



OTP BANK PLC.

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

**FOR THE SIX MONTH PERIOD
ENDED 30 JUNE 2021**

OTP BANK PLC.

CONTENTS

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021 (UNAUDITED).....	2
SEPARATE CONDENSED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021 (UNAUDITED).....	3
SEPARATE CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021 (UNAUDITED).....	4
SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021 (UNAUDITED)	5
SEPARATE CONDENSED STATEMENT OF CASH FLOWS FOR SIX MONTH PERIOD ENDED 30 JUNE 2021 (UNAUDITED)	6
NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS.....	7
1.1. General information.....	7
1.2. Accounting.....	7
NOTE 2: SIGNIFICANT EVENTS DURING THE SIX MONTH PERIOD ENDED 30 JUNE 2021	10
NOTE 3: SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD	10
NOTE 4: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn).....	11
NOTE 5: FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in HUF mn).....	11
NOTE 6: SECURITIES AT AMORTISED COST (in HUF mn) [continued].....	12
NOTE 7: LOANS (in HUF mn).....	12
NOTE 8: INVESTMENTS IN SUBSIDIARIES (in HUF mn).....	14
NOTE 9: DEPOSITS FROM CUSTOMERS (in HUF mn).....	15
NOTE 10: LIABILITIES FROM ISSUED SECURITIES (in HUF mn).....	16
NOTE 11: OFF BALANCE SHEET ITEMS (in HUF mn).....	16
NOTE 12: DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn).....	17
NOTE 12: DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued].....	18
NOTE 13: NET INTEREST INCOME (in HUF mn).....	19
NOTE 14: RELATED PARTY TRANSACTIONS (in HUF mn).....	20

OTP BANK PLC.
SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021 (UNAUDITED)
(in HUF mn)

	Note	30 June 2021	31 December 2020	30 June 2020
Cash, amounts due from banks and balances with the National Bank of Hungary		392,632	579,120	469,992
Placements with other banks, net of allowance for placement losses		2,272,209	1,535,884	1,476,344
Repo receivables		47,144	183,364	11,922
Financial assets at fair value through profit or loss	4.	181,675	160,483	226,159
Financial assets at fair value through other comprehensive income	5.	857,351	911,950	983,207
Securities at amortised cost	6.	2,588,668	2,007,692	1,643,025
Loans at amortised cost and mandatorily measured at fair value through profit or loss	7.	4,144,108	3,898,697	3,575,356
Investments in subsidiaries	8.	1,586,180	1,548,972	1,547,443
Property and equipment		79,205	77,974	75,395
Intangible assets		54,410	57,639	54,402
Right of use assets		11,521	13,479	14,888
Investments properties		1,912	1,936	2,356
Current tax assets		-	593	2
Derivative financial assets designated as hedge accounting relationships		12,883	6,817	22,529
Other assets		<u>225,560</u>	<u>169,794</u>	<u>168,177</u>
TOTAL ASSETS		<u>12,455,458</u>	<u>11,154,394</u>	<u>10,271,197</u>
Amounts due to banks and deposits from the National Bank of Hungary and other banks		1,223,842	766,977	732,436
Repo liabilities		315,260	109,612	131,672
Deposits from customers	9.	8,379,970	7,895,735	6,933,116
Leasing liabilities		12,002	14,106	15,401
Liabilities from issued securities	10.	31,003	28,435	41,723
Financial liabilities at fair value through profit or loss		23,529	25,902	27,192
Derivative financial liabilities designated as held for trading		83,259	99,987	154,832
Derivative financial liabilities designated as hedge accounting relationships		144	3,104	11,522
Deferred tax liabilities		3,653	3,062	3,206
Current tax liabilities		2,588	-	1,032
Other liabilities		256,092	224,897	262,222
Subordinated bonds and loans		<u>295,592</u>	<u>304,243</u>	<u>302,991</u>
TOTAL LIABILITIES		<u>10,626,934</u>	<u>9,476,060</u>	<u>8,617,345</u>
Share capital		28,000	28,000	28,000
Retained earnings and reserves		1,808,794	1,697,133	1,647,635
Treasury shares		<u>(8,270)</u>	<u>(46,799)</u>	<u>(21,783)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>1,828,524</u>	<u>1,678,334</u>	<u>1,653,852</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>12,455,458</u>	<u>11,154,394</u>	<u>10,271,197</u>

OTP BANK PLC.
SEPARATE CONDENSED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTH PERIOD
ENDED 30 JUNE 2021 (UNAUDITED)
(in HUF mn)

	Note	Six month period ended 30 June 2021	Six month period ended 30 June 2020	Year ended 31 December 2020
Interest income and similar to interest income total	13.	180,676	160,522	321,296
Interest expenses total	13.	<u>(47,812)</u>	<u>(54,505)</u>	<u>(99,630)</u>
NET INTEREST INCOME	13.	<u>132,864</u>	<u>106,017</u>	<u>221,666</u>
Risk cost total		(22,184)	(46,475)	(63,126)
NET INTEREST INCOME AFTER RISK COST		<u>110,680</u>	<u>59,542</u>	<u>158,540</u>
Gains / (Losses) arising from derecognition of financial assets measured at amortised cost		382	(3,190)	(3,279)
Modification loss		-	-	(17,358)
Net profit from fees and commissions		115,689	100,085	219,031
Net operating income		83,487	43,540	60,272
Other administrative expenses		<u>(170,898)</u>	<u>(160,892)</u>	<u>(323,960)</u>
PROFIT BEFORE INCOME TAX		<u>139,340</u>	<u>39,085</u>	<u>93,246</u>
Income tax		<u>(12,007)</u>	396	<u>(772)</u>
NET PROFIT FOR THE YEAR		<u>127,333</u>	<u>39,481</u>	<u>92,474</u>
Earnings per share (in HUF)				
Basic		<u>461</u>	<u>142</u>	<u>333</u>
Diluted		<u>461</u>	<u>142</u>	<u>333</u>

OTP BANK PLC.
SEPARATE CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTH
PERIOD ENDED 30 JUNE 2021 (UNAUDITED)
(in HUF mn)

The comprehensive income items are as follows:

	Note	Six month period ended 30 June 2021	Six month period ended 30 June 2020	Year ended 31 December 2020
NET PROFIT FOR THE YEAR		<u>127,333</u>	<u>39,481</u>	<u>92,474</u>
Items that may be reclassified subsequently to profit or loss:				
Fair value adjustment of debt instruments at fair value through other comprehensive income		(11,159)	(15,134)	(14,459)
Deferred tax (9%) related to fair value adjustment of debt instruments at fair value through other comprehensive income		870	1,320	1,262
Gains / (Losses) on separated currency spread of financial instruments designated as hedging instrument		411	984	(1,526)
Deferred tax (9%) related to gains / (losses) on separated currency spread of financial instruments designated as hedging instrument		(37)	(88)	137
(Losses) / Gains on derivative financial instruments designated as cash flow hedge		(2,829)	418	(296)
Deferred tax (9%) related to (losses) / gains on derivative financial instruments designated as cash flow hedge		-	-	27
Items that will not be reclassified to profit or loss:				
Fair value adjustment of equity instruments at fair value through other comprehensive income		94	(3,366)	(3,275)
Deferred tax (9%) related to equity instruments at fair value through other comprehensive income		<u>(141)</u>	<u>372</u>	<u>310</u>
Total		<u>(12,791)</u>	<u>(15,494)</u>	<u>(17,820)</u>
NET COMPREHENSIVE INCOME		<u>114,542</u>	<u>23,987</u>	<u>74,654</u>

OTP BANK PLC.
SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTH PERIOD ENDED 30
JUNE 2021 (UNAUDITED)
(in HUF mn)

	Share Capital	Capital reserve	Retained earnings and other reserves	Treasury Shares	Total
Balance as at 1 January 2020	28,000	52	1,628,302	(2,636)	1,653,718
Net profit for the period	-	-	39,481	-	39,481
Other comprehensive income	=	=	<u>(15,494)</u>	=	<u>(15,494)</u>
Total comprehensive income	=	=	<u>23,987</u>	=	<u>23,987</u>
Share-based payment	-	-	1,744	-	1,744
Payments to ICES holders	-	-	(2,438)	-	(2,438)
Sale of treasury shares	-	-	-	37,728	37,728
Acquisition of treasury shares	-	-	-	(56,875)	(56,875)
Loss on treasury shares	-	-	(4,012)	-	(4,012)
Dividend for the year 2019	=	=	=	=	=
Other transaction with owners	=	=	<u>(4,706)</u>	<u>(19,147)</u>	<u>(23,853)</u>
Balance as at 30 June 2020	<u>28,000</u>	<u>52</u>	<u>1,647,583</u>	<u>(21,783)</u>	<u>1,653,852</u>
Balance as at 1 January 2021	28,000	52	1,697,081	(46,799)	1,678,334
Modification due to accounting error	-	-	458	-	458
Balance as at 1 January 2021	28,000	52	1,697,539	(46,799)	1,678,792
Net profit for the period	-	-	127,333	-	127,333
Other comprehensive income	=	=	<u>(12,791)</u>	=	<u>(12,791)</u>
Total comprehensive income	=	=	<u>114,542</u>	=	<u>114,542</u>
Share-based payment	-	-	1,691	-	1,691
Payments to ICES holders	-	-	(2,233)	-	(2,233)
Sale of treasury shares	-	-	-	49,018	49,018
Acquisition of treasury shares	-	-	-	(10,489)	(10,489)
Loss on sale of treasury shares	-	-	(2,797)	-	(2,797)
Dividend for the year 2020	=	=	=	=	=
Other transaction with owners	=	=	<u>(3,339)</u>	<u>38,529</u>	<u>35,190</u>
Balance as at 30 June 2021	<u>28,000</u>	<u>52</u>	<u>1,808,742</u>	<u>(8,270)</u>	<u>1,828,524</u>

OTP BANK PLC.
SEPARATE CONDENSED STATEMENT OF CASH FLOWS FOR SIX MONTH PERIOD ENDED 30
JUNE 2021 (UNAUDITED)
(in HUF mn)

	Six month period ended 30 June 2021	Six month period ended 30 June 2020	Year ended 31 December 2020
Profit before income tax	139,340	39,085	93,246
Net accrued interest	(30,803)	(22,916)	(34,365)
Income tax paid	(1,207)	-	(1,449)
Depreciation and amortization	20,048	17,726	38,997
Loss allowance	9,474	71,854	79,831
Share-based payment	1,691	1,744	3,394
Unrealised losses / (gains) on fair value adjustment of financial instruments at fair value through profit or loss	7,978	(953)	3,549
Unrealised (gains)/losses on fair value adjustment of derivative financial instruments	(11,882)	2,325	4,011
Interest expense from leasing liabilities	(111)	(67)	(257)
Foreign exchange loss	12,143	-	-
Proceeds from sale of tangible and intangible assets	(5)	-	-
Net change in assets and liabilities in operating activities	<u>135,893</u>	<u>(250,245)</u>	<u>154,281</u>
Net cash provided by / (used in) operating activities	<u>282,559</u>	<u>(141,447)</u>	<u>341,238</u>
Net (used in) / provided by cash used in investing activities	<u>(509,119)</u>	<u>326,515</u>	<u>(10,909)</u>
Net cash provided by / (used in) financing activities	<u>29,589</u>	<u>(9,490)</u>	<u>(51,873)</u>
Net (decrease) / increase in cash and cash equivalents	<u>(196,971)</u>	<u>175,578</u>	<u>278,456</u>
Cash and cash equivalents at the beginning of the year	<u>503,087</u>	<u>224,631</u>	<u>224,631</u>
Cash and cash equivalents at the end of the year	<u>306,116</u>	<u>400,209</u>	<u>503,087</u>

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

1.1. General information

These interim condensed financial statements had been prepared in accordance with the prescriptions of IAS 34.

1.2. Accounting

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

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

The Bank followed the same accounting policies and methods of computation in the interim financial statements as compared with the most recent annual financial statements.

Comparative figures - Change in the classification and valuation policy of certain subsidized retail loans

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.

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

1.2. Accounting [continued]

Comparative figures - Change in the classification and valuation policy of certain subsidized retail loans [continued]

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. These amendments have been marked “Reclassified” in the notes.

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

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

1.2. Accounting [continued]

Comparative figures - Change in the classification and valuation policy of certain subsidized retail loans [continued]

Line item	30 June 2021	31 December 2020 Revised presentation	Reclassification of amounts related to derecognition of financial assets at amortised cost	31 December 2020	30 June 2020 Revised presentation	Reclassification of amounts related to derecognition of financial assets at amortised cost	Reclassification of amounts related to mandatorily measured at fair value through profit or loss	30 June 2020 As previously presented
Interest income calculated using the effective interest method	136,991	239,633	-	239,633	119,140	-	(6,099)	125,239
Income similar to interest income	43,685	81,663	-	81,663	41,382	-	6,167	35,215
Interest income	180,676	321,296	-	321,296	160,522	-	68	160,454
Interest expense	(47,812)	(99,630)	-	(99,630)	(54,505)	-	-	(54,505)
Loss allowance on loan losses	(9,684)	(55,444)	3,639	(59,083)	(36,584)	3,346	3,639	(43,569)
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit or loss	(7,518)	(405)	-	(405)	(3,296)	-	(3,296)	-
Further risk cost items	(4,982)	(7,277)	-	(7,277)	(4,616)	-	-	(6,595)
Risk cost total	(22,184)	(63,126)	3,639	(66,765)	(46,475)	3,346	343	(50,164)
NET INTEREST INCOME AFTER RISK COST	<u>110,680</u>	<u>158,540</u>	<u>3,639</u>	<u>154,901</u>	<u>59,542</u>	<u>3,346</u>	<u>411</u>	<u>55,785</u>
GAINS / (LOSSES) ARISING FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST	<u>115,689</u>	<u>215,752</u>	<u>(3,279)</u>	<u>219,031</u>	<u>96,895</u>	<u>(3,190)</u>	=	<u>100,085</u>
(Losses) / Gains on financial instruments at fair value through profit or loss	(3,297)	-671	=	(671)	2,107	=	(411)	2,518
(Losses) and gains on securities, net	-	17,595	(360)	17,955	5,043	(156)	=	5,199
NET OPERATING INCOME	<u>83,487</u>	<u>60,272</u>	<u>(360)</u>	<u>60,632</u>	<u>43,540</u>	<u>(156)</u>	<u>(411)</u>	<u>44,107</u>

NOTE 2: SIGNIFICANT EVENTS DURING THE SIX MONTH PERIOD ENDED 30 JUNE 2021

- 1) **Capital increase in OTP Bank Romania**
- 2) **Purchase in Slovenia**

See details about the event above in Note 7.

NOTE 3: SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**3) Discontinuance of international arbitration proceedings**

30 June 2021 OTP Bank has jointly with the Republic of Croatia requested the discontinuance of the international arbitration proceedings – registered on 16 October 2020 relating to mandatory exchange of FX loans and FX based consumer loans – from the Centre for Settlement of Investment Disputes (ICSID), due to the fact that the parties have resolved their disputes by way of mutual consent. The ICSID Secretary has on 30 June 2021 acknowledged receipt of the joint claim of the contending parties relating the discontinuance of the proceedings. According to the request of the parties, ICSID shall also formally confirm the termination of the litigation in the near future.

NOTE 4:	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)	
	30 June 2021	31 December 2020
Held for trading securities:		
Government bonds	34,118	6,031
Other non-interest bearing securities	1,378	1,964
Hungarian government discounted Treasury Bills	792	1,233
Corporate shares and investments	737	426
Mortgage bonds	109	-
Other securities	<u>1,910</u>	<u>2,075</u>
Subtotal	<u>39,044</u>	<u>11,729</u>
Securities mandatorily measured at fair value through profit or loss		
Shares in investment funds	24,744	23,818
Bonds	8,431	5,342
Shares	-	<u>2,776</u>
Subtotal	<u>33,175</u>	<u>31,936</u>
Held for trading derivative financial instruments:		
Foreign currency swaps	37,979	41,852
Interest rate swaps	27,943	34,256
CCIRS and mark-to-market CCIRS swaps ¹	6,170	7,359
Other derivative transactions ²	<u>37,364</u>	<u>33,351</u>
Subtotal	<u>109,456</u>	<u>116,818</u>
Total	<u>181,675</u>	<u>160,483</u>
NOTE 5:	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in HUF mn)	
	30 June 2021	31 December 2020
Securities at fair value through other comprehensive income		
Government bonds	477,491	488,459
Mortgage bonds	289,062	332,667
Interest bearing treasury bills	9,784	9,957
Corporate shares and investments	11,974	-
Other securities	65,188	65,136
listed securities	<u>43,531</u>	<u>42,776</u>
in HUF	2,919	2,968
in foreign currency	40,612	39,808
-non-listed securities	<u>21,657</u>	<u>22,360</u>
in HUF	16,319	16,782
in foreign currency	5,338	5,578
Subtotal	<u>853,499</u>	<u>896,219</u>
Non-trading equity instruments		
-non-listed securities	<u>3,852</u>	<u>15,731</u>
in HUF	528	528
in foreign currency	3,324	15,203
	<u>3,852</u>	<u>15,731</u>
Securities at fair value through other comprehensive income total	<u>857,351</u>	<u>911,950</u>

¹ CCIRS: Cross Currency Interest Rate Swap

² incl.: FX, equity, commodity and index futures; FX forward; commodity and equity swap; FRA; FX option

NOTE 6: SECURITIES AT AMORTISED COST (in HUF mn) [continued]

	30 June 2021	31 December 2020
Government bonds	2,483,163	1,947,821
Other bonds	112,655	63,159
Subtotal	<u>2,595,818</u>	<u>2,010,980</u>
Loss allowance	(7,150)	(3,288)
Total	<u>2,588,668</u>	<u>2,007,692</u>

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

	30 June 2021	31 December 2020
Balance as at 1 January	3,288	1,443
Reclassification	1,281	-
Balance as at 1 January	4,569	1,443
Loss allowance	3,063	4,822
Release of loss allowance	(482)	(2,977)
Closing balance	<u>7,150</u>	<u>3,288</u>

NOTE 7: LOANS (in HUF mn)

Loans mandatorily measured at fair value through profit or loss

	30 June 2021	31 December 2020
Within one year	29,199	25,732
Over one year	<u>553,005</u>	<u>455,205</u>
Loans measured at fair value through profit or loss total	<u>582,204</u>	<u>480,937</u>

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

	30 June 2021	31 December 2020
Within one year	1,796,542	1,793,352
Over one year	<u>1,893,713</u>	<u>1,748,078</u>
Loans at amortised cost gross total	<u>3,690,255</u>	<u>3,541,430</u>
Loss allowance on loan losses	(128,351)	(123,670)
Loans at amortised cost total	<u>3,561,904</u>	<u>3,417,760</u>

NOTE 7: LOANS (in HUF mn) [continued]

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

	30 June 2021		31 December 2020	
Retail loans	720,474	17%	662,675	16%
Retail consumer loans	628,906	15%	564,698	14%
Retail mortgage backed loans ¹	91,568	2%	97,977	2%
Corporate loans	2,969,781	69%	2,878,755	72%
Loans to medium and large corporates	2,885,440	67%	2,790,742	70%
Municipality loans	<u>84,341</u>	<u>2%</u>	<u>88,013</u>	<u>2%</u>
Loans at amortised cost total	3,690,255	86%	3,541,430	88%
Loans at fair value total	<u>582,204</u>	<u>14%</u>	<u>480,937</u>	<u>12%</u>
Gross loans total	<u>4,272,459</u>	<u>100%</u>	<u>4,022,367</u>	<u>100%</u>

An analysis of the loan portfolio by currency is as follows:

	30 June 2021	31 December 2020
In HUF	65%	61%
In foreign currency	<u>35%</u>	<u>39%</u>
Total	<u>100%</u>	<u>100%</u>

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

	30 June 2021	31 December 2020
Balance as at 1 January	123,670	72,066
Reclassification	(1,281)	-
Balance as at 1 January	122,389	72,066
Loss allowance	90,572	217,012
Release of loss allowance	(80,935)	(156,383)
Use of loss allowance	(2,803)	(6,228)
Partial write-off	<u>(872)</u>	<u>(2,797)</u>
Closing balance	<u>128,351</u>	<u>123,670</u>

¹ incl. housing loans

NOTE 8: INVESTMENTS IN SUBSIDIARIES (in HUF mn)

	30 June 2021	31 December 2020
Investments in subsidiaries:		
Controlling interest	1,991,773	1,965,197
Other	<u>11,568</u>	<u>8,938</u>
	<u>2,003,341</u>	<u>1,974,135</u>
 Provision for impairment	 (417,161)	 (425,163)
 Total	 <u>1,586,180</u>	 <u>1,548,972</u>

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

	30 June 2021	31 December 2020
Balance as at 1 January	425,163	427,770
Provision for the period	16,236	10,052
Release of provision	-	(10)
Use of provision	<u>(24,238)</u>	<u>(12,649)</u>
Closing balance	<u>417,161</u>	<u>425,163</u>

The Romanian Court of Registration registered a capital increase at OTP Bank Romania SA, the Romanian subsidiary of OTP Bank. Accordingly, the registered capital of the Romanian subsidiary of OTP Bank was increased to RON 2,079,253,200 from RON 1,829,253,120.

TP Bank signed a share sale and purchase agreement on purchasing 100% shareholding of Nova KBM d.d. and its subsidiaries, which are 80% owned by funds managed by affiliates of Apollo Global Management, Inc. and 20% by EBRD. With a market share of 20.5% by total assets as of December 2020, Nova KBM d.d. is the 2nd largest bank in the Slovenian banking market and as a universal bank it has been active in the retail and corporate segments as well.

NOTE 9: DEPOSITS FROM CUSTOMERS (in HUF mn)

	30 June 2021	31 December 2020
Within one year:		
In HUF	6,718,065	6,412,898
In foreign currency	<u>1,616,699</u>	<u>1,438,254</u>
	<u>8,334,764</u>	<u>7,851,152</u>
Over one year:		
In HUF	45,206	44,583
	<u>45,206</u>	<u>44,583</u>
Subtotal	<u>8,379,970</u>	<u>7,895,735</u>

An analysis of deposits from customers by type is as follows:

	30 June 2021		31 December 2020	
Retail deposits	4,079,477	49%	3,840,950	49%
Household deposits	4,079,477	49%	3,840,950	49%
Corporate deposits	4,300,493	51%	4,054,785	51%
Deposits to medium and large corporates	3,572,489	42%	3,301,434	41%
Municipality deposits	<u>728,004</u>	<u>9%</u>	<u>753,351</u>	<u>10%</u>
Total	<u>8,379,970</u>	<u>100%</u>	<u>7,895,735</u>	<u>100%</u>

NOTE 10: LIABILITIES FROM ISSUED SECURITIES (in HUF mn)

	30 June 2021	31 December 2020
Within one year:		
In HUF	18,634	11,115
In foreign currency	=	<u>1,356</u>
	<u>18,634</u>	<u>12,471</u>
Over one year:		
In HUF	12,369	15,964
	<u>12,369</u>	<u>15,964</u>
Total	<u>31,003</u>	<u>28,435</u>

NOTE 11: OFF BALANCE SHEET ITEMS (in HUF mn)

Contingent liabilities and commitments

	30 June 2021	31 December 2020
Loan commitments	1,689,832	1,441,060
Guarantees arising from banking activities	1,469,352	1,419,543
<i>from this: Payment undertaking liabilities (related to issue of mortgage bonds) of OTP Mortgage Bank</i>	733,526	683,736
Factoring loan commitments	323,316	305,269
Confirmed letters of credit	<u>5,864</u>	<u>5,039</u>
Contingent liabilities and commitments total in accordance with IFRS 9	<u>3,488,364</u>	<u>3,170,911</u>
Legal disputes (disputed value)	3,520	4,720
Liabilities due to venture capital fund contribution	47,259	32,712
Other	<u>603</u>	<u>602</u>
Contingent liabilities and commitments total in accordance with IAS 37	<u>51,382</u>	<u>38,034</u>
Total	<u>3,539,746</u>	<u>3,208,945</u>

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 267 million and HUF 199 million as at 30 June 2021 and 31 December 2020, respectively.

NOTE 12: DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn)
Fair value of derivative instruments

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

	As at 30 June 2021			As at 31 December 2020						
	Before netting Assets	Liabilities	Netting	After netting Assets	Liabilities	Before netting Assets	Liabilities	Netting	After netting Assets	Liabilities
Held for trading derivative financial instruments										
Interest rate derivatives										
Interest rate swaps	25,895	(23,569)	15,291	10,604	(8,278)	30,216	(28,474)	8,984	21,232	(19,490)
Cross currency interest rate swaps	4,314	(2,629)	-	4,314	(2,629)	7,315	(7,285)	-	7,315	(7,285)
OTC options	263	(263)	-	263	(263)	356	(356)	-	356	(356)
Forward rate agreement	=	(39)	=	=	(39)	=	=	=	=	=
Total interest rate derivatives (OTC derivatives)	<u>30,472</u>	<u>(26,500)</u>	<u>15,291</u>	<u>15,181</u>	<u>(11,209)</u>	<u>37,887</u>	<u>(36,115)</u>	<u>8,984</u>	<u>28,903</u>	<u>(27,131)</u>
<i>From this: Interest rate derivatives cleared by NBH</i>	537	-	-	537	-	5	(72)	-	5	(72)
Foreign exchange derivatives										
Foreign exchange swaps	28,656	(26,557)	-	28,656	(26,557)	39,644	(30,374)	-	39,644	(30,374)
Foreign exchange forward	4,471	(6,943)	-	4,471	(6,943)	6,990	(9,869)	-	6,990	(9,869)
OTC options	928	(954)	-	928	(954)	3,909	(3,836)	-	3,909	(3,836)
Foreign exchange spot conversion	118	(75)	=	118	(75)	619	(704)	=	619	(704)
Total foreign exchange derivatives (OTC derivatives)	<u>34,173</u>	<u>(34,529)</u>	<u>=</u>	<u>34,173</u>	<u>(34,529)</u>	<u>51,162</u>	<u>(44,783)</u>	<u>=</u>	<u>51,162</u>	<u>(44,783)</u>
<i>From this: Foreign exchange derivatives cleared by NBH</i>	101	(4,764)	-	101	(4,764)	5,211	(1,852)	-	5,211	(1,852)

NOTE 12: DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]
Fair value of derivative instruments [continued]

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

	As at 30 June 2021			As at 31 December 2020						
	Before netting Assets	Liabilities	Netting	After netting Assets	Liabilities	Before netting Assets	Liabilities	Netting	After netting Assets	Liabilities
Equity stock and index derivatives										
Commodity Swaps	26,692	(24,581)	-	26,692	(24,581)	13,999	(12,901)	-	13,999	(12,901)
Equity swaps	<u>4,264</u>	<u>(215)</u>	-	<u>4,264</u>	<u>(215)</u>	<u>7,071</u>	<u>(560)</u>	-	<u>7,071</u>	<u>(560)</u>
OTC derivatives	<u>30,956</u>	<u>(24,796)</u>	-	<u>30,956</u>	<u>(24,796)</u>	<u>21,070</u>	<u>(13,461)</u>	-	<u>21,070</u>	<u>(13,461)</u>
Exchange traded futures and options	628	(2,441)	-	628	(2,441)	379	(1,262)	-	379	(1,262)
Total equity stock and index derivatives	<u>31,584</u>	<u>(27,237)</u>	-	<u>31,584</u>	<u>(27,237)</u>	<u>21,449</u>	<u>(14,723)</u>	-	<u>21,449</u>	<u>(14,723)</u>
Derivatives held for risk management not designated in hedges										
Interest rate swaps	21,303	(12,948)	3,964	17,339	(8,984)	25,760	(22,058)	12,736	13,024	(9,322)
Foreign exchange swaps	9,323	(1,300)	-	9,323	(1,300)	2,208	(3,953)	-	2,208	(3,953)
Forward	-	-	-	-	-	28	(75)	-	28	(75)
Cross currency interest rate swaps	<u>1,856</u>	-	-	<u>1,856</u>	-	<u>44</u>	-	-	<u>44</u>	-
Total derivatives held for risk management not designated in hedges	<u>32,482</u>	<u>(14,248)</u>	<u>3,964</u>	<u>28,518</u>	<u>(10,284)</u>	<u>28,040</u>	<u>(26,086)</u>	<u>12,736</u>	<u>15,304</u>	<u>(13,350)</u>
<i>From this: Total derivatives cleared by NBH held for risk management</i>	<i>12,280</i>	<i>7</i>	<i>-</i>	<i>12,280</i>	<i>7</i>	<i>759</i>	<i>(6,269)</i>	<i>-</i>	<i>759</i>	<i>(6,269)</i>
Total Held for trading derivative financial instruments	<u>128,711</u>	<u>(102,514)</u>	<u>19,255</u>	<u>109,456</u>	<u>(83,259)</u>	<u>138,538</u>	<u>(121,707)</u>	<u>21,720</u>	<u>116,818</u>	<u>(99,987)</u>
Derivative financial instruments designated as hedge accounting relationships										
Derivatives designated in cash flow hedges										
Interest rate swaps	2,437	(875)	2,588	(151)	1,713	8,027	-	8,027	-	8,027
Total derivatives designated in cash flow hedges	<u>2,437</u>	<u>(875)</u>	<u>2,588</u>	<u>(151)</u>	<u>1,713</u>	<u>8,027</u>	-	<u>8,027</u>	-	<u>8,027</u>
Derivatives designated in fair value hedges										
Interest rate swaps	14,729	(8,448)	8,441	6,288	(7)	2,432	(7,061)	1,795	637	(5,266)
Cross currency interest rate swaps	6,746	(1,850)	-	6,746	(1,850)	6,180	(5,865)	-	6,180	(5,865)
Total derivatives designated in fair value hedges	<u>21,475</u>	<u>(10,298)</u>	<u>8,441</u>	<u>13,034</u>	<u>(1,857)</u>	<u>8,612</u>	<u>(12,926)</u>	<u>1,795</u>	<u>6,817</u>	<u>(11,131)</u>
<i>From this: Total derivatives cleared by NBH held for hedging</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(1,691)</i>	<i>-</i>	<i>-</i>	<i>(1,691)</i>
Total derivatives held for risk management (OTC derivatives)	<u>23,912</u>	<u>(11,173)</u>	<u>11,029</u>	<u>12,883</u>	<u>(144)</u>	<u>16,639</u>	<u>(12,926)</u>	<u>9,822</u>	<u>6,817</u>	<u>(3,104)</u>

NOTE 12: DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

Positive fair values of derivative instruments designated as hedge accounting relationships are presented separately in the statement of financial position, while positive fair values of derivative instruments classified as held for trading are included in financial assets at fair value through profit or loss. Negative fair values of hedging derivative instruments are presented separately in the statement of financial position, negative fair values of derivatives held for trading are included in the negative fair value of derivative financial instruments classified as held for trading line.

NOTE 13: NET INTEREST INCOME (in HUF mn)

	30 June 2021	30 June 2020	31 December 2020
Interest income accounted for using the effective interest rate method from / on			
Loans at amortised cost	80,453	71,654	143,652
Securities at amortised cost	27,499	23,130	48,654
FVOCI securities	11,063	17,453	29,095
Placements with other banks	8,681	5,419	12,248
Amounts due from banks and balances with National Bank of Hungary	8,002	721	4,391
Financial liabilities	1,201	742	1,544
Repo receivables	<u>92</u>	<u>21</u>	<u>49</u>
Subtotal	<u>136,991</u>	<u>119,140</u>	<u>239,633</u>
Income similar to interest income			
Swap and forward deals related to Placements with other banks	28,634	30,710	56,341
Loans mandatorily measured at fair value through profit or loss	10,897	6,167	15,094
Swap and forward deals related to Loans at amortised cost	4,997	7,242	14,011
Swap and forward deals related to FVOCI securities	(846)	(2,740)	(3,789)
Investment properties	<u>3</u>	<u>3</u>	<u>6</u>
Subtotal	<u>43,685</u>	<u>41,382</u>	<u>81,663</u>
Interest incomes and similar to interest incomes total	<u>180,676</u>	<u>160,522</u>	<u>321,296</u>
Interest expense due to / from / on			
Amounts due to banks and deposits from the National Bank of Hungary and other banks	30,800	39,383	67,747
Deposits from customers	10,563	8,783	19,598
Subordinated bonds and loans	4,006	4,057	8,327
Financial assets	1,094	847	1,622
Liabilities from issued securities	163	214	414
Leasing liabilities	111	133	257
Investment properties (depreciation)	22	25	49
Repo liabilities	<u>1,053</u>	<u>1,063</u>	<u>1,616</u>
Subtotal	<u>47,812</u>	<u>54,505</u>	<u>99,630</u>

NOTE 14: RELATED PARTY TRANSACTIONS (in HUF mn)

The Bank enters into transactions for services with a number of subsidiaries. Such transactions are conducted at rates which approximate market conditions.

Related party transactions can be detailed as follows:

Transactions related to OTP Mortgage Bank Ltd.:

	30 June 2021	30 June 2020
Fees and commissions received from OTP Mortgage Bank Ltd. relating to the loans	5,339	4,006

Transactions related to OTP Factoring Ltd.:

	30 June 2021	30 June 2020
The gross book value of the loans sold	2,602	4,595
Loss allowance for loan losses on the loans sold	2,276	2,902
Loans sold to OTP Factoring Ltd. without recourse (including interest)	139	1,010
Loss on these transaction (recorded in the separate financial statements as loan and placement loss)	187	683

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