	2,299,678	1,150,780	3,450,458
variable rate	153,428	8,466	386,519	19,695	(2,011)	23,131	(61)	-	(247)	181	-	-	537,628	51,473	589,101
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	732,937	255,219	732,937	255,219	988,156
Leasing liabilities	**1,131**	**6,748**	**465**	**739**	**536**	**6,823**	**467**	**5,388**	**1,213**	**19,644**	**-**	**5,297**	**3,812**	**44,639**	**48,451**
fixed rate	1,085	6,572	401	322	536	4,911	467	4,219	433	18,310	-	-	2,922	34,334	37,256
variable rate	46	176	64	417	-	1,912	-	1,169	780	1,334	-	-	890	5,008	5,898
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	5,297	-	5,297	5,297
Other financial liabilities	**4,091**	**30,795**	**512**	**234**	**-**	**333**	**-**	**417**	**-**	**255**	**261,223**	**92,042**	**265,826**	**124,076**	**389,902**
fixed rate	4,072	30,762	-	228	-	148	-	417	-	87	-	-	4,072	31,642	35,714
variable rate	19	33	512	6	-	185	-	-	-	168	-	-	531	392	923
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	261,223	92,042	261,223	92,042	353,265
Subordinated bonds and loans	**-**	**-**	**-**	**84,833**	**-**	**184,090**	**-**	**-**	**-**	**5,781**	**-**	**-**	**-**	**274,704**	**274,704**
fixed rate	-	-	-	-	-	-	-	-	-	5,684	-	-	-	5,684	5,684
variable rate	-	-	-	84,833	-	184,090	-	-	-	97	-	-	-	269,020	269,020
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net position	**(4,972,655)**	**(1,902,366)**	**95,740**	**820,640**	**(85,929)**	**209,242**	**363,050**	**460,657**	**3,874,548**	**2,063,479**	**131,544**	**863,825**	**(593,702)**	**2,515,477**	**1,921,775**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.4. Interest rate risk management [continued]

As at 31 December 2019

ASSETS	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
Cash, amounts due from banks and balances with the National Banks	**41,319**	**576,425**	**2,106**	**7,513**	**-**	**18,818**	**-**	**8,690**	**-**	**15,205**	**222,042**	**892,260**	**265,467**	**1,518,911**	**1,784,378**
fixed rate	40,555	534,313	2,102	7,513	-	18,818	-	8,690	-	15,205	-	-	42,657	584,539	627,196
variable rate	764	42,112	4	-	-	-	-	-	-	-	-	-	768	42,112	42,880
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	222,042	892,260	222,042	892,260	1,114,302
Placements with other banks, net of allowance for placements losses	**4,385**	**89,457**	**14,823**	**34,598**	**1,988**	**30,258**	**98,889**	**-**	**-**	**7,076**	**17,603**	**43,845**	**137,688**	**205,234**	**342,922**
fixed rate	4,385	58,425	14,823	34,597	903	22,722	98,889	-	-	6,254	-	-	119,000	121,998	240,998
variable rate	-	31,032	-	1	1,085	7,536	-	-	-	822	-	-	1,085	39,391	40,476
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	17,603	43,845	17,603	43,845	61,448
Repo receivables	**-**	**17,427**	**25,498**	**-**	**-**	**3,444**	**-**	**-**	**19,457**	**-**	**528**	**803**	**45,483**	**21,674**	**67,157**
fixed rate	-	17,427	25,498	-	-	3,444	-	-	19,457	-	-	-	44,955	20,871	65,826
variable rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	528	803	528	803	1,331
Trading instruments at fair value through profit or loss	**650**	**3,942**	**124**	**5,929**	**4,497**	**12,483**	**4,400**	**21,646**	**10,571**	**27,214**	**7,542**	**1,050**	**27,784**	**72,264**	**100,048**
fixed rate	18	3,927	1	5,529	4,497	12,483	4,400	21,646	10,571	27,214	-	-	19,487	70,799	90,286
variable rate	632	15	123	400	-	-	-	-	-	-	-	-	755	415	1,170
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	7,542	1,050	7,542	1,050	8,592
Non-trading instruments mandatorily at fair value through profit or loss	**-**	**-**	**-**	**25**	**-**	**866**	**-**	**-**	**-**	**3,511**	**27,810**	**7,105**	**27,810**	**11,507**	**39,317**
fixed rate	-	-	-	-	-	866	-	-	-	3,511	-	-	-	4,377	4,377
variable rate	-	-	-	25	-	-	-	-	-	-	-	-	-	25	25
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	27,810	7,105	27,810	7,105	34,915
Financial assets designated at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,001**	**-**	**2,001**	**2,001**
fixed rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
variable rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	2,001	-	2,001	2,001
Securities at fair value through other comprehensive income	**89,175**	**51,659**	**138,245**	**68,746**	**428,028**	**171,582**	**94,464**	**213,344**	**401,659**	**713,667**	**867**	**55,343**	**1,152,438**	**1,274,341**	**2,426,779**
fixed rate	55,863	51,659	123,562	68,197	413,278	171,034	93,464	212,521	401,659	713,667	-	-	1,087,826	1,217,078	2,304,904
variable rate	33,312	-	14,683	549	14,750	548	1,000	823	-	-	-	-	63,745	1,920	65,665
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	867	55,343	867	55,343	56,210
Securities at amortized cost	**-**	**101,371**	**-**	**19,739**	**111,029**	**12,506**	**38,195**	**43,189**	**1,553,408**	**88,635**	**-**	**-**	**1,702,632**	**265,440**	**1,968,072**
fixed rate	-	101,371	-	19,739	111,029	12,506	38,195	43,189	1,553,408	88,635	-	-	1,702,632	265,440	1,968,072
variable rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans at amortized cost, net of allowance for loan losses	**534,956**	**3,767,934**	**596,440**	**1,190,169**	**440,588**	**1,277,264**	**90,627**	**345,604**	**838,117**	**1,136,245**	**144,221**	**51,356**	**2,644,949**	**7,768,572**	**10,413,521**
fixed rate	6,228	755,305	2,307	320,082	14,141	524,853	28,983	299,680	1,066,868	789,762	-	-	1,118,527	2,689,682	3,808,209
variable rate	528,728	3,012,629	594,133	870,087	426,447	752,411	61,644	45,924	-228,751	346,483	-	-	1,382,201	5,027,534	6,409,735
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	144,221	51,356	144,221	51,356	195,577
Finance lease receivables	**135,777**	**232,181**	**29,361**	**134,811**	**3,663**	**132,638**	**13,177**	**74,996**	**111,789**	**99,504**	**1**	**1,365**	**293,768**	**675,495**	**969,263**
fixed rate	2,767	92,561	1,018	5,886	3,663	23,387	13,177	30,419	109,188	45,316	-	-	129,813	197,569	327,382
variable rate	133,010	139,620	28,343	128,925	-	109,251	-	44,577	2,601	54,188	-	-	163,954	476,561	640,515
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	1	1,365	1	1,365	1,366
Loans mandatorily at fair value through profit or	**30,021**	**543**	**221**	**108**	**1,508**	**487**	**924**	**316**	**460,534**	**1,616**	**-**	**-**	**493,208**	**3,070**	**496,278**
fixed rate	-	54	-	108	-	487	-	316	-	1,616	-	-	-	2,581	2,581
variable rate	30,021	489	221	-	1,508	-	924	-	460,534	-	-	-	493,208	489	493,697
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fair value adjustment of derivative financial instruments	**966,352**	**432,710**	**847,077**	**359,143**	**765,880**	**459,987**	**15,461**	**273,274**	**20,584**	**85,850**	**167,569**	**362,920**	**2,782,923**	**1,973,884**	**4,756,807**
fixed rate	930,477	423,788	697,547	335,985	766,569	425,038	15,461	273,274	20,584	85,850	-	-	2,430,638	1,543,935	3,974,573
variable rate	35,875	8,922	149,530	23,158	(689)	34,949	-	-	-	-	-	-	184,716	67,029	251,745
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	167,569	362,920	167,569	362,920	530,489
Other financial assets	**16,988**	**2,343**	**94**	**367**	**-**	**5**	**-**	**3**	**-**	**1**	**48,574**	**54,678**	**65,656**	**57,397**	**123,053**
fixed rate	16,859	2,343	-	331	-	1	-	3	-	1	-	-	16,859	2,679	19,538
variable rate	129	-	94	36	-	4	-	-	-	-	-	-	223	40	263
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	48,574	54,678	48,574	54,678	103,252

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.4. Interest rate risk management [continued]

As at 31 December 2019 [continued]

LIABILITIES	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks	**265,224**	**84,798**	**2,633**	**130,754**	**5,086**	**112,533**	**1,834**	**78,312**	**103,826**	**18,079**	**19**	**9,813**	**378,622**	**434,289**	**812,911**
fixed rate	212,975	78,022	2,633	63,143	5,085	27,300	1,834	76,875	103,826	17,715	-	-	326,353	263,055	589,408
variable rate	52,249	6,776	-	67,611	1	85,233	-	1,437	-	364	-	-	52,250	161,421	213,671
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	19	9,813	19	9,813	9,832
Repo liabilities	**488**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**488**	**-**	**488**
fixed rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
variable rate	488	-	-	-	-	-	-	-	-	-	-	-	488	-	488
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities designated at fair value through profit or loss	**28,862**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,000**	**28,862**	**2,000**	**30,862**
fixed rate	102	-	-	-	-	-	-	-	-	-	-	-	102	-	102
variable rate	28,760	-	-	-	-	-	-	-	-	-	-	-	28,760	-	28,760
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	2,000	-	2,000	2,000
Deposits from customers	**5,124,112**	**6,546,522**	**183,647**	**570,419**	**127,494**	**830,168**	**45,174**	**325,413**	**239,092**	**426,589**	**37,258**	**715,420**	**5,756,777**	**9,414,531**	**15,171,308**
fixed rate	434,026	2,729,694	183,647	570,286	127,494	828,984	45,174	325,411	239,092	426,583	-	-	1,029,433	4,880,958	5,910,391
variable rate	4,690,086	3,816,828	-	133	-	1,184	-	2	-	6	-	-	4,690,086	3,818,153	8,508,239
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	37,258	715,420	37,258	715,420	752,678
Liabilities from issued securities	**16,708**	**592**	**144,381**	**1,273**	**8,347**	**1,936**	**112,697**	**-**	**106,267**	**53**	**898**	**15**	**389,298**	**3,869**	**393,167**
fixed rate	218	40	-	8	6,901	-	112,697	-	106,267	53	-	-	226,083	101	226,184
variable rate	16,490	552	144,381	1,265	1,446	1,936	-	-	-	-	-	-	162,317	3,753	166,070
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	898	15	898	15	913
Fair value adjustment of derivative financial instruments	**1,275,341**	**129,626**	**828,476**	**357,746**	**623,403**	**588,552**	**281,358**	**8,789**	**37,297**	**72,359**	**370,245**	**167,431**	**3,416,120**	**1,324,503**	**4,740,623**
fixed rate	1,224,793	123,378	687,545	341,726	623,287	567,367	281,358	8,789	37,297	72,148	-	-	2,854,280	1,113,408	3,967,688
variable rate	50,548	6,248	140,931	16,020	116	21,185	-	-	-	211	-	-	191,595	43,664	235,259
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	370,245	167,431	370,245	167,431	537,676
Leasing liabilities	**1,252**	**4,951**	**126**	**1,113**	**1,120**	**7,393**	**924**	**6,082**	**5**	**24,800**	**99**	**6,329**	**3,526**	**50,668**	**54,194**
fixed rate	1,252	4,878	126	902	1,120	6,551	924	5,026	5	21,374	-	-	3,427	38,731	42,158
variable rate	-	73	-	211	-	842	-	1,056	-	3,426	-	-	-	5,608	5,608
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	99	6,329	99	6,329	6,428
Other financial liabilities	**4,920**	**171**	**575**	**1,816**	**-**	**2,039**	**-**	**255**	**-**	**503**	**230,989**	**96,752**	**236,484**	**101,536**	**338,020**
fixed rate	4,177	136	-	1,816	-	2,039	-	239	-	503	-	-	4,177	4,733	8,910
variable rate	743	35	575	-	-	-	-	16	-	-	-	-	1,318	51	1,369
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	230,989	96,752	230,989	96,752	327,741
Subordinated bonds and loans	**-**	**-**	**-**	**77,934**	**-**	**166,602**	**-**	**-**	**-**	**5,397**	**-**	**5**	**-**	**249,938**	**249,938**
fixed rate	-	-	-	-	-	-	-	-	-	5,397	-	-	-	5,397	5,397
variable rate	-	-	-	77,934	-	166,602	-	-	-	-	-	-	-	244,536	244,536
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	5	-	5	5
Net position	**(4,897,284)**	**(1,490,668)**	**494,151**	**680,093**	**991,731**	**411,115**	**(85,850)**	**562,211**	**2,929,632**	**1,630,744**	**(2,751)**	**474,961**	**(570,371)**	**2,268,456**	**1,698,085**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.5. Market risk

The Group 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 Group 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 36.2., 36.3. and 36.4., respectively.)

36.5.1. Market Risk sensitivity analysis

The VaR risk measure estimates the potential loss in pre-tax 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 recognizing 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 approach. The diversification effect has not been validated among the various market risk types when capital calculation happens.
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	1,530	479
Interest rate	146	172
Equity instruments	141	21
Diversification	-	-
Total VaR exposure	**1,817**	**672**

The table above shows the VaR figures by asset classes. Since processes driving the value of the major asset classes are not independent (for example the depreciation of HUF against the EUR mostly coincide with the increase of the yields of Hungarian Government Bonds), a diversification impact emerges, so the overall VaR is less than the sum of the VaR of each individual asset class.

While VaR captures the Group'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 Group to assess its market risk exposures. Details of sensitivity analysis for foreign currency risk are set out in Note 36.5.2., for interest rate risk in Note 36.5.3., and for equity price sensitivity analysis in Note 36.5.4.

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.5. Market risk [continued]

36.5.2. Foreign currency sensitivity analysis

The following table details the Group's sensitivity to the rise and fall in the HUF exchange rate against EUR and USD, 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' profit or loss 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 at 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.

Probability	Effects to the Consolidated Statement of Profit or Loss in 3 months period	
	In HUF million	In HUF million
	2020	2019
1%	(5,900)	(12,200)
5%	(4,100)	(8,400)
25%	(1,700)	(3,500)
50%	(200)	(400)
25%	1,200	2,600
5%	3,200	6,800
1%	4,600	9,700

Note:
Monte Carlo simulation is based on the empirical distribution of the historical exchange rate movements between 2002 and 2020.

36.5.3. 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 was outstanding for the whole year. The analysis was prepared by assuming only adverse 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.
- Assets and liabilities with an interest rate lower than 0.3% were assumed to be unchanged for the whole period.

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.5. Market risk [continued]

36.5.3. Interest rate sensitivity analysis [continued]

The sensitivity of interest income to changes in BUBOR was analysed by 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 1,301 million (probable scenario) and HUF 5,732 million (alternative scenario) as a result of these simulation. A similar simulation indicated HUF 1,205 million (probable scenario) and HUF 3,060 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):

	2020		2019	
Description	**Effects to the net interest income (one-year period)**	**Effects to capital (Price change of government bonds at fair value through other comprehensive income)**	**Effects to the net interest income (one-year period)**	**Effects to capital (Price change of government bonds at fair value through other comprehensive income)**
HUF (0.1%) parallel shift	(1,809)	389	(1,742)	558
EUR (0.1%) parallel shift	(2,179)	-	(1,261)	-
USD (0.1%) parallel shift	(497)	-	(253)	-
Total	**(4,485)**	**389**	**(3,256)**	**558**

36.5.4. 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 a 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 recognizing 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 scenarios show the loss of the portfolio when all prices change with the maximum amount of the last year.

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

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.6. Capital management

Capital management

The primary objective of the capital management of the Group 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 Group members 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 Group members in the short run is the continuous monitoring of their capital position, in the long run the strategic and the business planning, which includes the monitoring and forecast of the capital position.
The Group members maintain the capital adequacy required by the regulatory bodies and the planned risk taking mainly by means of ensuring and developing their profitability. In case the planned risk level of a Group member exceeded its Core and the previously raised Supplementary capital, it 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 new global standards on banking regulation (known as the Basel III agreement) into the EU legal framework. The new rules are applied from 1 January 2014. They set stronger prudential requirements for institutions, requiring them to keep sufficient capital reserves and liquidity. This new 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 capital adequacy of the Group is supervised based on the financial statements data prepared in accordance with IFRS applying the current directives, rulings and indicators from 1 January 2014.

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

The Group uses the standard method for determining the regulatory capital requirements of the credit risk and market risk, and parallel to that, the base indicator method and the advanced method (AMA) in case of the operational risk.

For international comparison purposes, the Group calculated the Regulatory capital based on IFRS data as adopted by the EU, and the consolidated Capital adequacy ratio based on this in accordance with the regulations of Basel III. The Capital adequacy ratio of the Group (IFRS) was 17.7%, the Regulatory capital was HUF 2,669,806 million and the Total regulatory capital requirement was HUF 1,203,751 million as at 31 December 2020. The same ratios calculated as at 31 December 2019 were the following: 16.8%, HUF 2,390,688 million and HUF 1,140,976 million.

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

36.6. Capital management [continued]

Capital adequacy [continued]

Calculation on IFRS basis (in HUF million)	**2020**	**2019**
Core capital (Tier 1) = Common Equity Tier 1 (CET 1)	***2,316,118***	***2,055,106***
Issued capital	28,000	28,000
Reserves	2,342,166	2,208,519
Fair value corrections	33,991	49,501
Other capital components	39,204	(33,225)
Non-controlling interests	1,795	2,571
Treasury shares	(145,939)	(60,931)
Goodwill and other intangible assets	(174,997)	(230,017)
Other adjustments	191,898	90,688
Additional Tier 1 (AT1)		**-**
Supplementary capital (Tier 2)	***353,688***	***335,582***
Subordinated bonds and loans	263,439	244,536
Other issued capital components	89,935	89,935
Components recognized in T2 capital issued by subsidiaries	314	1,111
Regulatory capital [1]	**2,669,806**	**2,390,688**
Credit risk capital requirement	1,071,163	1,002,390
Market risk capital requirement	19,170	15,905
Operational risk capital requirement	113,418	122,681
Total requirement regulatory capital	**1,203,751**	**1,140,976**
Surplus capital	**1,466,055**	**1,249,712**
CET 1 ratio	15.40%	14.40%
Tier 1 ratio	15.40%	14.40%
Capital adequacy ratio	**17.70%**	**16.80%**

Basel III

The components of the Common Equity Tier 1 capital (CET 1) are the following: Issued capital, Reserves (Profit reserves, Other reserves, Changes in the equity of subsidiaries, Net Profit for the year, Changes due to consolidation) Fair value adjustments, Other capital components, (Revaluation reserves, Share based payments, Cash-flow hedges, Net investment hedge in foreign operations), Non-controlling interest, Treasury shares, Goodwill and other Intangible assets, other adjustments (due to prudential filters, due to deferred tax receivables, due to temporary regulations).

Supplementary capital (Tier 2): Subordinated loan capital, Supplementary loan capital, Other issued capital components, Components recognized in T2 capital issued by subsidiaries.

[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 and may change the capital adequacy ratios.

NOTE 37: RECLASSIFICATION AND TRANSFER OF FINANCIAL INSTRUMENTS (in HUF mn)

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

As at 31 December 2020

Date of reclassification	Reason for reclassification	Type of securities	Nominal value at reclassification	Fair value at the date of reclassification	EIR at the date of reclassification	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 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 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 derecognized

	Transferred assets	Associated liabilities	Transferred assets	Associated liabilities
	Carrying amount 2020		Carrying amount 2019	
Financial assets at fair value through other comprehensive income				
Debt securities	48,176	44,287	40,912	40,253
Total	**48,176**	**44,287**	**40,912**	**40,253**
Financial assets at amortized cost				
Debt securities	136,316	119,789	-	-
Loans and advances	1,171	-	5,263	2,555
Total	**137,487**	**119,789**	**5,263**	**2,555**
Total	**185,663**	**164,076**	**46,175**	**42,808**

As at 31 December 2020 and 2019, the Group had obligation from repurchase agreements (repo liability) of HUF 109,612 million and HUF 111 million respectively. Securities sold temporarily under repurchase agreements will continue to be recognized in the Consolidated Statement of Financial Position of the Group in the appropriate securities category. The related liability is measured at amortized cost in the Consolidated Statement of Financial Position as "Amounts due to the National Governments, to the National Banks and other banks and repo liabilities".

NOTE 38: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn)

In the normal course of business, the Group becomes a party to various financial transactions that are not reflected on the Consolidated Statement of Financial Position and are referred to as off-balance sheet financial instruments. The following represent notional amounts of these off-balance sheet financial instruments, unless stated otherwise.

Contingent liabilities	**2020**	**2019**
Commitments to extend credit	3,420,718	3,027,112
Guarantees arising from banking activities	1,159,699	966,649
Factoring loan commitment	305,269	228,145
Confirmed letters of credit	35,715	33,296
Other	35,965	-
Contingent liabilities and commitments total in accordance with IFRS 9	**4,957,366**	**4,255,202**
Legal disputes (disputed value)	53,486	30,844
Other	22,164	57,151
Contingent liabilities and commitments total in accordance with IAS 37	**75,650**	**87,995**
Total	**5,033,016**	**4,343,197**

Legal disputes

At the balance sheet date the Group 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 Group 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. Provisions due to legal disputes were HUF 34,894 million as at 31 December 2020 and HUF 28,650 million as at 31 December 2019, respectively. (See Note 24.)

Commitments to extend credit, guarantees and letters 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 Group 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 Group on behalf of a customer authorising a third party to draw drafts on the Group 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 Group 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 Group believes the market risk associated with guarantees, irrevocable letters of credit and undrawn loan commitments are minimal.

NOTE 38: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

Guarantees, payment undertakings arising from banking activities

Payment undertaking is a promise by the Group to assume responsibility for the debt obligation of a borrower if that borrower defaults until a determined amount, 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 Group assumes the obligation derived from guarantee independently by the conditions established by the Group. 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.

Derivatives

The Group maintains strict control limits on net open derivative positions, i.e. the difference between purchase and sale contracts, by both amount and term. At any time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e. assets), which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except for trading with clients, where the Group in most of the cases requires margin deposits.

NOTE 39: SHARE-BASED PAYMENTS AND EMPLOYEE BENEFITS (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.
The Bank ensures the share-based payment part for the management personnel of the Group members.
During implementation of the Remuneration Policy of the Group appeared 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.

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.

[1] Until the end of 2014 Board of Directors

NOTE 39: SHARE-BASED PAYMENTS AND EMPLOYEE BENEFITS (in HUF mn) [continued]

The parameters for the share-based payment relating to years from 2015 by the 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		Exercise price	Maximum earnings		Exercise price	Maximum earnings	
	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		Exercise price	Maximum earnings	
	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 39: SHARE-BASED PAYMENTS AND EMPLOYEE BENEFITS (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 as 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 started in 2020	166,231	164,039	13,585	-	2,192
Remuneration exchanged to share provided 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 as 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 started in 2020	101,571	94,830	11,878	-	6,741
Remuneration exchanged to share provided 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 39: SHARE-BASED PAYMENTS AND EMPLOYEE BENEFITS (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 as 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 started in 2020	150,230	3,448	12,471	-	146,782
Remuneration exchanged to share provided 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

NOTE 39: SHARE-BASED PAYMENTS AND EMPLOYEE BENEFITS (in HUF mn) [continued]

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 as at 31 December 2020
Share purchasing period started in 2020	91,403	91,403	12,218	-	-
Remuneration exchanged to share provided in 2020	22,806	22,806	11,897	-	-
Share purchasing period starting in 2021	-	-	-	-	202,386
Remuneration exchanged to share applying in 2021	-	-	-	-	32,238
Share purchasing period starting in 2022	-	-	-	-	109,567
Remuneration exchanged to share applying in 2022	-	-	-	-	15,554
Share purchasing period starting in 2023	-	-	-	-	125,771
Remuneration exchanged to share applying in 2023	-	-	-	-	18,025
Share purchasing period starting in 2024	-	-	-	-	44,421
Remuneration exchanged to share applying in 2024	-	-	-	-	6,279
Remuneration exchanged to share applying in 2025	-	-	-	-	1,000
Remuneration exchanged to share applying in 2026	-	-	-	-	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 based on performance assessment accounted as equity-settled share based transactions, HUF 3,394 million and HUF 3,548 million was recognized as expense for the year ended 31 December 2020 and 2019 respectively.

Defined benefit plan

Defined benefit plan is post-employment benefit plans other than defined contribution plan. The Group's net obligation is calculated by estimating the amount of employee's future benefit based on their servicies for the current and prior periods. The future value of benefit is being discounted to present value.

The Group has small number of plans and mainly in Bulgaria, Serbia, Montenegro and Slovenia. These plans are providing retirement benefits upon pension age as lump-sum payment based either on fixed amounts or certain months of salary.
These plans are unfunded consequently there are no significant plan assets associated with these plans.

NOTE 39: SHARE-BASED PAYMENTS AND EMPLOYEE BENEFITS (in HUF mn) [continued]

Defined benefit plan [continued]

	2020	2019
Balance as at 1 January	4,809	1,966
Increase due to acquisition	-	2,359
Current service cost	402	290
Interest cost	66	75
Actuarial gains from changes in demographic assumptions	(14)	(137)
Actuarial (gains) / losses from changes in financial assumptions	(203)	130
Benefits paid	(261)	(128)
Past service cost	(274)	(5)
Other increases	497	259
Closing balance	**5,022**	**4,809**

Amounts recognized in profit or loss

	2020	2019
Current service cost	402	290
Net interest expense	66	75
Actuarial losses	14	29
Past service cost	(274)	(5)
Total	**208**	**389**

Actuarial assumptions

The following are the main actuarial assumptions

	2020	2019
Discount rate	0.46%-3%	0.46%-3.5%
Future salary increases	0.4%-5%	0.0%-5%

OTP Group expects to make insignificant amount of contribution to the defined benefit plans during the year 2021.

NOTE 40: RELATED PARTY TRANSACTIONS (in HUF mn)

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

Compensations	**2020**	**2019**
Short-term employee benefits	10,093	8,453
Share-based payment	2,619	2,732
Other long-term employee benefits	870	636
Termination benefits	508	40
Post-employment benefits	-	35
Total	**14,090**	**11,896**

NOTE 40: RELATED PARTY TRANSACTIONS (in HUF mn) [continued]

	2020	2019
Loans provided to companies owned by the Management (normal course of business)	87,791	55,517
Commitments to extend credit and guarantees	36,758	27,708
Credit lines of the members of Board of Directors and the Supervisory Board and their close family members (at normal market conditions)	361	666

	2020		2019	
Types of transactions	Non-consolidated subsidiaries	Associated companies	Non-consolidated subsidiaries	Associated companies
Loans provided	16,395	523	2,656	513
Client deposits	6,541	80	5,335	-
Net interest income on loan provided	150	10	32	-
Net fee income	26	1	30	-

An analysis of **overdraft loan credit line** is as follows:

	2020	2019
Members of Board of Directors and their close family members	130	153
Members of Supervisory Board and their close family members	21	4
Executives and their close family members	159	-
Total	**310**	**157**

An analysis of credit limit related to **MasterCard Gold / MasterCard Bonus Gold** is as follows:

	2020	2019
Members of Board of Directors and their close family members	23	39
Members of Supervisory Board and their close family members	11	-
Executives and their close family members	73	1
Total	**107**	**40**

An analysis of credit limit related to **MasterCard Classic** / **MasterCard Bonus** is as follows:

	2020	2019
Members of Board of Directors and their close family members	2	-
Members of Supervisory Board and their close family members	1	-
Total	**3**	**-**

NOTE 40: RELATED PARTY TRANSACTIONS (in HUF mn) [continued]

An analysis of credit limit related to **Visa Card** is as follows:

	2020	2019
Members of Board of Directors and their close family members	48	39
Members of Supervisory Board and their close family members	5	2
Total	**53**	**41**

An analysis of credit limit related to **AMEX Gold** credit card loan is as follows:

	2020	2019
Members of Board of Directors and their close family members	3	7
Executives and their close family members	-	33
Total	**3**	**40**

An analysis of credit limit related to **Visa Infinite / AMEX Platinum** credit card loan is as follows:

	2020	2019
Members of Board of Directors and their close family members	27	20
Members of Supervisory Board and their close family members	5	5
Executives and their close family members	110	69
Total	**142**	**94**

An analysis of **Lombard loans**, **Personal loans** is as follows:

	2020	2019
Members of Board of Directors and their close family members	54,050	53,661
Members of Supervisory Board and their close family members	-	10
Executives and their close family members	1,442	1,419
Total Lombard loans	**55,492**	**55,090**
Members of Board of Directors and their close family members	105	214
Members of Supervisory Board and their close family members	4	-
Executives and their close family members	14	7
Total Personal loans	**123**	**221**

An analysis of **"Baby expecting loan"** and **AXA real estate loans** at the Bank is as follows:

	2020	2019
Members of Board of Directors and their close family members	9	-
Executives and their close family members	66	-
Total "Baby expecting loan"	**75**	**-**
Executives and their close family members	34	-
Total Axa real estate loans	**34**	**-**

NOTE 40: RELATED PARTY TRANSACTIONS (in HUF mn) [continued]

An analysis of payment to executives of the Group related to their activity in Board of Directors and Supervisory Board is as follows:

	2020	2019
Members of Board of Directors	2,502	3,060
Members of Supervisory Board	204	227
Total	**2,706**	**3,287**

In the normal course of business, the Bank enters into other transactions with its unconsolidated subsidiaries of the Group, the amounts and volumes of which are not significant to these consolidated financial statements taken as a whole. Related party transactions were made on terms equivalent to those that prevail in arm's length transactions and such terms can be substantiated.

NOTE 41: ACQUISITION (in HUF mn)

Purchase and consolidation of subsidiaries

The Société Générale Group made a strategic decision about the disposal of its bank subsidiaries in the Central and Eastern European countries and the Balkan Region, in order to be able to strengthen its position in other regions. The strategic goal of OTP Group is to strengthen its presence in the Central and Eastern European region and to enter other markets of strategic importance. By completing these transactions the parties achieved part of their strategic goals. Based on market standards, OTP Group made the due diligence of the subsidiaries using data provided by the Vendor, then in line with the process defined by the Vendor, after several biddings, the decision was made about the selected subsidiaries. Following the agreement in principles the parties finalized the details of the purchase agreements which were fixed in contracts.

A comprehensive due diligence was performed before every acquisition decision, where in accordance with the main statements of the due diligence, the market environment, the historical performance of the target and the expected profit-making capacity of the target for the period after the closing according to the business plan, the realistic range of the purchase price was defined. Having taken into consideration some other aspects, management laid down the proposed purchase price. Purchasing an entity with positive or negative goodwill is reasoned by altogether the expected cost synergies arising from the market situation and the survey of joint profit-making capacity, the size of the marge typical for the markets, and other strategic considerations (gain of new market shares or increasing them).
Individually the purchase prices were not made public – as it was agreed with the Vendor – however, the aggregated purchase price was HUF 460,077 million.

On 13 December 2019 the financial closure of the Slovenian transaction has been completed (after the acquisition agreement was signed on 2 May 2019). As a result, OTP Bank has become 99.73% owner of **SKB Banka**, the Slovenian subsidiary of Societe Generale Group and other local subsidiaries held by SKB Banka, so it was consolidated from December 2019.

On 25 July 2019 the financial closure of the Moldovan transaction has been completed (after the acquisition agreement was signed on 5 February, 2019). As a result, OTP Bank has become 96.69% owner of **Mobiasbanca – Groupe Societe Generale S.A.** („MBSG"), the Moldovan subsidiary of Societe Generale Group, so it was consolidated from July 2019.

The financial closure of the transaction, based on the acquisition agreement on purchasing 90.56% shareholding of **Societe Generale banka Montenegro a.d.** („SGM"), the Montenegrin subsidiary of Societe Generale Group between Crnogorska komercijalna banka a.d., the Montenegrin subsidiary of OTP Bank and Societe Generale Group, has been completed on 16 July 2019. The acquisition agreement between SG and CKB was signed on 27 February 2019 and the Montenegrin subsidiary was consolidated from July 2019.

NOTE 41: ACQUISITIONS (in HUF mn) [continued]

Purchase and consolidation of subsidiaries [continued]

On 24 September 2019 the financial closure of the Serbian transaction has been completed (after the acquisition agreement was signed on 19 December 2018). As a result, OTP Bank has become 100% owner of **Societe Generale banka Srbija a.d. Beograd** („SGS"), the Serbian subsidiary of Societe Generale Group and other local subsidiaries held by SGS, so it was consolidated from September 2019.

In line with the purchase agreement signed on 1 August 2018 by OTP Bank and the Societe Generale Group, on 29 March 2019 the financial closure of the Albanian transaction has been completed and it was consolidated. As a result, OTP Bank has become the 100% owner of **Banka Societe Generale Albania SH.A.** („SGAL"), the Albanian subsidiary of Societe Generale Group, so it was consolidated from March 2019.

The financial closure of the transaction, based on the acquisition agreement on purchasing 99.74% shareholding of **Societe Generale Expressbank** („SGEB"), the Bulgarian subsidiary of Societe Generale Group ("SG"), and other local subsidiaries held by SGEB, between Societe Generale Group and DSK Bank EAD ("DSK Bank"), the Bulgarian subsidiary of OTP Bank, has been completed on 15 January 2019, so it was consolidated from January 2019. The acquisition agreement between SG and DSK Bank was signed on 1 August 2018.

The Bulgarian Expressbank AD merged with its parent DSK Bank AD, which was entered in the company register on the 30th of April 2020. The integration of whole bank systems and information was completed on the 4th of May 2020. Podgorička Banka AD Podgorica in Montenegro merged with its parent bank on the 11th of December 2020, named Crnogorska Komercijalna Banka AD Podgorica after the merger.

NOTE 41: ACQUISITIONS (in HUF mn) [continued]

Purchase and consolidation of subsidiaries [continued]

The fair value of the assets and liabilities acquired is as follows:

	SKB Banka d.d. Ljubljana Group	Mobiasbanca - OTP Group S.A.	Podgorička banka AD Podgorica	OTP Banka Srbija AD. Beograd Group	Banka OTP Albania SH.A	Expressbank Group
Cash amounts and due from banks and balances with the National Banks	(86,661)	(8,171)	(48,951)	(123,247)	(35,048)	(119,589)
Placements with other banks, net of loss allowance for placements and net of repo receivables	(177)	(74,906)	(733)	(13)	(3,951)	(113,360)
Financial assets at fair value through profit or loss	(5,148)	(56)	(673)	(3,706)	-	(20,110)
Securities at fair value through other comprehensive income	(93,807)	-	(10,272)	(106,992)	(50,424)	(116,786)
Loans at amortized cost	(997,417)	(96,837)	(127,867)	(694,521)	(125,400)	(793,134)
Loans mandatorily at fair value through profit or loss	(2,586)	-	-	-	-	-
Associates and other investments	-	-	-	-	-	(803)
Securities at amortized cost	(83,625)	(17,050)	-	(5,402)	-	-
Property and equipment	(11,896)	(3,424)	(3,095)	(10,052)	(626)	(19,178)
Intangible assets	(14,874)	(879)	(1,224)	(11,457)	(1,746)	(15,793)
Right-of-use assets	(1,905)	(1,733)	(263)	(2,430)	(1,256)	(4,838)
Investment properties	(300)	-	-	-	-	-
Derivative financial assets designated as hedge accounting	-	-	-	-	-	-
Other assets	(10,289)	(1,013)	(751)	(5,062)	(1,373)	(5,487)
Total assets	**(1,308,685)**	**(204,069)**	**(193,829)**	**(962,882)**	**(219,824)**	**(1,209,078)**

NOTE 41: ACQUISITIONS (in HUF mn) [continued]

Purchase and consolidation of subsidiaries [continued]

The fair value of the assets and liabilities acquired is as follows [continued]:

	SKB Banka d.d. Ljubljana Group	Mobiasbanca - OTP Group S.A.	Podgorička banka AD Podgorica	OTP Banka Srbija AD. Beograd Group	Banka OTP Albania SH.A.	Expressbank Group
Amounts due to the banks, the National Governments, deposits from the National Banks and other banks and repo liabilities	260,395	15,870	30,518	229,216	18,762	139,753
Financial liabilities designated at fair value through profit or loss	2,005	-	-	-	-	-
Deposits from customers	886,419	152,145	127,663	541,005	175,534	874,910
Liabilities from issued securities	-	-	-	-	-	-
Derivative financial liabilities held for trading	-	-	-	-	-	3,497
Derivative financial liabilities designated as hedge accounting	3,016	-	-	-	-	-
Leasing liabilities	1,909	-	246	2,422	1,257	4,838
Other liabilities	16,976	3,305	11,739	16,425	1,838	16,886
Subordinated bonds and loans	-	-	-	24,244	-	3,878
Total liabilities	**1,170,720**	**171,320**	**170,166**	**813,312**	**197,391**	**1,043,762**
Net assets	**(137,965)**	**(32,749)**	**(23,663)**	**(149,570)**	**(22,433)**	**(165,316)**

	2019
Net assets total	(531,696)
Non-controlling interest	4,103[1]
Negative goodwill	67,516
Net cash	**(460,077)**

[1] Non-controlling interest was measured at its proportionate share of net assets of the acquiree.

NOTE 41: ACQUISITIONS (in HUF mn) [continued]

Purchase and consolidation of subsidiaries [continued]

Breakdown of the acquired entity's income, profit / loss from the date of the acquisition:

	Interest income	Net result	One-off expense[1]
SKB Banka d.d. Ljubljana Group	-	-	4,972
Mobiasbanca - OTP Group S.A.	5,309	1,508	778
Podgorička banka AD Podgorica	3,991	691	978
OTP Banka Srbija AD. Beograd Group	9,820	2,720	2,610
Banka OTP Albania SH.A.	7,418	1,173	1,606
Expressbank Group	34,204	16,682	5,752
Total	60,742	22,774	16,696

Breakdown of the acquired entity's income, profit / loss if the Group would have acquired from the beginning of year 2019:

	Interest income	Net result	One-off expense[1]
SKB Banka d.d. Ljubljana Group	30,254	21,350	4,972
Mobiasbanca - OTP Group S.A.	11,553	4,255	778
Podgorička banka AD Podgorica	8,574	2,755	978
OTP Banka Srbija AD. Beograd Group	39,195	18,519	2,610
Banka OTP Albania SH.A.	9,944	2,075	1,606
Expressbank Group	34,204	16,682	5,752
Total	33,724	65,636	16,696

With the acquisitions the following shares were purchased:

	Number of shares	**Type**	**Voting rights**
SKB Bank d.d. Ljubljana	12,614,965	ordinary share	99.72%
SKB Leasing d.o.o.	-	-	100.00%
SKB Leasing Select d.o.o.	-	-	100.00%
Mobiasbanca-OTP Group SA	9,669,155	ordinary share	96.69%
Podgorička banka AD Podgorica	87,602	ordinary share	90.56%
OTP Banka Srbija AD. Beograd	5,331,016	ordinary share	100.00%
OTP Leasing Srbija d.o.o. Beograd	-	-	100.00%
OTP Osiguranje ADO Beograd	305,408	ordinary share	100.00%
Banka OTP Albania	67,409	ordinary share	100.00%
Expressbank AD.	33,584,555	ordinary share	100.00%
OTP Leasing EOOD	-	-	100.00%
Express Factoring EOOD	-	-	100.00%
Express Life insurance Joint-Stock Company	29,918	ordinary share	100.00%

[1] The net result was decreased by the loss allowance on loans in accordance with IFRS 9 after the first day of the acquisition (Day 1).

NOTE 42: SIGNIFICANT SUBSIDIARIES AND ASSOCIATES (in HUF mn)

The control is established when the Group has the right and exposure over the variable positive yield of the investee but the same time put up with the consequences of the negative returns and the Group by its decisions is able to influence the extent of the yields.
The Group primarily considering the following factors in the process of determining the existing of the control:
- investigation of the decision making mechanism of the entity,
- authority of the Board of Directors, Supervisory Board and General meeting based on the deed of association,
- existence of investments with preferential voting rights.

If the control can't be obviously determined then it should be supposed that the control does not exist.
Significant influence is presumed by the Group to exist – unless the contrary case is proven – when the Group holds 20% or more of the voting power of an investee but does not have a control.

Investments in companies in which the Bank has a controlling interest are detailed below. They are fully consolidated companies and incorporated in Hungary unless otherwise stated. The Bank considers the subsidiaries as cash generating units.

Significant subsidiaries

Name	Ownership (Direct and Indirect)		Activity
	2020	2019	
DSK Bank EAD (Bulgaria)	99.91%	100.00%	commercial banking services
OTP Bank JSC (Ukraine)	100.00%	100.00%	commercial banking services
JSC "OTP Bank" (Russia)	97.91%	97.91%	commercial banking services
OTP banka d.d. (Croatia)	100.00%	100.00%	commercial banking services
OTP Bank Romania S.A. (Romania)	100.00%	100.00%	commercial banking services
Vojvodjanska banka a.d. Novi Sad (Serbia)	100.00%	100.00%	commercial banking services
OTP banka Srbija a.d. Beograd (Serbia)	100.00%	100.00%	commercial banking services
Crnogorska komercijalna banka a.d. (Montenegro)	100.00%	100.00%	commercial banking services
Banka OTP Albania SHA (Albania)	100.00%	100.00%	commercial banking services
Mobiasbanca - OTP Group S.A. (Moldova)	98.26%	98.26%	commercial banking services
SKB Banka d.d. Ljubljana (Slovenia)	100.00%	99.66%	commercial banking services
OTP Financing Malta Company Ltd. (Malta)	100.00%	100.00%	refinancing activities
OTP Financing Netherlands B.V. (the Netherlands)	100.00%	100.00%	refinancing activities
OTP Holding Ltd. (Cyprus)	100.00%	100.00%	refinancing activities
OTP Financing Cyprus Ltd. (Cyprus)	100.00%	100.00%	refinancing activities
OTP Factoring Ltd.	100.00%	100.00%	work-out
OTP Mortgage Bank Ltd.	100.00%	100.00%	mortgage lending
OTP Real Estate Ltd.	100.00%	100.00%	real estate management and development
Merkantil Bank Ltd.	100.00%	100.00%	finance lease
OTP Building Society Ltd.	100.00%	100.00%	housing savings and loan
OTP Fund Management Ltd.	100.00%	100.00%	fund management
Bank Center No. 1. Ltd.	100.00%	100.00%	real estate lease
Inga Kettő Ltd.	100.00%	100.00%	property management
OTP Funds Servicing and Consulting Ltd.	100.00%	100.00%	fund services
OTP Real Estate Leasing Ltd.	100.00%	100.00%	real estate leasing

NOTE 42: SIGNIFICANT SUBSIDIARIES AND ASSOCIATES (in HUF mn) [continued]

Significant associates and joint ventures[1]

Summarized financial and non-financial information of associates and joint ventures which are not significant on Group level and are accounted according to IAS 28 (Szallas.hu and D-ÉG Thermoset Ltd.) or accounted on cost (Company for Cash Services Ltd.) is as follows:

2020	***Szallas.hu Ltd.***	***D-ÉG Thermoset Ltd.***[2]	***Company for Cash Services Ltd.***	***Total***
Total assets	5,855	3,883	2,856	**12,594**
Total liabilities	1,358	4,629	147	**6,134**
Shareholders' equity	4,497	(746)	2,709	**6,460**
Total revenues	3,833	2,386	1,531	**7,750**
Ownership	47.4%	24.6%	25.0%	
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.

2019	***Szallas.hu Ltd.***	***D-ÉG Thermoset Ltd.***[2]	***Company for Cash Services Ltd.***	***Total***
Total assets	4,939	3,883	2,736	**11,558**
Total liabilities	1,429	4,629	186	**6,244**
Shareholders' equity	3,510	(746)	2,550	**5,314**
Total revenues	3,405	2,386	1,315	**7,106**
Ownership	50.0%	24.6%	25.0%	
Country / Headquarter	Hungary, Miskolc	Hungary, Budapest	Bulgaria, Sofia	

NOTE 43: 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 Group, they have been excluded from the accompanying Consolidated Statement of Financial Position.

	2020	**2019**
The amount of loans managed by the Group as a trustee	36,811	37,320

[1] Based on unaudited financial statements.
[2] Main figures of D-ÉG Thermoset Ltd. based on the latest unaudited financial statements as at 31 October 2017.

NOTE 44: 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	14.45%	15.63%

There were no other significant concentrations of the assets or liabilities of the Group either as at 31 December 2020 or 2019 respectively.
The Group continuously provides the NBH with reports on the extent of dependency on large depositors as well as the exposure of the biggest 50 depositors towards the Group.

Further to this obligatory reporting to the NBH, the Group 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 the Bank in charge of partner-risk management analyses the biggest partners on a constant basis and sets limits on the 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' internal regulation (Limit-management regulation) controls risk management which related to exposures of clients. The 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 provision system used by the Bank to control risk exposures. This regulation has to be used by the Bank for its business (lending) risk-taking activity both in retail and corporate sector.

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

NOTE 45: EARNINGS PER SHARE (in HUF mn)

Consolidated Earnings per share attributable to the ordinary shares of the Group are determined by dividing consolidated 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.

Earnings per share from continuing and discontinued operations	**2020**	**2019**
Consolidated net profit for the year attributable to ordinary shareholders (in HUF mn)	259,416	412,241
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	258,461,554	261,593,299
Basic Earnings per share (in HUF)	**1,004**	**1,576**
Consolidated net profit for the year attributable to ordinary shareholders (in HUF mn)	259,416	412,241
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	258,543,088	261,660,993
Diluted Earnings per share (in HUF)	**1,003**	**1,575**

NOTE 45: EARNINGS PER SHARE (in HUF mn) [continued]

Earnings per share from continuing operations	2020	2019
Consolidated net profit for the year attributable to ordinary shareholders (in HUF mn)	253,826	416,909
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	258,461,554	261,593,299
Basic Earnings per share (in HUF)	**982**	**1,594**
Consolidated net profit for the year attributable to ordinary shareholders (in HUF mn)	253,826	416,909
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	258,543,088	261,660,993
Diluted Earnings per share (in HUF)	**982**	**1,593**

Earnings per share from discontinued operations	2020	2019
Consolidated net profit for the year attributable to ordinary shareholders (in HUF mn)	5,590	(4,668)
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	258,461,554	261,593,299
Basic Earnings per share (in HUF)	**22**	**(18)**
Consolidated net profit for the year attributable to ordinary shareholders (in HUF mn)	5,590	(4,668)
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	258,543,088	261,660,993
Diluted Earnings per share (in HUF)	**22**	**(18)**

	2020	2019
Weighted average number of ordinary shares	280,000,010	280,000,010
Average number of Treasury shares	21,538,456	18,406,711
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS	**258,461,554**	**261,593,299**
Dilutive effects of options issued in accordance with the remuneration policy and convertible into ordinary shares[1]	81,534	67,694
The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS	**258,543,088**	**261,660,993**

[1] Both in the year 2020 and 2019 the dilutive effect is in connection with the Remuneration Policy and the Management Option Program.

NOTE 46: NET GAIN OR LOSS REALIZED ON FINANCIAL INSTRUMENTS (in HUF mn)

2020	Net interest / similar to interest gain and loss	Net non-interest gain and loss	Loss allowance	Other Compre-hensive Income
Cash, amounts due from banks and balances with the National Banks	5,103	-	-	-
Placements with other banks, net of loss allowance for placements	9,200	-	(851)	-
Repo receivables	286	-	62	-
Trading securities at fair value through profit or loss	-	2,745	-	-
Non-trading instruments mandatorily at fair value through profit or loss	473	7,239	-	-
Securities at fair value through other comprehensive income	44,782	2,325[1]	(4,507)	(6,931)
Securities at amortized cost	69,905	1,402	(2,802)	-
Loans at amortized cost	658,579	26,254	(189,554)	-
Finance lease receivables	54,046	-	(9,972)	-
Loans mandatorily at fair value through profit or loss	28,251	2,125	(3,262)	-
Other financial assets	2,739[2]	-	878	-
Derivative financial instruments	(628)[2]	13,734	-	-
Total result on financial assets	**872,736**	**55,824**	**(210,008)**	**(6,931)**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	(18,492)	-	-	-
Repo liabilities	(653)	-	-	-
Financial liabilities designated at fair value through profit or loss	(307)	1,270	-	-
Deposits from customers	(53,522)	234,030	-	-
Liabilities from issued securities	(7,750)	-	-	-
Leasing liabilities	(1,623)	-	-	-
Subordinated bonds and loans	(7,718)	-	-	-
Total result on financial liabilities	**(90,065)**	**235,300**	**-**	**-**
Total result on financial instruments	**782,671**	**291,124**	**(210,008)**	**(6,931)**

[1] For the year 2020 HUF 2,325 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 from other financial assets and derivative financial instruments recognised in net interest income as Income similar to interest income.

NOTE 46: NET GAIN OR LOSS REALIZED ON FINANCIAL INSTRUMENTS (in HUF mn) [continued]

2019	Net interest / similar to interest gain and loss	Net non-interest gain and loss	Loss allowance	Other Comprehensive Income
Cash, amounts due from banks and balances with the National Banks	2,037	-	-	-
Placements with other banks, net of loss allowance for placements	10,521	-	235	-
Repo receivables	788	-	-	-
Trading securities at fair value through profit or loss	-	2,542	-	-
Non-trading instruments mandatorily at fair value through profit or loss	202	1,914	-	-
Securities at fair value through other comprehensive income	46,521	8,485[1]	(153)	30,224
Securities at amortized cost	62,468	714	162	-
Loans at amortized cost	598,534	22,541	(40,271)	-
Finance lease receivables	40,914	-	(4,440)	-
Loans mandatorily at fair value through profit or loss	17,509	(2,131)	(2,953)	-
Other financial assets	3,672[2]	-	280	-
Derivative financial instruments	773[2]	(996)	-	-
Total result on financial assets	**783,939**	**33,069**	**(47,140)**	**30,224**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	(11,842)	-	-	-
Repo liabilities	(148)	-	-	-
Financial liabilities designated at fair value through profit or loss	(367)	(21)	-	-
Deposits from customers	(59,397)	228,939	-	-
Liabilities from issued securities	(6,749)	-	-	-
Leasing liabilities	(1,652)	-	-	-
Subordinated bonds and loans	(4,743)	-	-	-
Total result on financial liabilities	**(84,898)**	**228,918**	**-**	**-**
Total result on financial instruments	**699,041**	**261,987**	**(47,140)**	**30,224**

[1] For the year ended 31 December 2019 HUF 8,485 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 from other financial assets and derivative financial instruments recognised in net interest income as Income similar to interest income.

NOTE 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn)

In determining the fair value of a financial asset or liability the Group 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 Group has to make assumptions or use valuation techniques to determine the fair value of a financial instrument. See Note 47. 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 amortized cost, the Group used the discounted cash-flow analyses (loans, placements with other banks, repo receivables, amounts due to banks, repo liabilities, 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 Banks 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 amortized 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.

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 is measured at discounted cash-flow method. Fair value of loans, net of loss allowance for loans measured at 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 mainly categorized in level 2 of the fair value hierarchy.

NOTE 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

a) Fair value of financial assets and liabilities

	2020 Carrying amount	2020 Fair value	2019 Carrying amount	2019 Fair value
Cash, amounts due from banks and balances with the National Banks	2,432,312	2,432,312	1,784,378	1,784,378
Placements with other banks, net of loss allowance for placements	1,148,743	1,150,081	342,922	316,298
Repo receivables	190,849	191,149	67,157	67,157
Financial assets at fair value through profit or loss	234,007	234,007	251,990	251,990
Trading securities at fair value through profit or loss	*56,572*	*56,572*	*100,048*	*100,048*
Fair value of derivative financial assets held for trading	*117,623*	*117,623*	*110,624*	*110,624*
Non-trading instruments mandatorily at fair value through profit or loss	*57,577*	*57,577*	*39,317*	*39,317*
Financial assets designated at fair value through profit or loss	*2,235*	*2,235*	*2,001*	*2,001*
Securities at fair value through other comprehensive income	2,136,709	2,136,709	2,426,779	2,426,779
Securities at amortized cost	2,624,920	2,384,933	1,968,072	2,087,633
Loans at amortized cost [1]	11,674,842	12,802,818	10,413,521	11,113,687
Finance lease receivables	1,051,140	1,070,528	969,263	969,263
Loans measured at fair value through profit or loss	802,605	802,605	496,278	496,278
Derivative financial assets designated as hedge accounting	6,820	6,820	7,463	7,463
Other financial assets	140,562	140,562	123,053	123,053
Financial assets total	**22,443,509**	**23,352,524**	**18,850,876**	**19,643,979**
Amounts due to the National Governments, to the National Banks and other banks	1,185,315	1,172,036	812,911	1,070,948
Repo liabilities	117,991	119,927	488	488
Financial liabilities designated at fair value through profit or loss	34,131	34,131	30,862	30,862
Deposits from customers	17,890,863	17,905,676	15,171,308	15,240,968
Liabilities from issued securities	464,213	529,723	393,167	494,196
Held for trading derivative financial liabilities	104,823	104,823	86,743	86,743
Derivative financial liabilities designated as hedge accounting	11,341	11,341	10,709	10,709
Leasing liabilities	48,451	48,451	54,194	54,194
Other financial liabilities	389,902	389,902	338,020	338,020
Subordinated bonds and loans	274,704	265,679	249,938	237,381
Financial liabilities total	**20,521,734**	**20,581,689**	**17,148,340**	**17,564,509**

[1] Higher discount rate due to the lower yield environment resulted in higher fair value comparing to the carrying values.

NOTE 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

b) Fair value of derivative instruments

The Group 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.
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).

The summary of the derivatives held for trading and derivatives designated as hedge accounting of the Group are as follows:

	2020		2019	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Held for trading derivative financial instruments				
Interest rate derivatives				
Interest rate swaps	24,979	(24,752)	33,203	(31,471)
Cross currency interest rate swaps	7,315	(7,419)	1,141	(1,037)
OTC options	359	(8)	306	(14)
Forward rate agreement	-	-	13	(32)
Total interest rate derivatives (OTC derivatives)	**32,653**	**(32,179)**	**34,663**	**(32,554)**
Foreign exchange derivatives				
Foreign exchange swaps	41,838	(35,537)	32,845	(26,244)
Foreign exchange forward contracts	8,689	(10,750)	3,522	(5,504)
OTC options	3,909	(3,835)	3,098	(3,114)
Foreign exchange spot conversion	553	(657)	16	(55)
Total foreign exchange derivatives (OTC derivatives)	**54,989**	**(50,779)**	**39,481**	**(34,917)**
Equity stock and index derivatives				
Commodity Swaps	9,695	(8,269)	1,097	(954)
Equity swaps	7,071	(560)	4,530	(558)
OTC derivatives total	**16,766**	**(8,829)**	**5,627**	**(1,512)**
Exchange traded futures and options	379	(1,262)	5	(248)
Total equity stock and index derivatives	**17,145**	**(10,091)**	**5,632**	**(1,760)**
Derivatives held for risk management not designated in hedge				
Interest rate swaps	11,943	(8,208)	27,995	(15,246)
Foreign exchange swaps	808	(3,566)	2,757	(2,209)
Forward contracts	41	-	21	(57)
Cross currency interest rate swaps	44	-	75	-
Total derivatives held for risk management not designated in hedge	**12,836**	**(11,774)**	**30,848**	**(17,512)**
Total held for trading derivative financial instruments	**117,623**	**(104,823)**	**110,624**	**(86,743)**

NOTE 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

b) Fair value of derivative instruments [continued]

	2020		2019	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Derivative financial instruments designated as hedge accounting				
Derivatives designated in fair value hedges				
Interest rate swaps	641	(5,334)	3,758	(8,839)
Cross currency interest rate swaps	6,179	(6,007)	3,705	(1,870)
Total derivatives designated in fair value hedges	**6,820**	**(11,341)**	**7,463**	**(10,709)**
Total derivatives held for risk management (OTC derivatives)	**6,820**	**(11,341)**	**7,463**	**(10,709)**

c) Types of hedge accounting

Interest rate risk management is centralized at the Group. Interest rate risk exposures in major currencies are managed at OTP Headquarter on consolidated level. Although risk exposures in local currencies are managed at subsidiary level, the respective decisions are subject to Headquarter ALCO 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 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Types of hedge accounting [continued]

Amount, timing of future cash flows and types of risk – 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	**Foreign exchange & Interest rate 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	

NOTE 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Types of hedge accounting [continued]

Amount, timing of future cash flows and types of risk – hedging instruments as at 31 December 2020 [continued]

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	**Foreign exchange 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	-	-	-	72.6	-	
		RUB/HUF						
		Notional	-	-	-	4,100	-	**4,100**
		Average FX Rate	-	-	-	4.46	-	
	Other	**Interest rate swap**						
		HUF						
		Notional	-	(183)	6,940	8,342	-	**15,099**

NOTE 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Types of hedge accounting [continued]

Amount, timing of future cash flows and types of risk – 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	**Foreign exchange & Interest rate 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	

NOTE 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Types of hedge accounting [continued]

Amount, timing of future cash flows and types of risk – hedging instruments as at 31 December 2019 [continued]

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	**Foreign exchange risk**	**Cross currency interest rate swap**						
		RON/HUF						
		Notional	-	-	150	1,050	-	**1,200**
		Average FX Rate	-	-	67.5	68.83	-	
		RUB/HUF						
		Notional	-	-	2,000	9,100	-	**11,100**
		Average FX Rate	-	-	4.2	4.33	-	
Fair Value Hedge	**Other**	**Interest rate swap**						
		HUF						
		Notional	-	(310)	13,644	15,763	-	**29,097**

NOTE 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Types of hedge accounting [continued]

As at 31 December 2020 is as follows:

Type of hedge	Type of instrument	Type of risk	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument as at 31 December 2020		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 as at 31 December 2020
				Assets	Liabilities		
Fair value hedge	Interest rate swap	Interest rate risk	468,574	111	(5,267)	Derivative financial instruments designated as hedge accounting	(370)
	Cross-currency swap	FX & IR risk	8,874	-	(1,618)	Derivative financial instruments designated as hedge accounting	(36)
	Cross-currency swap	FX risk	438,401	6,179	(4,456)	Derivative financial instruments designated as hedge accounting	(809)
	Interest rate swap	Other	16,224	530	-	Derivative financial instruments designated as hedge accounting	2
Fair value hedges total			**932,073**	**6,820**	**(11,341)**		**(1,213)**

As at 31 December 2019 is as follows:

Type of hedge	Type of instrument	Type of risk	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument as at 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 as at 31 December 2019
				Assets	Liabilities		
Fair value hedge	Interest rate swap	Interest rate risk	687,820	2,251	(8,839)	Derivative financial instruments designated as hedge accounting	341
	Cross-currency swap	FX & IR risk	11,681	-	(488)	Derivative financial instruments designated as hedge accounting	(103)
	Cross-currency swap	FX risk	137,390	3,705	(1,382)	Derivative financial instruments designated as hedge accounting	(271)
	Interest rate swap	Other	30,983	1,507	-	Derivative financial instruments designated as hedge accounting	7
Fair value hedges total			**867,874**	**7,463**	**(10,709)**		**(26)**

NOTE 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Types of hedge accounting [continued]

As at 31 December 2020 is as follows:

Type of hedge	Type of risk	Carrying amount of the hedged item as at 31 December 2020		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 2020		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	35,256	(100,299)	507	(151)	Loans
- Government bonds	Interest rate risk	177,888	-	884	-	Securities at amortized cost
- Government bonds	Interest rate risk	91,950	-	1,154	-	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	47,560	-	793	-	Securities at fair value through other comprehensive income
- Loans	Foreign exchange & Interest rate risk	96,972	-	9	(1,634)	Loans
- Loans	Foreign exchange risk	303,572	-	10,855	-	Loans
- Other securities	Other risk	-	(15,032)	-	(3,144)	Liabilities from issued securities
Fair value hedges total		**753,198**	**(115,331)**	**14,202**	**(4,929)**	

NOTE 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Types of hedge accounting [continued]

As at 31 December 2019 is as follows:

Type of hedge	Type of risk	Carrying amount of the hedged item as at 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 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 amortized 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	Foreign exchange & Interest rate risk	12,242	-	2	-	Loans
- Loans	Foreign exchange risk	136,088	-	1,465	-	Loans
- Other securities	Other risk	-	(29,018)	-	(5,765)	Liabilities from issued securities
Fair value hedges total		**992,530**	**(29,018)**	**3,337**	**(5,765)**	

NOTE 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Types of hedge accounting [continued]

As at 31 December 2019 is as follows:

Type of instrument	Type of risk	Change in the value of the hedging instrument recognized in cash flow hedge reserve	Hedge ineffectiveness recognized 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

On Group level there weren't any cash-flow hedges for the year ended 31 December 2020.

According to the strategic direction designated by the Management Committee, a decision was made about closing in accounting meaning the former EUR 310 million strategic open position which was presented at the end of 2019 in the consolidated financial statements, so at the end of 2020 regarding net investment hedges for foreign subsidiaries there aren't any disclosure requirements to be presented.

Net investment hedge for foreign subsidiaries as at 31 December 2019 is as follows:

Type of hedge	Type of risk	Carrying amount of the hedged item as at 31 December 2019	Type of hedging instrument	Changes in fair value used for calculating hedge ineffectiveness for the year ended 31 December 2019
		EUR million		HUF million
Fx assets in foreign subsidiaries	Foreign exchange risk	310[1]	OTP HB Perpetual bonds	2,776.3

[1] Companies included: DSK Bank EAD, OTP banka Hrvatska d.d., OTP Banka Slovensko, a.s., Crnogorska Komercijalna Banka AD.

NOTE 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

d) Fair value levels

Methods and significant assumptions used to determine fair value of the different levels 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:

2020	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss	**234,007**	**67,820**	**156,090**	**10,097**
Trading securities at fair value through profit or loss	56,572	30,333	26,227	12
Positive fair value of derivative financial assets held for trading	117,623	388	117,235	-
Non-trading instruments mandatorily at fair value through profit or loss	57,577	37,099	10,393	10,085 [1]
Financial assets designated at fair value through profit or loss	2,235	-	2,235	-
Securities at fair value through other comprehensive income	2,136,709	1,137,821	941,982	56,906[2]
Loans mandatorily measured at fair value through profit or loss	802,605	1,089	2,535	798,981
Positive fair value of derivative financial assets designated as fair value hedge	6,820	-	6,820	-
Financial assets measured at fair value total	**3,180,141**	**1,206,730**	**1,107,427**	**865,984**
Financial liabilities designated at fair value through profit or loss	34,131	-	2,235	31,896
Negative fair value of held-for-trading derivative financial liabilities	104,823	1,386	103,437	-
Negative fair value of derivative financial liabilities designated as fair value hedge	11,341	-	11,341	-
Financial liabilities measured at fair value total	**150,295**	**1,386**	**117,013**	**31,896**

[1] The portfolio includes mainly Visa C shares.
[2] The portfolio includes mainly HUF 46,124 million albanian government bonds.

NOTE 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

d) Fair value levels [continued]

2019	Total	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	**251,990**	**105,246**	**143,233**	**3,511**
Trading securities at fair value through profit or loss	100,048	75,963	24,085	-
Positive fair value of derivative financial assets held for trading	110,624	6	110,618	-
Non-trading instruments mandatorily at fair value through profit or loss	39,317	29,277	6,529	3,511
Financial assets designated at fair value through profit or loss	2,001	-	2,001	-
Securities at fair value through other comprehensive income	2,426,779	1,591,882	775,202	59,695[1]
Loans mandatorily measured at fair value through profit or loss	496,278	490	2,581	493,207
Positive fair value of derivative financial assets designated as fair value hedge	7,463	-	7,463	-
Financial assets measured at fair value total	**3,182,510**	**1,697,618**	**928,479**	**556,413**
Financial liabilities designated at fair value through profit or loss	30,862	-	2,001	28,861
Negative fair value of held for trading derivative financial liabilities	86,743	249	86,494	-
Negative fair value of derivative financial liabilities designated as fair value hedge	10,709	-	10,709	-
Financial liabilities measured at fair value total	**128,314**	**249**	**99,204**	**28,861**

[1] The portfolio includes mainly Visa Inc. "C" convertible preferred stock and common shares and HUF 44,098 million albanian government bonds.

NOTE 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

d) Fair value levels [continued]

Movements in Level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

2020	Opening balance	Purchase (+)	Issuance /Disbursement (+)	Settlement / Close (-)	Sale (-)	FVA (+/-)	Transfer (+/-)	Revaluation	Other	Closing balance
Trading securities at fair value through profit or loss	3,511	-	-	(5,043)	-	(362)	9,973	2,018	-	10,097
Securities at fair value through other comprehensive income	59,695	11,076	-	(9,398)	(162)	1,637	(10,812)	4,870	-	56,906
Loans mandatorily measured at fair value through profit or loss	493,207	-	333,908	(21,397)	-	(6,737)	-	-	-	798,981
Financial assets measured at fair value total	**556,413**	**11,076**	**333,908**	**(35,838)**	**(162)**	**(5,462)**	**(839)**	**6,888**	**-**	**865,984**
Financial liabilities designated at fair value through profit or loss	28,861	-	-	(1,689)	-	(1,270)	-	-	5,994	31,896
Financial liabilities designated at fair value total	**28,861**	**-**	**-**	**(1,689)**	**-**	**(1,270)**	**-**	**-**	**5,994**	**31,896**

NOTE 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

d) Fair value levels [continued]

Movements in Level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

2019	Opening balance	Purchase (+)	Issuance /Disbursement (+)	Settlement / Close (-)	Sale (-)	FVA (+/-)	Transfer (+/-)	Revaluation	Closing balance
Trading securities at fair value through profit or loss	-	-	3,511	-	-	-	-	-	3,511
Securities at fair value through other comprehensive income	10,690	47,213	949	(217)	(1,295)	-	-	2,355	59,695
Loans mandatorily measured at fair value through profit or loss	263,534	-	266,091	(30,513)	-	(5,905)	-	-	493,207
Financial assets measured at fair value total	**274,224**	**47,213**	**270,551**	**(30,730)**	**(1,295)**	**(5,905)**	**-**	**2,355**	**556,413**
Financial liabilities designated at fair value through profit or loss	32,231	-	-	(3,349)	-	-	-	(21)	28,861
Financial liabilities designated at fair value total	**32,231**	**-**	**-**	**(3,349)**	**-**	**-**	**-**	**(21)**	**28,861**

There were no movements among the levels of fair value hierarchy either in the year ended 31 December 2020 or 31 December 2019 respectively.

NOTE 48: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn)

The Group distinguishes business and geographical segments. The report on the base of the business and geographical segments is reported below.

The operations in the Slovakian segment were discontinued. The segment information reported on the next pages does not include any amounts for these discontinued operations neither in the current year nor in the previous one, which are described in more details in Note 49.

The reportable segments of the Group on the base of IFRS 8 are the following:
OTP Core Hungary, Russia, Ukraine, Bulgaria, Romania, Serbia, Croatia, Montenegro, Albania, Moldova, Slovenia, Merkantil Group, Asset Management subsidiaries, Other subsidiaries and Corporate Center.

OTP Core is an economic unit for measuring the result of core business activity of the Group in Hungary. Financials for OTP Core are calculated from the partially consolidated financial statements of the companies engaged in the Group's underlying banking operation in Hungary. These companies include OTP Bank Hungary Plc., OTP Mortgage Bank Ltd., OTP Building Society Ltd., OTP Factoring Ltd., OTP Financial Point Ltd., and companies providing intragroup financing. The Bank Employee Stock Ownership Plan Organization was included from the fourth quarter of 2016; OTP Card Factory Ltd., OTP Facility Management Llc., Monicomp Ltd. and OTP Real Estate Lease Ltd. were included from the first quarter of 2017 (from the first quarter of 2019 OTP Real Estate Lease Ltd. was eliminated from OTP Core); OTP Mobile Service Llc., OTP Ingatlanpont Llc. were included from the first quarter of 2019 and OTP eBIZ Ltd was included from the first quarter of 2020. The consolidated accounting results of these companies are segmented into OTP Core and Corporate Centre. Latter is a virtual entity.

Within the Group, the Corporate Centre acts as a virtual entity established by the equity investment of OTP Core for managing the wholesale financing activity for all the subsidiaries within the Group but outside OTP Core. Therefore the balance sheet of the Corporate Centre is funded by the equity and intragroup lending received from OTP Core, the intragroup lending received from other subsidiaries, and the subordinated debt and senior notes arranged by OTP under its running EMTN program.

From this funding pool, the Corporate Centre is to provide intragroup lending to, and hold equity stakes in OTP subsidiaries outside OTP Core. Main subsidiaries financed by Corporate Centre are as follows: Hungarians: Merkantil Bank Ltd, Merkantil Leasing Ltd, OTP Fund Management Ltd, OTP Real Estate Fund Management Ltd, OTP Life Annuity Ltd; foreigners: banks, leasing companies, factoring companies.

The results of OTP Factoring Ukraine LLC, OTP Factoring SRL, OTP Factoring Bulgaria LLC, OTP Factoring Serbia d.o.o., and OTP Factoring Montenegro d.o.o. are included into the foreign banks segment.

From the first quarter of 2019 Expressbank AD and its subsidiaries, OTP Leasing EOOD and Express Factoring EOOD (altogether: Express Group) were included into the Bulgarian operation, so from the first quarter of 2019 the statement of recognized income and balance sheet of DSK Leasing AD was included into this segment too.
The Bulgarian Expressbank AD merged with its parent DSK Bank AD in April 2020.
The Serbian segment, OTP banka Srbija AD Beograd and Vojvodjanska Banka a.d. Novi Sad includes from the first quarter of 2019 the statements of profit or loss and financial positions of OTP Lizing d.o.o, OTP Services d.o.o. and from the third quarter of 2019 the financial position of the newly acquired OTP banka Srbija AD Beograd and from the fourth quarter of 2019 its statement of profit or loss too.
The Montenegrin segment, Crnogorska Komercijalna Banka a.d. and Podgoricka banka a.d. includes from the third quarter of 2019 the statement of profit or loss and financial position of the newly acquired Podgoricka banka a.d. In December 2020 Podgoricka banka a.d. merged into Crnogorska Komercijalna Banka a.d.
In the first quarter of 2019 the Albanian, and from the second half of year 2019 the Moldovan and Slovenian segments were included as new segments in the consolidated segment report.

The activities of the other subsidiaries are out of the leasing and fund management and factoring activity, such as: OTP Real Estate Ltd., OTP Life Annuity Ltd, OTP Funds Servicing and Consulting Ltd., OTP Building s.r.o., OTP Real Slovensko s.r.o.

NOTE 48: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

The reportable business and geographical segments of the Group are those components where:

- separated income and ex penses, assets and liabilities can be identified and assignable to the segments,
- transactions between the different segments were eliminated,
- the main decisive board of the Group regularly controls the operating results,
- separated financial information is available.

Adjustments

Goodwill / investment impairment and their tax saving effect:

As at 31 December 2020 HUF 9,841 million impairment was booked on the investment in OTP Bank Romania S.A. on which HUF 886 million positive tax effect was recognized. As at 31 December 2019 HUF 8,427 million was recognized on goodwill / investment impairment from which HUF 4,887 million was recognized on OTP Bank Romania S.A as goodwill impairment and HUF 3,540 million negative tax effect was recognized due to the impairment and release of impairment on investments, which is mainly related to the release of the previously recognized impairment on OTP Bank JSC (Ukraine).

Special tax on financial institutions (after income tax):

Special tax on financial institutions includes the special tax paid by the Hungarian financial institutions, the net present value effect of the once-off additional banking tax payable into the pandemic fund in 2020 (the payments are deductible from future banking taxes), the Slovakian banking levy and as well as in the fourth quarter of 2019 the banking tax paid by the Romanian bank, subsidiary of OTP Group. Besides, it also contains the Slovakian Deposit Protection Fund contributions being introduced again in 2014, and the contribution into the Resolution Fund in Slovakia, too.

Effect of acquisitions (after income tax):

The following main items appear on this line: the negative goodwill related to acquisitions which improves the accounting result, integration costs of the newly acquired banks and other direct effects due to the acquisitions (such as customer base value amortisation) and effects related to the sale of the Slovakian bank.

NOTE 48: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

Information regarding the Group's reportable segments is presented below:

As at 31 December 2020

Main components of the Consolidated Statement of Profit or Loss in HUF million	OTP Group - consolidated - in the Consolidated Statement of Profit or Loss - structure of accounting reports	Adjustments on the accounting in Recognized Income	OTP Group - consolidated - in the Consolidated Statement of Profit or Loss - structure of management reports	OTP CORE (Hungary)	Foreign banks subtotal (without adjustments)	DSK Bank AD (Bulgaria)	OTP banka Hrvatska d.d. (Croatia)	Vojvodjanska banka a.d. + OTP Banka Srbija AD. Beograd (Szerbia)	SKB Banka (Slovenia)	OTP Bank Romania S.A. (Romania)	OTP Bank JSC (Ukraine)	JSC "OTP Bank" (Russia) and Touch Bank	Crnogorska komercijalna banka AD Podgorička (Montenegro)	Banka OTP Albania SHA (Albania)	Mobiasbanca - OTP Group S.A. (Moldova)	Non-banking subsidiaries subtotal	Merkantil Group (Hungary)	Asset Management subsidiaries	Other subsidiaries	Corporate Centre	Eliminations and adjustments
	a	b	1=a+b 1= 2+3+14+18+19	2	3=4+...+13	4	5	6	7	8	9	10	11	12	13	14=15+16+17	15	16	17	18	19
Net profit for the year from continued and discontinued operations	**259,636**		**259,636**																		
Net profit for the year from discontinued operations	5,590		5,590																		
Net profit for the year from continued opearations	**254,046**		**254,046**																		
Adjustments (total)		**(56,220)**	**(56,220)**																		
Dividends and net cash transfers (after income tax)		213	213																		
Goodwill/investment impairment (after income tax)		886	886																		
Bank tax on financial institutions (after income tax)		(17,365)	(17,365)																		
Effect of acquisition (after income tax)		(12,441)	(12,441)																		
Impact of fines imposed by the Hungarian Competition Authority (after income tax)		749	749																		
Expected one-off negative effect of the debt repayment moratorium in Hungary (after income tax)		(28,262)	(28,262)																		
Consolidated adjusted net profit for the year	**254,046**	**56,222**	**310,268**	**159,302**	**126,967**	**40,957**	**14,829**	**7,299**	**9,664**	**1,557**	**26,104**	**16,317**	**4,307**	**1,960**	**3,973**	**25,830**	**7,661**	**9,824**	**8,345**	**(569)**	**(1,262)**
Profit before income tax	**281,422**	**70,380**	**351,802**	**175,860**	**148,858**	**44,664**	**17,600**	**8,456**	**12,103**	**1,466**	**31,589**	**21,409**	**4,609**	**2,449**	**4,513**	**28,483**	**8,617**	**10,749**	**9,117**	**(526)**	**(873)**
Adjusted operating profit	**500,092**	**37,345**	**537,437**	**181,178**	**326,660**	**89,774**	**40,329**	**35,899**	**19,787**	**11,810**	**42,030**	**65,068**	**8,352**	**5,904**	**7,707**	**28,889**	**10,279**	**10,765**	**7,845**	**(526)**	**1,236**
Adjusted total income	1,207,759	(37,839)	1,169,920	453,635	653,581	166,667	84,907	79,001	40,388	43,747	67,385	123,198	22,095	11,597	14,596	59,158	21,283	15,248	22,627	419	3,127
Adjusted net interest income	782,671	5,408	788,079	286,448	474,148	111,239	58,199	59,514	28,103	32,739	48,581	99,872	17,188	9,824	8,889	19,020	17,688	5	1,327	419	8,044
Adjusted net profit from fees and commissions	397,633	(104,521)	293,112	130,470	135,156	45,453	16,093	14,766	11,127	3,813	13,540	22,503	4,446	1,278	2,137	25,212	40	14,883	10,289	0	2,274
Adjusted other net non-interest income	27,455	61,274	88,729	36,717	44,277	9,975	10,615	4,721	1,158	7,195	5,264	823	461	495	3,570	14,926	3,555	360	11,011	0	(7,191)
Adjusted other administrative expenses	(707,667)	75,184	(632,483)	(272,457)	(326,921)	(76,893)	(44,578)	(43,102)	(20,601)	(31,937)	(25,355)	(58,130)	(13,743)	(5,693)	(6,889)	(30,269)	(11,004)	(4,483)	(14,782)	(945)	(1,891)
Total risk costs	**(218,670)**	**30,675**	**(187,995)**	**(7,678)**	**(177,802)**	**(45,110)**	**(22,729)**	**(27,443)**	**(7,684)**	**(10,344)**	**(10,441)**	**(43,659)**	**(3,743)**	**(3,455)**	**(3,194)**	**(406)**	**(1,662)**	**(16)**	**1,272**	**0**	**(2,109)**
Adjusted provision for impairment on loan and placement losses (without the effect of revaluation of FX)	(218,670)	60,249	(158,421)	2,374	(156,710)	(44,875)	(19,491)	(22,170)	(6,244)	(7,840)	(6,286)	(41,160)	(3,434)	(2,515)	(2,695)	(1,487)	(1,491)	0	4	0	(2,598)
Other provision (adjustment)	0	(29,574)	(29,574)	(10,052)	(21,092)	(235)	(3,238)	(5,273)	(1,440)	(2,504)	(4,155)	(2,499)	(309)	(940)	(499)	1,081	(171)	(16)	1,268	0	489
Total other adjustments (one-off items)[1]	**0**	**2,360**	**2,360**	**2,360**	0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	0	0	0	0	0
Income tax	**(27,376)**	**(14,158)**	**(41,534)**	**(16,558)**	**(21,891)**	**(3,707)**	**(2,771)**	**(1,157)**	**(2,439)**	**91**	**(5,485)**	**(5,092)**	**(302)**	**(489)**	**(540)**	**(2,653)**	**(956)**	**(925)**	**(772)**	**(43)**	**(389)**
Total Assets[2]	**23,329,771**	**0**	**23,329,771**	**11,492,949**	**13,609,776**	**4,283,625**	**2,325,669**	**2,052,332**	**1,353,772**	**1,162,183**	**729,012**	**688,980**	**477,676**	**286,606**	**249,921**	**1,118,927**	**667,120**	**35,584**	**416,223**	**2,865,511**	**(5,757,392)**
Total Liabilities[3]	**20,793,243**	**0**	**20,793,243**	**9,726,310**	**11,651,728**	**3,663,247**	**1,997,504**	**1,779,286**	**1,187,648**	**1,034,945**	**611,941**	**505,578**	**401,119**	**257,826**	**212,634**	**842,473**	**614,566**	**17,052**	**210,855**	**1,504,289**	**(2,931,557)**

( ) used at: provisions, impairment and expenses

[1] One-off item in the total amount consists the result of the treasury share swap agreement at OTP Core.

[2] Relating to the discontinued operations the assets were HUF 6,070 million.

[3] Relating to the discontinued operations the liabilities were HUF 5,486 million.

NOTE 48: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

Information regarding the Group’s reportable segments is presented below [continued]

As at 31 December 2019

Main components of the Consolidated Statement of Profit or Loss in HUF million	OTP Group - consolidated - in the Consolidated Statement of Profit or Loss - structure of accounting reports	Adjustments on the accounting in Recognized Income	OTP Group - consolidated - in the Consolidated Statement of Profit or Loss - structure of management reports	OTP CORE (Hungary)	Foreign banks subtotal (without adjustments)	DSK Group including Expressbank AD (Bulgaria)	OTP banka Hrvatska d.d. (Croatia)	Vojvodjanska banka a.d. + OTP Banka Srbija AD. Beograd (Szerbia)	SKB Banka (Slovenia)	OTP Bank Romania S.A. (Romania)	OTP Bank JSC (Ukraine)	JSC "OTP Bank" (Russia) and Touch Bank	Crnogorska komercijalna banka a.d. + Podgorička banka AD (Montenegro)	Banka OTP Albania SHA (Albania)	Mobiasbanca - OTP Group S.A. (Moldova)	Non-banking subsidiaries subtotal	Merkantil Bank (Hungary)	Asset Management subsidiaries	Other subsidiaries	Corporate Centre	Eliminations and adjustments
			1=a+b																		
	a	b	1= 2+3+12+16+17	2	3=4+...+11	4	5	6	7	8	9	10	11			12=13+14+15	13	14	15	16	17
Net profit for the year from continued and discontinued operations	**412,582**		**412,582**																		
Net profit for the year from discontinued operations	4,668		4,668																		
Net profit for the year from continued opearations	**417,250**		**417,250**																		
Adjustments (total)		**(1,803)**	**(1,803)**																		
Dividends and net cash transfers (after income tax)		505	505																		
Goodwill /investment impairment (after income tax)		(8,427)	(8,427)																		
Bank tax on financial institutions (after income tax)		(16,170)	(16,170)																		
Effect of acquisition (after income tax)		23,933	23,933																		
One-off impact of regulatory changes related to FX consumer contracts in Serbia (after income tax)		(1,644)	(1,644)																		
Consolidated adjusted net profit for the year	**417,250**	**1,802**	**419,052**	**193,991**	**189,612**	**67,879**	**30,718**	**10,430**	**0**	**6,309**	**35,222**	**28,127**	**6,377**	**2,615**	**1,935**	**32,182**	**7,116**	**15,335**	**9,731**	**3,478**	**(211)**
Profit before income tax	**467,152**	**-1,179**	**465,973**	**206,659**	**220,152**	**75,078**	**37,399**	**9,971**	**0**	**6,907**	**42,159**	**36,399**	**7,056**	**3,074**	**2,109**	**34,829**	**7,748**	**16,782**	**10,299**	**3,906**	**427**
Adjusted operating profit	**523,839**	**-13,793**	**510,046**	**177,030**	**293,500**	**83,495**	**42,925**	**13,144**	**0**	**12,315**	**44,353**	**84,946**	**5,692**	**3,702**	**2,928**	**34,754**	**7,373**	**16,642**	**10,739**	**3,906**	**856**
Adjusted total income	1,165,056	(87,328)	1,077,728	435,048	565,450	155,566	85,069	43,277	0	37,531	67,451	146,582	16,120	7,952	5,902	68,079	14,370	21,186	32,523	4,490	4,661
Adjusted net interest income	699,041	7,257	706,298	261,754	408,725	109,030	56,812	30,809	0	28,254	48,128	113,572	11,464	6,697	3,959	18,807	14,013	3	4,791	4,490	12,522
Adjusted net profit from fees and commissions	374,181	(91,677)	282,504	126,911	123,739	42,019	17,032	9,506	0	3,180	14,877	31,012	4,215	1,007	891	29,118	(104)	20,475	8,747	0	2,736
Adjusted other net non-interest income	91,834	(2,908)	88,926	46,383	32,986	4,517	11,225	2,962	0	6,097	4,446	1,998	441	248	1,052	20,154	461	708	18,985	0	(10,597)
Adjusted other administrative expenses	(641,217)	73,535	(567,682)	(258,018)	(271,950)	(72,071)	(42,144)	(30,133)	0	(25,216)	(23,098)	(61,636)	(10,428)	(4,250)	(2,974)	(33,325)	(6,997)	(4,544)	(21,784)	(584)	(3,805)
Total risk costs	**(56,687)**	**9,580**	**(47,107)**	**26,595**	**(73,348)**	**(8,417)**	**(5,526)**	**(3,173)**	**0**	**(5,408)**	**(2,194)**	**(48,547)**	**1,364**	**(628)**	**(819)**	**75**	**375**	**140**	**(440)**	**0**	**(429)**
Adjusted provision for impairment on loan and placement losses (without the effect of revaluation of FX)	(56,687)	27,213	(29,474)	30,332	(59,952)	(5,216)	(2,835)	(1,634)	0	(3,018)	(1,433)	(46,123)	1,293	(249)	(737)	52	143	0	(91)	0	94
Other provision (adjustment)	0	(17,633)	(17,633)	(3,737)	(13,396)	(3,201)	(2,691)	(1,539)	0	(2,390)	(761)	(2,424)	71	(379)	(82)	23	232	140	(349)	0	(523)
Total other adjustments (one-off items)[1]	**0**	**3,034**	**3,034**	**3,034**	0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Income tax	**(49,902)**	**2,981**	**(46,921)**	**(12,668)**	**(30,540)**	**(7,199)**	**(6,681)**	**459**	**0**	**(598)**	**(6,937)**	**(8,272)**	**(679)**	**(459)**	**(174)**	**(2,647)**	**(632)**	**(1,447)**	**(568)**	**(428)**	**(638)**
Total Assets[2]	**19,659,696**	**0**	**19,659,696**	**9,641,692**	**11,965,975**	**3,669,766**	**2,098,951**	**1,659,483**	**1,130,871**	**953,345**	**646,295**	**908,388**	**439,836**	**247,997**	**211,043**	**909,128**	**491,399**	**35,846**	**381,883**	**2,946,936**	**(5,804,035)**
Total Liabilities[3]	**17,467,983**	**0**	**17,467,983**	**7,920,820**	**10,207,807**	**3,141,007**	**1,806,302**	**1,410,022**	**998,204**	**836,912**	**537,167**	**705,628**	**373,648**	**222,393**	**176,524**	**653,521**	**446,958**	**9,123**	**197,440**	**1,599,877**	**(2,914,042)**

( ) used at: provisions, impairment and expenses

[1] One-off item in the total amount consists the result of the treasury share swap agreement at OTP Core.

[2] Relating to the discontinued operations the assets were HUF 462,071 million.

[3] Relating to the discontinued operations the liabilities were HUF 362,496 million.

NOTE 49: DISCONTINUED OPERATIONS (in HUF mn)

On 31 December 2020, the Group classified the operations of its Croatian subsidiary, OTP Osiguranje d.d. as discontinued operations. The classification was needed because there is intention for the sale.

These operations, which are expected to be sold within 12 months, have been classified as a discontinued operation, so the assets, liabilities of these discontinued operations and their losses are presented separately in both the statement of financial position and statement of profit or loss.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	2020	2019
Cash, amounts due from banks and balances with the National Banks	2	-
Placements with other banks, net of loss allowance for placements, net of repo receivables	244	221
Non-trading instruments mandatorily at fair value through profit or loss	1,188	1,143
Securities at fair value through other comprehensive income	3,410	4,122
Securities at amortized cost	1,031	719
Tangible assets on net value	92	88
Right-of-use assets on net value	42	62
Other assets on net value	61	79
Non-current assets and disposal group classified as held-for-sale	**6,070**	**6,434**
Leasing liabilities	44	63
Other liabilities	5,442	5,098
Disposal group liabilities classified as held-for-sale	**5,486**	**5,161**

	2020	2019
Income	1,548	2,029
Expense	(1,334)	(1,733)
Profit before income tax	**214**	**296**
Income tax expense of OTP Osiguranje d.d.	(15)	(25)
Gain from non-current assets and disposal groups classified as held-fo-sale not qualifying as discontinued operations	**199**	**271**

The Croatian insurance company cash-flow contributed to the Group's operating activity with HUF 431 million, to the Group's investing activity with HUF 327 million, and in respect of the Group's financing activity with HUF 232 million which were modified by the eliminations during the consolidation by HUF 988 million as at 31 December 2020.

The financial transaction regarding the sale of the Slovakian subsidiary was closed, presented in these consolidated financial statements as discontinued operations.

The results of the discontinued operations, which have been included in the profit for the year, were as follows:

	2020	2019
Income	15,503	16,942
Expense	(17,216)	(15,522)
Profit before income tax	**(1,713)**	**1,420**
Income tax expense of OTP Banka Slovensko a.s.	(142)	(56)
Expected gain / (loss) of the sale of OTP Banka Slovensko a.s.	7,887	(6,032)
Income tax effect of the discontinued operation	(641)	-
Gain / (Loss) from sale of the Slovakian subsidiary	**5,391**	**(4,668)**

NOTE 49: DISCONTINUED OPERATIONS (in HUF mn) [continued]

The Slovakian subsidiary bank cash-flow contributed to the Group's operating activity with HUF (8,231) and (48,377) million, to the Group's investing activity with HUF (9,653) and (1,197) million, and in respect of the Group's financing activity with HUF 86,281 and (1,086) million which were modified by the eliminations during the consolidation by HUF (67,767) and 23,788 million as at 31 December 2020 and 2019, respectively.

NOTE 50: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2020

1) Term Note Program

See details in Note 21.

2) Sale of OTP Osiguranje d.d.

The Croatian subsidiary of the Bank, OTP banka d.d., has signed a share purchase agreement to sell its 100% stake in the Croatian insurance company OTP Osiguranje d.d. to Groupama Biztosító Zrt.

The financial closure of the transaction is expected to take place in first half of 2021, subject to obtaining the necessary supervisory approvals.

3) Sale of OTP Banka Slovensko a.s.

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.

NOTE 51: POST BALANCE SHEET EVENTS

1) Determination of expected credit loss

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.

2) Supreme Court ruling in Croatia

In September 2019, the Supreme Court of the Republic of Croatia made a ruling, which to a large extent confirms the earlier ruling of the High Commercial Court of the Republic of Croatia dated June 2018 in the case of protection of collective interest and rights of the consumers who had taken loans with principals indexed to Swiss franc (Ruling No. Rev- 2221/2018- 11 of the Supreme Court of the Republic of Croatia, hereinafter referred to as "the Ruling"). In February 2021, the Constitutional Court of the Republic of Croatia rejected and dismissed the constitutional complaints of seven Croatian banks filed against the judgments of the Supreme Court of the Republic of Croatia and the High Commercial Court of the Republic of Croatia in a collective dispute initiated by the Consumer Association due to unfair contractual provisions related to the Swiss franc.

In the Group's view, in this regard, since the decisions of the Supreme Court as well as the decisions of lower courts are final and the courts are already acting on them, there has been no increase in consumer rights (CHF loan clients) or an increase in liabilities on the part of banks. Accordingly, the Group does not expect an increase in the number of lawsuits that would result in additional provisions above the amounts reserved and provided for as of 31 December 2020. Possible liabilities of the Group arising from decisions of the courts related to such individual consumer lawsuits are considered unforeseeable liabilities. As permitted by IAS 37.92, in order not to prejudice the outcomes of the proceedings and the interests of the Group, no further disclosures are made about the contingent liabilities in connection with the Ruling.

OTHER INFORMATIONS

Senior officers, strategic employees and their shareholding of OTP shares as at 31 December 2020

Type[1]	Name	Position	No. of shares held
IT	Dr. Sándor Csányi [2]	Chairman and CEO	926,378
IT	Mihály Baumstark	member	53,200
IT	Dr. Tibor Bíró	member	38,600
IT	Tamás Erdei	member, Deputy Chairman	29,657
IT	Dr. István Gresa	member	163,658
IT	Antal Kovács	member, Deputy CEO	46,651
IT	Dr. Antal Pongrácz	member	70,000
IT	Dr. László Utassy	member	190,847
IT	Dr. József Vörös	member	164,514
IT	László Wolf	member, Deputy CEO	571,925
FB	Klára Bella	member	93
FB	Tibor Tolnay	Chairman	54
FB	Dr. Gábor Horváth	member, Deputy Chairman	0
FB	András Michnai	member	100
FB	Olivier Péqueux	member	0
FB	Dr. Márton Gellért Vági	member	0
SP	László Bencsik	Chief Financial and Strategic Officer, Deputy CEO	43,037
SP	András Tibor Johancsik	Deputy CEO	31,055
SP	György Kiss-Haypál	Deputy CEO	7,592
TOTAL No. of shares held by management:			**2,337,361**

[1] Employee in strategic position (SP), Board Member (IT), Supervisory Board Member (FB)
[2] Number of OTP shares owned by Dr. Sándor Csányi directly or indirectly: 4,712,505

Members of the Board of Directors of OTP Bank Plc.:

The members of the Board of Directors are elected by the General Meeting for a term of five years.

Executive members:

Dr. Sándor Csányi
Chairman & CEO

Dr. Sándor Csányi graduated from the College of Finance and Accountancy in 1974 with a bachelor's degree in business administration and in 1980 from the Karl Marx University of Economic Sciences with a degree in economics. He is an economist with a specialisation in finance, and a certified auditor. After graduation he worked at the Revenue Directorate and then at the Secretariat of the Ministry of Finance, after which, between 1983 and 1986, he was a departmental head at the Ministry of Agriculture and Food Industry. From 1986 to 1989 he worked as a head of department at Magyar Hitel Bank. He was deputy CEO of K&H Bank from 1989 to 1992. He has been Chairman & CEO of OTP Bank Plc. since 1992. He is Deputy Chairman of the Board of Directors of MOL Plc., Co-Chairman of the National Association of Entrepreneurs and Employers (VOSZ), and Co-Chairman of the Chinese-Hungarian Business Council. He has been Chairman of the Hungarian Football Association (MLSZ) since 2010, and a member of the UEFA Executive Committee since March 2015; has been the Deputy Chairman of the UEFA Executive Committee in 2019. Since 2017 he has been a member of the FIFA Council and the Deputy Chairman of the FIFA Council since 2018.

Since 1995 he has been the Deputy Chairman of the Board of Trustees of the International Child Rescue Service, and since 2003 he has been the Chairman of the Board of Trustees of the Prima Primissima Foundation. In 2005, he established the Csányi Foundation for Children from his own assets. Since 2009, he has been a member of the Board of Trustees of the Media Union Foundation for Social Consciousness Shaping. Since 2020, he has been the chairman of the Board of Trustees of the Foundation for the University of Sopron. In 2021, he became chairman of the Board of Trustees of the Foundation for the Hungarian University of Agricultural and Life Sciences.

As of 31 December 2020 he held 926,378 ordinary OTP shares (while the total number of OTP shares held by him directly and indirectly was 4,712,505).

Antal György Kovács
Deputy CEO
Retail Division

Mr. Antal György Kovács graduated from the Karl Marx University of Economic Sciences with a degree in economics. He began his professional career in 1990 at the Nagyatád branch of K&H Bank, where he worked as a branch manager between 1993 and 1995. He has been working at OTP Bank Plc. since 1995, first as a county director and from 1998 as the executive director of OTP Bank's South Transdanubian Region. Since 1 July 2007 he has served as OTP Bank's Deputy CEO. He has received additional training at the International Training Centre for Bankers and on various courses held by the World Trade Institute.
Between April 2007 and April 2012 he was Chairman of the Supervisory Board of OTP banka Hrvatska d.d.
He has been Chairman of the Supervisory Board of OTP Bank Romania SA since 12 December 2012. He has been Chairman of the Board of Directors of OTP Mortgage Bank Ltd. and OTP Building Society Ltd. since 24 April 2014.
He is Chairman of the Supervisory Board of OTP Fund Management and OTP Mobile Kft.
He was a member of OTP Bank's Supervisory Board from 2004 to 14 April 2016.
He has been a member of OTP Bank's Board of Directors since 15 April 2016.
As of 31 December 2020 he held 46,651 ordinary OTP shares.

László Wolf
Deputy CEO
Commercial Banking Division

Mr. László Wolf graduated from the Karl Marx University of Economic Sciences in 1983.
After graduation, he worked at the Bank Relations Department of the National Bank of Hungary for 8 years, and then served as head of Treasury at BNP-KH-Dresdner Bank between 1991 and 1993.
From April 1993 he was managing director of OTP Bank's Treasury Directorate, and since 1994 he has been Deputy CEO of the Commercial Banking Division. Member of DSK Bank's Supervisory Board. He has been Chairman of the Board of Directors of OTP banka Srbija since 10 December 2010.
He has been a member of OTP Bank's Board of Directors since 15 April 2016.
As of 31 December 2020 he held 571,925 ordinary OTP shares.

<u>Non-executive members:</u>

Mihály Baumstark
BSc Agricultural Business Administration, MSc Economics

Mr. Mihály Baumstark graduated with a degree in agricultural business administration at Gödöllő University of Agriculture (1973), and went on to do a masters in economics at the Karl Marx University of Economic Science (1981). He was employed by the Ministry of Agriculture and Food Industry between 1978 and 1989. When he left the Ministry he was deputy head of the Investment Policy Department. After this he was managing director of Hubertus Bt., and from 1999 to 2011 he was deputy CEO and then Chairman & CEO of Villányi Winery Ltd. (now Csányi Winery Ltd.). He is currently retired. He was a member of OTP Bank's Supervisory Board from 1992 to 1999, and has been a non-executive member of OTP Bank's Board of Directors since 1999. He has been Chairman of OTP Bank's Ethics Committee since 2010, as well as a member of its Remuneration Committee since 2011. He was the member of the Nomination Committee between 2014 and 2020.
As of 31 December 2020 he held 53,200 ordinary OTP shares.

Dr. Tibor Bíró
College Associate Professor

Dr. Tibor Bíró graduated from the College of Finance and Accountancy (1974) and from the Karl Marx University of Economics (1978) with a degree in business administration. He has been a certified auditor and chartered accountant since 1986. He was the Head of the Financial Department of the City Council of Tatabánya from 1978 to 1982. From 1982, he was a professor at the College of Finance and Accounting, and between 1990 and 2013 head of department at the Budapest Business School. Since his retirement in 2015, he has been a visiting lecturer, and working actively in his auditing and consulting company.

From 2000 onwards, for a period of ten years, he was a member of the Presidium of the Budapest branch of the Chamber of Hungarian Auditors, and also worked as a member of the Chamber's Education Committee for five years.
He has been a non-executive member of OTP Bank's Board of Directors since 1992. He has been a member of OTP Bank's Remuneration Committee since 2009, and he was the chairman of the Nomination Committee between 2014 and 2020.
As of 31 December 2020 he held 38,600 ordinary OTP shares.

Tamás György Erdei
Deputy Chairman of Board of Directors
BSc Business Administration

Mr. Tamás György Erdei graduated in 1978 with a degree from the College of Finance and Accounting. He began his professional career at OTP, in a variety of administrative roles (his last position was branch manager), before going on to work at the Ministry of Finance in the area of bank supervision.
Since 1983 he has been employed by the Hungarian Foreign Trade Bank (today MKB), where he gradually worked his way up through the ranks. In 1985 he became managing director, in 1990 he was appointed deputy CEO, then in 1994 he was made CEO, and from 1997 until the end of March 2012 he was chairman and CEO. Between 1997 and 2008, and between 2009 and 2011, he was the elected president of the Hungarian Banking Association.
He is the chairman of the Supervisory Board of the International Children's Safety Service.
He has been a member of OTP Bank's Board of Directors since 27 April 2012. He has been the chairman of OTP Bank's Risk Assumption and Risk Management Committee, and he was a member of the Nomination Committee between 2014 and 2020.
Ha has been Deputy Chairman of the Board of Directors of OTP Bank Plc. since April 2019 and the Deputy Chairman of the Work-out Committee since October 2019.
He has been Chairman of the Board of Directors at OTP Factoring Ltd. between since December 2019.
As of 31 December 2020 he held 29,657 ordinary OTP shares.

Dr. István Gresa
PhD Business Administration and Economics

Dr. István Gresa graduated from the College of Finance and Accountancy in 1974 and received a degree in economics from the Karl Marx University of Economic Sciences in 1980. He earned a PhD from the University of Economic Sciences in 1983.
He has worked in the banking sector since 1989. Between 1989 and 1993 he was branch manager of Budapest Bank's Zalaegerszeg branch.
From 1993 he was director of OTP Bank's Zala County Directorate, and from 1998 he served as the managing director of the bank's West Transdanubian Region.
From 1 March 2006 until 14 April 2016 – when he retired – he was deputy CEO of the Credit Approval and Risk Management Division. He was Chairman of the Board of Directors at OTP Factoring Ltd. between 2006 and 2017.
He has been a member of OTP Bank's Board of Directors since 27 April 2012.
As of 31 December 2020 he held 163,658 ordinary OTP shares.

Dr. Antal Pongrácz
PhD Economics

Dr. Antal Pongrácz graduated from the Karl Marx University of Economic Sciences in 1969 and earned a PhD in 1971. From 1969 he worked as an analyst at the Petrochemical Investment Company, then as a group manager at the Revenue Directorate until 1975. From 1976 he held various executive positions at the Ministry of Finance. After that, he was the first Deputy Chairman of the State Office for Youth and Sports. Between 1988 and 1990 he was the first Deputy CEO of OTP Bank. Between 1991 and 1994 he was CEO, and then Chairman & CEO, of the European Commercial Bank Rt. Between 1994 and 1998 he was Chairman & CEO of Szerencsejáték Rt, then in 1998-99 he served as CEO of Hungarian flagship carrier, Malév. Since 2001 he has been managing director of OTP Bank’s Staff Division and more recently – up until his retirement on 14 April 2016 – Deputy CEO.
1992-1999: Chairman of the Supervisory Board of Gemenc Zrt., 2002-2010: Chairman of the Board of Directors, 1999-2007: Chairman of the Supervisory Board of British American Tobacco (BAT), 2002-2008: Chairman of the Board of Directors of Casinos Hungary,
Between 2007-2012, he was Chairman of OTP Bank Romania’s Supervisory Board,
He has been Chairman of the Supervisory Board of OTP banka Hrvatska d.d. since 12 April 2012, and was Chairman of the Supervisory Board of Splitska banka from 2 May 2017 until its successful integration (on 30 November 2018).
He has been a member of OTP Bank’s Board of Directors since 2002. He was Deputy Chairman of OTP Bank’s Board of Directors from 9 June 2009 to 14 April 2016.
As of 31 December 2020 he held 70,000 ordinary OTP shares.

Dr. László Utassy
Chairman & CEO
Merkantil Bank Zrt.

Dr. László Utassy graduated from the Faculty of Law of Eötvös Loránd University in Budapest in 1978.
He held various positions at the State Insurance Company between 1978 and 1995 and then went on to work at ÁB-Aegon Rt. He was Chairman & CEO of OTP Garancia Insurance from 1996 to 2008. He was managing director of OTP Bank between 2009 and 2010. Since 1 January 2011 he has been Chairman & CEO of Merkantil Bank Ltd.
He has been a member of OTP Bank’s Board of Directors since 2001. He has been a member of OTP Bank's Risk Assumption and Risk Management Committee since 2014.He has been Chairman of the Board of Directors of OTP Real Estate Leasing Ltd. since 28 November 2019.
As of 31 December 2020 he held 190,847 ordinary OTP shares.

Dr. József Vörös
Professor, academician
University of Pécs

Dr. József Vörös earned a degree in economics from the Karl Marx University of Economic Science in 1974. In 1984 he earned a PhD in economics from the Hungarian Academy of Sciences, and a Doctor of Science degree in 1993. He has been a member of the Hungarian Academy of Sciences since 2013. Between 1990 and 1993 he was the dean of the Faculty of Business and Economics, Janus Pannonius University (JPTE) in Pécs. In 1993 he attended a course in management for senior executives at Harvard University. From 1994 he was a professor at JPTE, and was the senior Vice Rector of the University from 2004-2007, between 2007 and 2011 he was Chairman of the Economic Council of the University of Pécs.
He has been a non-executive member of OTP Bank’s Board of Directors since 1992. He has been Chairman of OTP Bank's Remuneration Committee since 2009, and of its Risk Assumption and Risk Management Committee since 2014.
As of 31 December 2020 he held 164,514 ordinary OTP shares.

Members of the Supervisory Board of OTP Bank Plc.:

Supervisory Board members are elected by the General Meeting for a term of three years.

Independent members:

Tibor Tolnay
Chairman of the Supervisory Board

Mr. Tibor Tolnay graduated from the Budapest University of Technology with a degree in civil engineering in 1978 and then in economic engineering in 1983, and subsequently received a degree in economics from the Budapest University of Economics in 1993.
From 1989 to 1992, he was Director of State Construction Company No. 21.
From 1992 to 1994 he was CEO, then from 1994 to 2015 he was Chairman & CEO of Magyar Építő Rt. He has been the managing director of ÉRTÉK Kft. since 1994,
From 2001 to 2015, he was President of the National Association of Building Contractors.
From 2018, President of the National Association of Entrepreneurs and Employers.
and a member of OTP Bank's Supervisory Board since 1992, and Chairman of the same Board since 1999. He was a member and Deputy Chairman of OTP Bank’s Audit Committee between 2007 and 2011, and has been again since 2014, He has been the chairman of OTP Bank’s Nomination Committee since 2020.
As of 31 December 2020 he held 54 ordinary OTP shares.

Dr. József Gábor Horváth
Deputy Chairman of the Supervisory Board
Lawyer

Dr. József Gábor Horváth earned a degree in law from Eötvös Loránd University in Budapest in 1980. From 1983 he worked for the Hungarian State Development Bank. From 1986 he worked for the Hungarian State Development Bank. He has been a lawyer since 1986, and since 1990 has run his own law firm, which specialises in corporate finance and corporate governance. His main fields of expertise are corporate finance and corporate governance. He has been a member of the Supervisory Board of OTP Bank since 1995, and was a member of MOL Plc’s Board of Directors between 1999 and 2014.
He has been Deputy Chairman of OTP Bank's Supervisory Board since 2007. He was a member of OTP Bank's Audit Committee between 2007 and 2011, and has been again since 2014. He has been a member of OTP Bank’s Nomination Committee since 2020. He was a member of the Board of Directors of INA Industrija Nafte d.d. from 2014 to 2018.
As of 31 December 2020 he held 0 ordinary OTP shares.

Olivier Péqueux
Groupama

Mr. Olivier Péqueux graduated from the Institute of Actuaries of France and Polytechnique School and ENSAE Paris Tech.
He started work in 1998 as an insurance commissioner for the French Insurance Supervisory Authority.
In 2003, he joined the French Ministry of Finance to take part in the reform of the pension laws and the establishment of a pension fund for French civil servants. He then became technical adviser to the French Minister of Health and Pensions.
In 2005, he joined Groupama Group, first in charge of the actuary and accounting department of Gan Patrimoine, a life insurance company, and then in 2007 as Chief Financial Officer of Groupama Paris Val de Loire.
He moved to China in March 2011 as deputy CEO of Groupama China, where he was in charge of finance, actuary matters and investments in the joint venture between Groupama and AVIC.
From 2015 to 2017, he was the CEO of Groupama AVIC. Since March 2018, he has been the International Director of Groupama Assurances Mutuelles. Since September 2020, he has been Deputy CEO of Groupama Assurances Mutuelles.
He has been a member of the Supervisory Board and Audit Committee of OTP Bank since 2018.
As of 31 December 2020 he held no ordinary OTP shares.

Dr. Márton Gellért Vági
General Secretary
Hungarian Football Association

Dr. Márton Gellért Vági graduated in 1987 from the department of foreign economics at the Karl Marx University of Economic Science (today the Corvinus University of Budapest).
From 1987 to 2000 he was a member of the university faculty, in the capacity of associate professor and head of department from 1994 onwards. He holds a university doctorate and a PhD in economics. He has authored or co-authored more than 80 research papers, essays and books.
Between 2000 and 2006 he worked at the State Holding and Privatisation Co. (ÁPV Zrt.), as managing director, deputy CEO and then CEO.
Between 2006 and 2010 he was Chairman of the National Development Agency.
In various periods between 2000 and 2010, he was the Chairman of the Board of Directors of Magyar Villamos Művek, Paks Nuclear Power Plant and the National Textbook Publishing House. Between 2002 and 2010, he was a member of the Board of Directors of Földhitel és Jelzálogbank Nyrt., and the Chairman of the Board of Directors for 4 years.
Since 2010 he has been general secretary of the Hungarian Football Association.
He has been a member of UEFA's HatTrick Financial Assistance Committee since 2011.
He has been a member of FIFA's Financial Committee since 2017.
He has been a member of OTP Bank Plc's Supervisory Board since 2011.
He has been a member of OTP Bank Plc.'s Audit Committee since 2014.
He has been a member of OTP Bank Nyrt's Nomination Committee since 2020.
As of 31 December 2020 he held 2,000 ordinary OTP shares.

Employee delegates:

Klára Bella
Director
Corporate Directorate

Mrs. Klára Bella graduated from the College of Finance and Accountancy and later received a degree from the Budapest University of Economic Sciences.
From 1992 to 1994 she worked as a clerk at the Fertőszentmiklós branch of OTP Bank.
From 1994 to 1995 she was a lending consultant at Polgári Bank.
From 1995 to 1996 she worked as a risk manager at the Central Branch of OTP Bank.
From 1996 to 1997 she was a credit authorizer in the Credit Approval and Risk Management Division.
From 1997 to 2010 she was Deputy Executive Director at the Central Branch.
From 2010 to 2016 she was Director at the Central Branch.
Between 2017 and 2020, she was Director of the Corporate Directorate.
Since 1 July 2020, she has been the Director of the Corporate Department of the Special Financing Directorate.

She has been a member of OTP Bank's Supervisory Board, and representative of the Bank's employees, since 12 April 2019.
As of 31 December 2020 she held 93 ordinary OTP shares.

András Michnai
Managing Director

Mr. András Michnai graduated in 1981 from the College of Finance and Accounting with a degree in business administration.
He has been an employee of the Bank since 1974, and until 1981 held a variety of posts in the branch network. Following this he held a management position in the central network coordination department before returning to work in the branch network. From 1994, as deputy management director, he participated in the central coordination of the branch network. Between 2005 and 2014 he headed the Bank's Compliance Department as a managing director. He further expanded his professional skills, earning a Master's degree at the Budapest Business School, and is a registered tax advisor.
He has been a member of OTP Bank's Supervisory Board, and representative of the Bank's employees, since 2008. He has been Secretary of OTP Bank's Employees' Trade Union since December 2011.
As of 31 December 2020 he held 100 ordinary OTP shares.

Members of OTP Bank Plc.'s senior management:

Dr. Sándor Csányi
Chairman & CEO

Dr. Zsolt Barna
General Deputy CEO until 20 July 2020
Group Governance and Operations Division

Dr. Zsolt Barna started his professional career at the State Financial and Capital Market Supervisory Commission, and rising through the ranks he became managing director of the Financial and Capital Market Supervisory Directorate in 2006. In this position, he was responsible for the supervision of banks and banking groups. Between 2006 and 2010, he was a member and permanent invitee to the CESR's, CEBS's management bodies and professional committees. From 2008 to 2009 he was one of the decisive figures in crisis management activities conducted in the banking sector.
Between 2010 and 20 July 2020, he held the following offices at the OTP Group:

- He was initially the Chairman of the Board of Directors of CKB Bank in Montenegro, where he was in charge or the bank's reorganisation.
- He was Chairman & CEO of OTP Real Estate Investment Fund Management Ltd. between 8 June 2016 and 31 August 2018.
- From September 2016 to 31 August 2018, he was the Chairman of the Board of Directors of OTP Fund Management Ltd.
- He was Chairman of the Board of Directors of OTP Real Estate Investment Fund Management Ltd. between 8 June 2016 and 20 July 2020.
- Between 10 September 2018 and 29 March 2019, he was Chairman of the Supervisory Board of OTP Real Estate Ltd.
- Between 1 September 2018 and 20 July 2020, he was the General Deputy CEO in charge of OTP Bank's Group Governance and Operations Division. Between 29 March 2019 and 20 July 2020, he was Chairman of the Board of Directors of OTP Real Estate Ltd.
- Between 13 December 2019 and 20 July 2020, he was a member of the Board of Directors, and between 16 December 2019 and 20 July 2020, he was Chairman of the Board of SKB Bank in Slovenia.

László Bencsik
Chief Strategic and Financial Officer, Deputy CEO
Strategy and Finance Division

In 1996, Mr. László Bencsik graduated from the Faculty of Business Administration at the Budapest University of Economic Sciences, and in 1999 he obtained a Masters in Business Administration (MBA) from INSEAD Business School in France.
Between 1996 and 2000 he worked as a consultant at Andersen Consulting (now Accenture). From 2000 to 2003 he was a project manager at consulting firm McKinsey & Company.
He joined OTP Bank in 2003, when he became managing director of the Bank Operations Management Directorate, and the manager with overall responsibility for controlling and planning.
He has been deputy CEO of OTP Bank, and head of the Strategy and Finance Division, since August 2009.
Since 13 March 2012 he has been Chairman of the Supervisory Board of DSK Bank.
As of 31 December 2020 he held 43,037 ordinary OTP shares.

Tibor András Johancsik
Deputy CEO
IT Division

Mr. Tibor András Johancsik graduated from the Budapest Technical University with a degree in electrical engineering in 1988, and then in 1993 earned a further degree in foreign trade business administration from the College of Foreign Trade. He began his professional career at as a researcher in the field of industrial automation at the Hungarian Academy of Sciences Institute for Computer Science and Control (MTA SZTAKI).
From 1994 onwards he held management positions at the Hungarian subsidiaries of international IT development companies (ICL, Unisys, Cap Gemini).

From 2001 he worked as an advisor in the fields of IT and organisational development, then from 2003, as managing director of JET-SOL Kft., he participated in the development of numerous systems in Hungary and abroad.
Since 24 February 2016 he has been Deputy CEO in charge of OTP Bank's IT Division.
He has been Chairman of the Supervisory Board of Monicomp Zrt. since 1 April 2016.
As of 31 December 2020 he held 31,055 ordinary OTP shares.

György Kiss-Haypál
Deputy CEO
Credit Approval and Risk Management Division

Mr. György Kiss-Haypál is a qualified economist. He graduated from the Budapest University of Economic Sciences in 1996. He started his career as a project finance analyst for Budapest Bank Plc., and by 2007 he had been appointed head of the bank's risk management department. Between 2002 and 2006 he also worked in Ireland as corporate credit risk portfolio manager for GE Consumer Finance, and in Austria as GE Money Bank's consumer loans portfolio manager.
From 2015 he was deputy head of the Credit Approval and Risk Management Division of OTP Bank Plc., and was then appointed acting head of the Division.
Since 3 May 2017, he has been deputy CEO of the Credit Approval and Risk Management Division.
As of 31 December 2020 he held 7,592 ordinary OTP shares.

Antal György Kovács
Member of the Board of Directors, Deputy CEO
Retail Division

László Wolf
Member of the Board of Directors, Deputy CEO
Commercial Banking Division

PERSONAL AND ORGANIZATIONAL CHANGES

Concerning the audit of OTP Bank Plc.'s separate and consolidated annual financial statements in accordance with International Financial Reporting Standards for the year 2020, the Board of Directors acting in the competency of the Annual General Meeting is electing Deloitte Auditing and Consulting Ltd. (000083, H-1068 Budapest, Dózsa György út 84/c) as the Bank's auditor from 1 May 2020 until 30 April 2021.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects Mr. Tibor Tolnay as member of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects dr. József Gábor Horváth as member of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects Mr. Olivier Péqueux as member of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects dr. Márton Gellért Vági as member of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects Mrs. Klára Bella as member of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects Mr. András Michnai as member of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects Mr. Tibor Tolnay as member of the Audit Committee of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects dr. József Gábor Horváth as member of the Audit Committee of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects Mr. Olivier Péqueux as member of the Audit Committee of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects dr. Márton Gellért Vági as member of the Audit Committee of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

On 20 July 2020 the labour contract of Dr. Zsolt Barna, Deputy Chief Executive Officer had been terminated by mutual agreement. Along with the termination of the labour contract with OTP Bank Plc, Dr. Zsolt Barna resigned from his positions held in different member companies of OTP Group.