Deloitte.

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

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

Registered by the Capital Court of Registration
Company Registration Number: 01-09-071057

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.

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.

3/6

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.

5/6

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

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

Registration number of statutory registered auditor: 003449

Statement of Financial Position

(consolidated, in accordance with IFRS, 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

The accompanying notes to consolidated financial statements on pages 101 to 229 form an integral part of these Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by EU.

Statement of Profit or Loss

(consolidated, in accordance with IFRS, 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**

The accompanying notes to consolidated financial statements on pages 101 to 229 form an integral part of these Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by EU.

Statement of Comprehensive Income

(consolidated, in accordance with IFRS, 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

The accompanying notes to consolidated financial statements on pages 101 to 229 form an integral part of these Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by EU.

Statement of Changes in Equity

(consolidated, in accordance with IFRS, for the year ended 31 December 2020, in HUF mn)

	Note	Share capital	Capital reserve	Retained earnings and other reserves*	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**		–	–	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**

The accompanying notes to consolidated financial statements on pages 101 to 229 form an integral part of these Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by EU.

* See details in Note 27, where the Retained earnings and other reserves category contains the capital reserve, share-based payment reserve and option reserve.
** Based on MRP's Articles of Association, dividend on members' shares paid back to the Founder i.e. OTP Bank.

Statement of Cash-flows

(consolidated, in accordance with IFRS, for the year ended 31 December 2020, in HUF mn)

	Note	2020	2019
OPERATING ACTIVITIES			
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**
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**

The accompanying notes to consolidated financial statements on pages 101 to 229 form an integral part of these Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by EU.

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 Nádor Street, Budapest H–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.

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),
- **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.

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.

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

[1] First In First Out

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.

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.

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.

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 inventory valuation method for securities at fair value through other comprehensive income.

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.

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.

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 IFRS 9 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

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,
  - 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.

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.

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.

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.

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.

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).

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.

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:
  - 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.
  - 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.

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.

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 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 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.

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 pps 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.
- 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.
- 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.
- 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.

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.

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**	

Financial assets modified during the period related to moratorium for the year ended 31 December 2020:

	2020	
	Hungary	Serbia
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		
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	(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**

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%
Average interest rates on placements with other banks (%)	**0.70%**	**2.06%**

* 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 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**

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)

Securities held for trading:

	2020	2019
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*	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**	17,676	5,643
Total	**117,623**	**110,624**
Total	**234,007**	**251,990**

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**

* CCIRS: Cross Currency Interest Rate Swaps (see Note 2.6.3).
** Other category includes: commodity and equity swaps, exchange traded futures and options.

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**
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%**
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**
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%**

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%**

Interest conditions of securities at fair value through other comprehensive income:

	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%
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**

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%
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%*	0.0%–37.5%*
In foreign currency	(0.5)%–90.0%**	(0.45)%–90.0%**
Over one year:		
In HUF	0.0%–37.45%*	0.0%–37.45%*
In foreign currency	(0.5)%–60.0%**	(0.45)%–90.0%**
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%

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***	(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****	**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**

* The highest interest rate relates to HUF loans regarding purchasing products and services.
** The highest interest rate relates to loans in foreign currency regarding POS services in Russia.
*** See details in Note 2.11.
**** See details in Note 31.

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**

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**

Carrying value	Intangible assets	Goodwill	Property	Office equipment	Vehicle	Construction in progress	Tangible assets subject to operating lease	Total
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**

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* (Bulgaria)	280,692	42,984	28,541	HUF	99.91%	717,318	3.00%	8.13%
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**						

* DSK Bank EAD after merge with the previous Expressbank.

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.

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**

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**

Carrying value	Intangible assets	Goodwill	Property	Office equipment	Vehicle	Construction in progress	Tangible assets subject to operating lease	Total
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**

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* (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**						

* DSK Bank EAD after merge with the previous Expressbank.

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%

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:

Depreciation and amortization	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* (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**

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**

* 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 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%*
Over one year:		
In HUF	(2.4)%–2.73%	0.0%–3.84%
In foreign currency	(2.4)%–17.6%	(0.45)%–17.6%*
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 foreign currency	2.32%	2.05%

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%	–

* The highest interest rate for within and over one year due to banks relate to loans taken from EBRD in Ukraine.

NOTE 19: FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)

	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%
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%**

* 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%
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
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
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**			

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*				12	47	14	56		
	Total issued securities in FX				**16.55**	**1,403**	**18.55**	**1,412**		
	Total issued securities							**464,213**		

* 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.

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*				22	103	24	116		
	Total issued securities in FX				**34.71**	**3,846**	**36.74**	**3,869**		
	Total issued securities							**393,167**		

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

* 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.

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*	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**

* Other category includes: commodity and equity swaps, exchange traded futures and options.

NOTE 24: OTHER LIABILITIES* (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**
Other non-financial liabilities		
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**

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**

* 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.

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**

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%
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 bp) 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* (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,

* See more details about the Consolidated Statement of Comprehensive Income and about the Consolidated statement of Changes in equity on page 98 and 99.

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.

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**

	2020	2019
Fair value adjustment of securities at fair value through other comprehensive income		
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**

	2020	2019
Expected credit loss on securities at fair value through other comprehensive income		
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**

	2020	2019
Fair value changes of equity instruments as at fair value through other comprehensive income		
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**

	2020	2019
Net investment hedge in foreign operations		
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**
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
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*	**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**

* 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
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.
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.

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)

	2020	2019
Other operating income		
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		
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**
Other administrative expenses		
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*	**92,761**	**81,935**
Other administrative expenses		
Taxes, other than income tax**	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**

* See details in Note 13.

** 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.

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.

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**

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) (the amounts presented in the statement of financial positions)	**(3,673)**	**(2,652)**
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

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**

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.

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.

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:

	Carrying amount/ Exposure	Stage 1	Gross carrying amount/ Stage 2
Placements with other banks	**1,148,743**	1,150,113	1
Repo receivables	**190,849**	191,141	–
Mortgage loans	**3,311,651**	2,729,387	522,312
Loans to medium and large corporates	**4,342,003**	3,758,377	604,480
Consumer loans	**2,689,621**	2,317,004	397,170
Loans to micro and small enterprises	**521,578**	391,810	141,197
Car-finance loans	**362,425**	292,973	71,576
Municipal loans	**447,564**	445,039	5,501
Loans at amortized cost	**11,674,842**	**9,934,590**	**1,742,236**
Finance lease receivable	**1,051,140**	857,452	183,719
Interest bearing securities at fair value through other comprehensive income*	**2,101,384**	2,099,713	1,671
Securities at amortized cost	**2,624,920**	2,629,778	–
Financial assets total	**18,791,878**	**16,862,787**	**1,927,627**
Loan commitments given	**3,151,051**	3,034,782	141,527
Financial guarantees given	**796,961**	777,513	28,646
Other commitments given	**954,544**	931,515	28,214
Financial liabilities total	**4,902,556**	**4,743,810**	**198,387**

As at 31 December 2019:

	Carrying amount/ Exposure	Stage 1	Gross carrying amount/ Stage 2
Placements with other banks	**342,922**	343,224	147
Repo receivables	**67,157**	67,219	–
Mortgage loans	**2,882,136**	2,675,104	134,459
Loans to medium and large corporates	**3,842,864**	3,672,225	136,145
Consumer loans	**2,629,730**	2,458,980	209,035
Loans to micro and small enterprises	**408,813**	371,093	35,128
Car-finance loans	**306,228**	272,230	34,352
Municipal loans	**343,750**	343,370	3,257
Loans at amortized cost	**10,413,521**	**9,793,002**	**552,376**
Finance lease receivable	**969,263**	867,905	86,222
Interest bearing securities at fair value through other comprehensive income*	**2,386,632**	2,386,632	–
Securities at amortized cost	**1,968,072**	1,970,083	–
Financial assets total	**16,147,567**	**15,428,065**	**638,745**
Loan commitments given	**2,955,152**	2,937,741	37,380
Financial guarantees given	**641,925**	635,410	11,864
Other commitments given	**601,412**	600,052	4,478
Financial liabilities total	**4,198,489**	**4,173,203**	**53,722**

* 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.

Notinal value				Accumulated loss allowance/Provision			
Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
118	-	**1,150,232**	1,377	1	111	-	**1,489**
-	-	**191,141**	292	-	-	-	**292**
174,137	70,809	**3,496,645**	10,486	29,970	101,972	42,566	**184,994**
167,402	31,744	**4,562,003**	43,544	67,479	98,800	10,177	**220,000**
318,448	13,988	**3,046,610**	42,050	75,111	232,138	7,690	**356,989**
34,721	4,105	**571,833**	5,671	17,982	24,654	1,948	**50,255**
8,370	3,219	**376,138**	1,732	3,746	5,735	2,500	**13,713**
616	-	**451,156**	2,668	653	271	-	**3,592**
703,694	**123,865**	**12,504,385**	**106,151**	**194,941**	**463,570**	**64,881**	**829,543**
33,606	965	**1,075,742**	4,141	8,103	12,188	170	**24,602**
-	-	**2,101,384**	6,856	128	-	-	**6,984**
799	-	**2,630,577**	4,858	-	799	-	**5,657**
738,217	**124,830**	**19,653,461**	**123,675**	**203,173**	**476,668**	**65,051**	**868,567**
5,827	-	**3,182,136**	19,914	8,632	2,539	-	**31,085**
5,065	-	**811,224**	10,044	1,450	2,769	-	**14,263**
4,277	-	**964,006**	7,339	973	1,150	-	**9,462**
15,169	**-**	**4,957,366**	**37,297**	**11,055**	**6,458**	**-**	**54,810**

Notinal value				Accumulated loss allowance/Provision			
Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
29	-	**343,400**	451	5	22	-	**478**
-	-	**67,219**	62	-	-	-	**62**
203,089	19,760	**3,032,412**	6,877	4,926	99,533	38,940	**150,276**
168,671	25,399	**4,002,440**	39,412	15,169	100,178	4,817	**159,576**
274,696	7,109	**2,949,820**	53,266	39,808	222,937	4,079	**320,090**
38,668	4,116	**449,005**	5,656	4,934	28,469	1,133	**40,192**
6,189	4,362	**317,133**	1,922	1,286	4,904	2,793	**10,905**
403	-	**347,030**	2,788	267	225	-	**3,280**
691,716	**60,746**	**11,097,840**	**109,921**	**66,390**	**456,246**	**51,762**	**684,319**
26,967	1,759	**982,853**	3,805	2,383	7,320	82	**13,590**
-	-	**2,386,632**	2,927	-	-	-	**2,927**
728	-	**1,970,811**	2,014	-	725	-	**2,739**
719,440	**62,505**	**16,848,755**	**119,180**	**68,778**	**464,313**	**51,844**	**704,115**
4,447	-	**2,979,568**	21,254	1,497	1,665	-	**24,416**
5,740	-	**653,014**	6,927	974	3,188	-	**11,089**
8,110	-	**612,640**	8,316	257	2,655	-	**11,228**
18,297	**-**	**4,245,222**	**36,497**	**2,728**	**7,508**	**-**	**46,733**

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:

	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition
Stage 1	**119,180**	**141,735**	**(42,569)**
Placements with other banks	451	10,430	(263)
Repo receivables	62	306	–
Loans at amortized cost	109,921	125,137	(40,604)
Finance lease receivables	3,805	1,884	(739)
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	4,941	3,978	(963)
Stage 2	**68,778**	**57,383**	**(15,678)**
Placements with other banks	5	–	–
Repo receivables	–	–	–
Loans at amortized cost	66,390	53,445	(15,537)
Finance lease receivables	2,383	3,938	(141)
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	–	–	–
Stage 3	**464,313**	**119,894**	**(99,345)**
Placements with other banks	22	–	–
Repo receivables	–	–	–
Loans at amortized cost	456,246	117,198	(98,810)
Finance lease receivables	7,320	2,696	(535)
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	725	–	–
Loss allowance on financial assets subtotal	**652,271**	**319,012**	**(157,592)**
POCI	**51,844**	**16,933**	**(11,752)**
Loans at amortized cost	51,762	16,933	(11,752)
Finance lease receivables	82	–	–
Loss allowance on financial assets total	**704,115**	**335,945**	**(169,344)**
Loan commitments and financial guarantees given – stage 1	36,497	20,712	(2,118)
Loan commitments and financial guarantees given – stage 2	2,728	3,984	(458)
Loan commitments and financial guarantees given – stage 3	7,508	1,071	(570)
Provision on financial liabilities total	**46,733**	**25,767**	**(3,146)**

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
(185,201)	**84,111**	**(4,294)**	**(56)**	**10,769**	**123,675**
–	(12,805)	–	–	3,564	**1,377**
–	(76)	–	–	–	**292**
(183,599)	92,372	(4,132)	(55)	7,111	**106,151**
(1,602)	1,034	(162)	(1)	(78)	**4,141**
–	3,586	–	–	172	**11,714**
83,013	**3,297**	**6,130**	**(98)**	**348**	**203,173**
–	–	–	–	(4)	**1**
–	–	–	–	–	**–**
81,777	2,802	6,208	(98)	(46)	**194,941**
1,236	367	(78)	–	398	**8,103**
–	128	–	–	–	**128**
99,117	**(15,385)**	**364**	**(92,476)**	**186**	**476,668**
–	45	–	–	44	**111**
–	–	–	–	–	**–**
98,813	(15,913)	373	(92,226)	(2,111)	**463,570**
304	483	(9)	(250)	2,179	**12,188**
–	–	–	–	74	**799**
(3,071)	**72,023**	**2,200**	**(92,630)**	**11,303**	**803,516**
3,071	**1,527**	**489**	**(735)**	**3,674**	**65,051**
3,009	1,501	489	(735)	3,674	**64,881**
62	26	–	–	–	**170**
–	**73,550**	**2,689**	**(93,365)**	**14,977**	**868,567**
(900)	(15,344)	(453)	(1,785)	688	**37,297**
351	4,474	237	–	(261)	**11,055**
549	(3,545)	257	–	1,188	**6,458**
–	**(14,415)**	**41**	**(1,785)**	**1,615**	**54,810**

As at 31 December 2019:

	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition
Stage 1	**96,264**	**103,075**	**(26,715)**
Placements with other banks	463	3,975	(144)
Loans at amortized cost	90,469	97,486	(25,619)
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	5,332	1,614	(952)
Stage 2	**58,460**	**19,435**	**(14,881)**
Placements with other banks	12	2	–
Loans at amortized cost	58,448	19,433	(14,881)
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	–	–	–
Stage 3 and POCI	**532,691**	**28,342**	**(75,635)**
Placements with other banks	22	–	–
Loans at amortized cost	531,964	27,617	(74,853)
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	705	725	(782)
Loss allowance on financial assets subtotal	**687,415**	**150,852**	**(117,231)**
Loan commitments and financial guarantees given – stage 1	21,457	16,460	(4,010)
Loan commitments and financial guarantees given – stage 2	2,821	1,188	(92)
Loan commitments and financial guarantees given – stage 3	3,775	3,283	(2,138)
Provision on financial liabilities total	**28,053**	**20,931**	**(6,240)**

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
(70,826)	**16,342**	**(5,070)**	**(960)**	**7,070**	**119,180**
(1)	(1,165)	9	–	(2,624)	**513**
(70,820)	19,575	(5,079)	(960)	8,674	**113,726**
(5)	(2,068)	–	–	1,020	**4,941**
(2,818)	**12,219**	**406**	**(388)**	**(3,655)**	**68,778**
1	3	–	–	(13)	**5**
(2,824)	12,221	406	(388)	(3,642)	**68,773**
5	(5)	–	–	–	**–**
73,644	**(16,854)**	**4,647**	**(79,597)**	**48,919**	**516,157**
–	–	–	–	–	**22**
73,644	(16,820)	4,647	(79,597)	48,808	**515,410**
–	(34)	–	–	111	**725**
–	**11,707**	**(17)**	**(80,945)**	**52,334**	**704,115**
192	(2,120)	(903)	(1)	5,422	**36,497**
(265)	(1,226)	55	(1)	248	**2,728**
73	2,479	(163)	(100)	299	**7,508**
–	**(867)**	**(1,011)**	**(102)**	**5,969**	**46,733**

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		2019	
	Gross amount of loan, finance lease receivable at amortized cost, placement with other banks and repo receivable portfolio	Loss allowance	Gross amount of loan, finance lease receivable at amortized cost, placement with other banks and repo receivable portfolio	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*	3,304	209	3,041	156
Total	**14,921,500**	**855,926**	**12,491,312**	**698,449**

Loans at fair value:

Country	2020	2019
Hungary	798,981	493,208
Bosnia-Herzegovina	2,535	2,581
Croatia	1,089	489
Total	**802,605**	**496,278**

* 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.

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.

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.

36.1.6 Financial instruments by rating categories*

Securities at fair value through other comprehensive income as at 31 December 2020:

	Aaa	A2	A3	Baa1	Baa2	Baa3	Ba1
Government bonds	–	–	–	9,138	2,155	5,734	7,247
Discounted Treasury bills	–	–	–	–	–	1,233	–
Equity instruments and fund units	535	36	33	45	7	36	–
Other interest bearing securities	–	–	495	–	–	998	–
Total	**535**	**36**	**528**	**9,183**	**2,162**	**8,001**	**7,247**

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**

Securities at fair value through other comprehensive income as at 31 December 2020:

	Aaa	Aa2	Aa3	A2	A3	Baa1	Baa2
Government bonds	20,639	8,215	–	37,195	120,112	192,994	–
Mortgage bonds	–	–	–	63,577	–	–	–
Corporate bonds	–	–	–	–	4,815	–	2,336
Discounted Treasury bills	–	–	–	–	–	–	–
Non-trading equity instruments	–	–	3,875	–	–	47	–
Total	**20,639**	**8,215**	**3,875**	**100,772**	**124,927**	**193,041**	**2,336**

Securities at amortized cost as at 31 December 2020:

	Aa2	A1	A3	Baa1	Baa3	Ba1	Ba3
Government bonds	45,975	10,953	38,987	38,627	2,310,965	10,874	4,147
Corporate bonds	–	–	–	–	14,619	10,527	–
Discounted Treasury bills	–	–	–	–	–	–	–
Total	**45,975**	**10,953**	**38,987**	**38,627**	**2,325,584**	**21,401**	**4,147**

* Moody's ratings.

Ba2	Ba3	B1	Not rated	Total
–	13,762	–	–	**38,036**
–	11,428	–	60	**12,721**
7	–	5	3,036	**3,740**
	–	–	582	**2,075**
7	**25,190**	**5**	**3,678**	**56,572**

Baa3	Ba1	Ba2	Ba3	B1	B3	Caa1	Not rated	Total
959,133	182,685	–	200,478	18,166	69,248	46,269	–	**1,855,134**
–	–	–	–	–	–	–	24,695	**88,272**
39,179	4,997	979	12,532	–	–	–	16,782	**81,620**
9,957	66,401	–	–	–	–	–	–	**76,358**
898	–	–	–	–	–	–	30,505	**35,325**
1,009,167	**254,083**	**979**	**213,010**	**18,166**	**69,248**	**46,269**	**71,982**	**2,136,709**

B1	B3	Not rated	Total
10,174	74,774	–	**2,545,476**
–	–	49,486	**74,632**
–	10,469	–	**10,469**
10,174	**85,243**	**49,486**	**2,630,577**

Securities held for trading as at fair value through profit or loss as at 31 December 2019:

	Aaa	Aa3	A1	A2	A3	Baa1	Baa2
Government bonds	–	–	–	–	–	–	30,070
Equity instruments and fund units	–	27	41	52	18	30	6
Discounted Treasury bills	–	–	–	–	–	–	–
Other interest bearing securities	123	–	–	–	602	–	8,807
Other non-interest bearing securities	–	–	–	–	–	–	–
Total	**123**	**27**	**41**	**52**	**620**	**30**	**38,883**

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**

Securities at fair value through other comprehensive income as at 31 December 2019:

	Aaa	Aa2	Aa3	A2	A3	Baa1	Baa2
Government bonds	12,213	7,103	–	38,730	6,536	114,296	180,974
Discounted Treasury bills	–	–	–	–	–	–	–
Mortgage bonds	–	–	–	–	–	65,086	–
Corporate bonds	–	–	–	–	4,700	–	3,529
Non-trading equity instruments	–	–	6,370	–	–	–	–
Total	**12,213**	**7,103**	**6,370**	**38,730**	**11,236**	**179,382**	**184,503**

Securities at amortized cost as at 31 December 2019:

	Aa2	Baa1	Baa3	Ba2	Ba3	B1	B3
Government bonds	41,010	42,454	1,722,028	1,444	5,520	26,442	5,218
Corporate bonds	–	–	–	9,975	–	–	–
Mortgage bonds	–	–	7,739	–	–	–	–
Discounted Treasury bills	–	–	–	–	–	–	6,516
Total	**41,010**	**42,454**	**1,729,767**	**11,419**	**5,520**	**26,442**	**11,734**

Baa3	Ba1	Ba2	Ba3	Not rated	Total
23,715	–	11,211	6,198	–	**71,194**
18	–	–	7	877	**1,076**
12	–	–	38	–	**50**
5,377	1,404	3,078	–	821	**20,212**
–	–	–	–	7,516	**7,516**
29,122	**1,404**	**14,289**	**6,243**	**9,214**	**100,048**

Baa3	Ba1	Ba2	Ba3	B1	Caa1	Not rated	Total
1,013,472	–	137,353	156,000	60,930	45,005	–	**1,772,612**
339,398	–	104,292	–	–	–	–	**443,690**
7,841	–	–	–	–	–	24,341	**97,268**
34,900	4,950	892	–	–	–	24,091	**73,062**
1,139	–	–	–	–	–	32,638	**40,147**
1,396,750	**4,950**	**242,537**	**156,000**	**60,930**	**45,005**	**81,070**	**2,426,779**

Caa1	Not rated	Total
89,721	–	**1,933,837**
–	12,744	**22,719**
–	–	**7,739**
–	–	**6,516**
89,721	**12,744**	**1,970,811**

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.

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*	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*	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)****	**305,531**	**7,342,601**	**5,566,483**	**138,166**	**3,474,962**
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**

* Without derivative financial instruments

** 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.

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	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	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*	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)******	**1,954,571**	**5,329,990**	**4,256,417**	**132,975**	**2,991,215**
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**

* Without derivative financial instruments

** 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.

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.

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	–	–	151709	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 loss	**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

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 rom 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	0	–	–	–	–	–	–	–	–	–	–	–	–	–	–
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**	**–**	**10**	**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**

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 loss	**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	–	–	0	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

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	–	–	–	–	–	–	–	0	–	–	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**

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 million):

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.

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	
	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.

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):

Description	2020		2019	
	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)

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.

Calculation on IFRS basis (in HUF million)	2020	2019
Core capital (Tier 1) = Common Equity Tier1 (CET1)	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 (Tier2)	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*	**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**
CET1 ratio	15.40%	14.40%
Tier 1 ratio	15.40%	14.40%
Capital adequacy ratio	**17.70%**	**16.80%**

* 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.

Basel III

The components of the Common Equity Tier1 capital (CET1) 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 (Tier2): Subordinated loan capital, Supplementary loan capital, Other issued capital components, Components recognized in T2 capital issued by subsidiaries.

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:

	2020		2019	
	Transferred assets	Associated liabilities	Transferred assets	Associated liabilities
	Carrying amount		Carrying amount	
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.

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[2].
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.

[2] Until the end of 2014 Board of Directors.

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 – Exercise price (HUF per share, for the year 2015)	Share purchasing at a discounted price – Maximum earnings (for the year 2015)	Price of remuneration exchanged to share (for the year 2015)	Share purchasing at a discounted price – Exercise price (for the year 2016)	Share purchasing at a discounted price – Maximum earnings (for the year 2016)	Price of remuneration exchanged to share (for the year 2016)	Share purchasing at a discounted price – Exercise price (for the year 2017)	Share purchasing at a discounted price – Maximum earnings (for the year 2017)	Price of remuneration exchanged to share (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 – Exercise price (HUF per share, for the year 2018)	Share purchasing at a discounted price – Maximum earnings (for the year 2018)	Price of remuneration exchanged to share (for the year 2018)	Share purchasing at a discounted price – Exercise price (for the year 2019)	Share purchasing at a discounted price – Maximum earnings (for the year 2019)	Price of remuneration exchanged to share (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

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

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

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.

	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**
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

Types of transactions	2020		2019	
	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**	**–**

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**	**–**

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 Société Générale 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 Société Générale S.A.** ("MBSG"), the Moldovan subsidiary of Société Générale 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 **Société Générale banka Montenegro a.d.** ("SGM"), the Montenegrin subsidiary of Société Générale Group between Crnogorska komercijalna banka a.d., the Montenegrin subsidiary of OTP Bank and Société Générale 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.

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 **Société Générale banka Srbija a.d. Beograd** ("SGS"), the Serbian subsidiary of Société Générale 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 Société Générale 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 Société Générale Albania SH.A.** ("SGAL"), the Albanian subsidiary of Société Générale 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 **Société Générale Expressbank** ("SGEB"), the Bulgarian subsidiary of Société Générale Group ("SG"), and other local subsidiaries held by SGEB, between Société Générale 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 a.d. Podgorica after the merger.

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 a.d. 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)**
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*
Negative goodwill	67,516
Net cash	**(460,077)**

* Non-controlling interest was measured at its proportionate share of net assets of the acquiree.

Breakdown of the acquired entity's income, profit/loss from the date of the acquisition:

	Interest income	Net result	One-off expense*
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 a.d. 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*
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 a.d. 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	**133,724**	**65,636**	**16,696**

With the acquisitions the following shares were purchased:

	Number of shares	Type	Voting rights
SKB Banka 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 S.A.	9,669,155	ordinary share	96.69%
Podgorička banka AD Podgorica	87,602	ordinary share	90.56%
OTP banka Srbija a.d. 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 SH.A.	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%

* 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 SH.A. (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

Significant associates and joint ventures*

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.**	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	Web portal services	Wholesale of hardware, plumbing and heating equipment and supplies	Other financial services, except insurance and pension funding	

2019	Szallas.hu Ltd.	D-ÉG Thermoset Ltd.**	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

* Based on unaudited financial statements.
** 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

In the percentage of the total assets	2020	2019
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**

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*	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**

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 Comprehensive 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**	(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***	–	878	–
Derivative financial instruments	(628)***	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)**

* Both in the year 2020 and 2019 the dilutive effect is in connection with the Remuneration Policy and the Management Option Program.

** 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.

***Gains from other financial assets and derivative financial instruments recognised in net interest income as Income similar to interest income.

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*	(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**	–	280	–
Derivative financial instruments	773**	(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**

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,

* 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.

** Gains from other financial assets and derivative financial instruments recognised in net interest income as Income similar to interest income.

- 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.

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 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*	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**

* Higher discount rate due to the lower yield environment resulted in higher fair value comparing to the carrying values.

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)**
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.

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	
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**

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	
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**

As at 31 December 2020:

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:

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)**

As at 31 December 2020:

Type of hedge	Type of risk	Carrying amount of the hedged item as at 31 December 2020 Assets	Liabilities	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 Assets	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
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)**	

As at 31 December 2019:

Type of hedge	Type of risk	Carrying amount of the hedged item as at 31 December 2019 Assets	Liabilities	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 Assets	Liabilities	Line item in the statement of financial position in which the hedged item is included
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)**	

As at 31 December 2019:

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 EUR million	Type of hedging instrument	Changes in fair value used for calculating hedge ineffectiveness for the year ended 31 December 2019 HUF million
Net investment hedge in foreign operations				
Fx assets in foreign subsidiaries	Foreign exchange risk	310*	OTP HB Perpetual bonds	2,776.3

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).

* Companies included: DSK Bank EAD, OTP banka Hrvatska d.d., OTP Banka Slovensko, a.s., Crnogorska komercijalna banka a.d.

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*
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**
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**

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***
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**

* The portfolio includes mainly Visa C shares.
** The portfolio includes mainly HUF 46,124 million albanian government bonds.
*** The portfolio includes mainly Visa Inc. "C" convertible preferred stock and common shares and HUF 44,098 million albanian government bonds.

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**

2019	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	–	–	–	–	–	–	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 a.d. 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 a.d. Beograd and from the

fourth quarter of 2019 its statement of profit or loss too.

The Montenegrin segment, Crnogorska komercijalna banka a.d. and Podgorička banka AD includes from the third quarter of 2019 the statement of profit or loss and financial position of the newly acquired Podgorička banka AD In December 2020 Podgorička banka AD 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.

The reportable business and geographical segments of the Group are those components where:

- separated income and expenses, 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.

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 Group including Expressbank AD (Bulgaria)	OTP banka Hrvatska d.d. (Croatia)	Vojvodjanska banka a.d. + OTP banka Srbija a.d. Beograd (Szerbia)
	a	b	1=a+b 1=2+3+14+18+19	2	3=4+...+13	4	5	6
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	**254,047**		**254,047**					
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**
Profit before income tax	**281,422**	**70,380**	**351,802**	**175,860**	**148,858**	**44,664**	**17,600**	**8,456**
Adjusted operating profit	**500,092**	**37,345**	**537,437**	**181,178**	**326,660**	**89,774**	**40,329**	**35,899**
Adjusted total income	1,207,759	(37,839)	1,169,920	453,635	653,581	166,667	84,907	79,001
Adjusted net interest income	782,671	5,408	788,079	286,448	474,148	111,239	58,199	59,514
Adjusted net profit from fees and commissions	397,633	(104,521)	293,112	130,470	135,156	45,453	16,093	14,766
Adjusted other net non-interest income	27,455	61,274	88,729	36,717	44,277	9,975	10,615	4,721
Adjusted other administrative expenses	(707,667)	75,184	(632,483)	(272,457)	(326,921)	(76,893)	(44,578)	(43,102)
Total risk costs	**(218,670)**	**30,675**	**(187,995)**	**(7,678)**	**(177,802)**	**(45,110)**	**(22,729)**	**(27,443)**
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)
Other provision (adjustment)	0	(29,574)	(29,574)	(10,052)	(21,092)	(235)	(3,238)	(5,273)
Total other adjustments (one-off items)*	**0**	**2,360**	**2,360**	**2,360**	**0**	**0**	**0**	**0**
Income tax	**(27,376)**	**(14,158)**	**(41,534)**	**(16,558)**	**(21,891)**	**(3,707)**	**(2,771)**	**(1,157)**
Total Assets**	**23,329,771**	**0**	**23,329,771**	**11,492,949**	**13,609,776**	**4,283,625**	**2,325,669**	**2,052,332**
Total Liabilities***	**20,793,243**	**0**	**20,793,243**	**9,726,310**	**11,651,728**	**3,663,247**	**1,997,504**	**1,779,286**

( ) used at: provisions, impairment and expenses.
* One-off item in the total amount consists the result of the treasury share swap agreement at OTP Core.
** Relating to the discontinued operations the assets were HUF 6,070 million.
*** Relating to the discontinued operations the liabilities were HUF 5,486 million.

SKB Banka d.d. (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 SH.A. (Albania)	Mobiasbanca – OTP Group S.A. (Moldova)	Non-banking subsidiaries subtotal	Merkantil Group (Hungary)	Asset Management subsidiaries	Other subsidiaries	Corporate Centre	Eliminations and adjustments
7	8	9	10	11	12	13	14=15+16+17	15	16	17	18	19
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)
12,103	1,466	31,589	21,409	4,609	2,449	4,513	28,483	8,617	10,749	9,117	(526)	(873)
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
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
28,103	32,739	48,581	99,872	17,188	9,824	8,889	19,020	17,688	5	1,327	419	8,044
11,127	3,813	13,540	22,503	4,446	1,278	2,137	25,212	40	14,883	10,289	0	2,274
1,158	7,195	5,264	823	461	495	3,570	14,926	3,555	360	11,011	0	(7,191)
(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)
(7,684)	(10,344)	(10,441)	(43,659)	(3,743)	(3,455)	(3,194)	(406)	(1,662)	(16)	1,272	0	(2,109)
(6,244)	(7,840)	(6,286)	(41,160)	(3,434)	(2,515)	(2,695)	(1,487)	(1,491)	0	4	0	(2,598)
(1,440)	(2,504)	(4,155)	(2,499)	(309)	(940)	(499)	1,081	(171)	(16)	1,268	0	489
0	0	0	0	0	0	0	0	0	0	0	0	0
(2,439)	91	(5,485)	(5,092)	(302)	(489)	(540)	(2,653)	(956)	(925)	(772)	(43)	(389)
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)
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)

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 a.d. Beograd (Szerbia)
	a	b	1=a+b 1= 2+3+14+18+19	2	3=4+…+13	4	5	6
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**
Profit before income tax	**467,152**	**(1,179)**	**465,973**	**206,659**	**220,152**	**75,078**	**37,399**	**9,971**
Adjusted operating profit	**523,839**	**(13,793)**	**510,046**	**177,030**	**293,500**	**83,495**	**42,925**	**13,144**
Adjusted total income	1,165,056	(87,328)	1,077,728	435,048	565,450	155,566	85,069	43,277
Adjusted net interest income	699,041	7,257	706,298	261,754	408,725	109,030	56,812	30,809
Adjusted net profit from fees and commissions	374,181	(91,677)	282,504	126,911	123,739	42,019	17,032	9,506
Adjusted other net non-interest income	91,834	(2,908)	88,926	46,383	32,986	4,517	11,225	2,962
Adjusted other administrative expenses	(641,217)	73,535	(567,682)	(258,018)	(271,950)	(72,071)	(42,144)	(30,133)
Total risk costs	**(56,687)**	**9,580**	**(47,107)**	**26,595**	**(73,348)**	**(8,417)**	**(5,526)**	**(3,173)**
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)
Other provision (adjustment)	0	(17,633)	(17,633)	(3,737)	(13,396)	(3,201)	(2,691)	(1,539)
Total other adjustments (one-off items)*	**0**	**3,034**	**3,034**	**3,034**	**0**	**0**	**0**	**0**
Income tax	**(49,902)**	**2,981**	**(46,921)**	**(12,668)**	**(30,540)**	**(7,199)**	**(6,681)**	**459**
Total Assets**	**19,659,696**	**0**	**19,659,696**	**9,641,692**	**11,965,975**	**3,669,766**	**2,098,951**	**1,659,483**
Total Liabilities***	**17,467,983**	**0**	**17,467,983**	**7,920,820**	**10,207,807**	**3,141,007**	**1,806,302**	**1,410,022**

( ) used at: provisions, impairment and expenses.
* One-off item in the total amount consists the result of the treasury share swap agreement at OTP Core.
** Relating to the discontinued operations the assets were HUF 462,071 million.
*** Relating to the discontinued operations the liabilities were HUF 362,496 million.

SKB Banka d.d. (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 SH.A. (Albania)	Mobiasbanca – OTP Group S.A. (Moldova)	**Non-banking subsidiaries subtotal**	**Merkantil Group (Hungary)**	**Asset Management subsidiaries**	**Other subsidiaries**	**Corporate Centre**	**Eliminations and adjustments**
7	8	9	10	11	12	13	14=15+16+17	15	16	17	18	19
0	**6,309**	**35,222**	**28,127**	**6,377**	**2,615**	**1,935**	**32,182**	**7,116**	**15,335**	**9,731**	**3,478**	**(211)**
0	**6,907**	**42,159**	**36,399**	**7,056**	**3,074**	**2,109**	**34,829**	**7,748**	**16,782**	**10,299**	**3,906**	**427**
0	**12,315**	**44,353**	**84,946**	**5,692**	**3,702**	**2,928**	**34,754**	**7,373**	**16,642**	**10,739**	**3,906**	**856**
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
0	28,254	48,128	113,572	11,464	6,697	3,959	18,807	14,013	3	4,791	4,490	12,522
0	3,180	14,877	31,012	4,215	1,007	891	29,118	(104)	20,475	8,747	0	2,736
0	6,097	4,446	1,998	441	248	1,052	20,154	461	708	18,985	0	(10,597)
0	(25,216)	(23,098)	(61,636)	(10,428)	(4,250)	(2,974)	(33,325)	(6,997)	(4,544)	(21,784)	(584)	(3,805)
0	**(5,408)**	**(2,194)**	**(48,547)**	**1,364**	**(628)**	**(819)**	**75**	**375**	**140**	**(440)**	**0**	**(429)**
0	(3,018)	(1,433)	(46,123)	1,293	(249)	(737)	52	143	0	(91)	0	94
0	(2,390)	(761)	(2,424)	71	(379)	(82)	23	232	140	(349)	0	(523)
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
0	**(598)**	**(6,937)**	**(8,272)**	**(679)**	**(459)**	**(174)**	**(2,647)**	**(632)**	**(1,447)**	**(568)**	**(428)**	**(638)**
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)**
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)**

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)**

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.

Deloitte.

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

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

Registered by the Capital Court of Registration
Company Registration Number: 01-09-071057

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.

1/6

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

2/6

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.

3/6

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

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

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

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

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

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

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

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

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

We also:

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Appointment of the Auditor and the Period of Engagement

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

Consistence with the Additional Report to the Audit Committee

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

Provision of Non-audit Services

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

5/6

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

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

Registration number of statutory registered auditor: 003449

6/6

Statement of Financial Position

(separate, in accordance with IFRS, 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

The accompanying notes to separate financial statements on pages 240 to 333 form an integral part of these separate financial statements.

Statement of Profit or Loss

(separate, in accordance with IFRS, for the year ended 31 December 2020, in HUF mn)

	Note	2020	2019
Interest Income:			
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:			
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

Statement of Comprehensive Income

(separate, in accordance with IFRS, 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**

The accompanying notes to separate financial statements on pages 240 to 333 form an integral part of these separate financial statements.

Statement of Changes in Equity

(separate, in accordance with IFRS, 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**

The accompanying notes to separate financial statements on pages 240 to 333 form an integral part of these separate financial statements.

Statement of Cash-flows

(separate, in accordance with IFRS, 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**
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**

The accompanying notes to separate financial statements on pages 240 to 333 form an integral part of these separate financial statements.

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 H-1051.
Internet homepage: 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), 84/C Dózsa György Street, Budapest H-1068. 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").

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.

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.

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

[1] First In First Out

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 counterparties. 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.

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.

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 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.

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.

Classification into risk classes

According to the requirements of the IFRS 9 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 IFRS 9:

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.

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.

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.

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 %

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.

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.

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.

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

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 pps 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.
- 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.
- 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**

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*	7,359	1,216
Other derivative transactions**	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**
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%

* CCIRS: Cross Currency Interest Rate Swap (see Note 2.6.2).

** Incl.: FX, equity, commodity and index futures; FX forward; commodity and equity swap; FRA; FX option (see Note 2.6.2).

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**

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*	EUR	–	158
TCEEFUNDIII*	EUR	–	4,486
VISA C*	USD	–	4,735
Total		**15,731**	**22,320**

* During 2020 these securities were reclassified to mandatorily FVTPL instruments.

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**
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.

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%

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*	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**

* Incl. housing loans.

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.)

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
Vojvodjanska Banka a.d. 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**

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**

Significant associates and joint ventures

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

As at 31 December 2020:

	D-ÉG Thermoset Ltd.**	Szallas.hu Ltd.	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, Budapest	Hungary, Miskolc	Bulgaria, Sofia	
Activity	Wholesale of hardware, plumbing and heating equipment and supplies	Web portal services	Other financial services, except insurance and pension funding	

As at 31 December 2019:

	D-ÉG Thermoset Ltd.**	Szallas.hu Ltd.	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, Budapest	Hungary, Miskolc	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.

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**

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

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**

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:

Property	2020	2019
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* (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**	–	(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**

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*	**766,977**	**738,054**

* Other assets are expected to be recovered or settled no more than twelve months after the reporting period.
** For further information please see the analysis of the change in the loss allowance on loans at amortised cost in Note 10.
*** It contains the loans lent among the frame of Funding for Growth Scheme.

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%

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%

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.

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**			

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**			

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	Nominal value in FX million	Nominal value 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	Nominal value in FX million	Nominal value 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*	29,563	10,126
Total	**99,987**	**83,088**

* Incl.: FX, equity, commodity and index futures; FX forward; commodity and equity swap; FRA; FX option.

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**

NOTE 24: OTHER LIABILITIES* (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**

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

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**

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 bp) 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.

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.

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**

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

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	-	-

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. OTPdirect 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.
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.

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 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.

Fees and commissions:

	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
Other Operating Income		
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**
Net Other Operating Expenses		
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**
Other Administrative Expenses		
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*	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)**

* 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.

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.

Amounts recognised at initial application:

	1 January 2019
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.

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.

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:

	Carrying amount/			Gross carrying amount/
	Exposure	Stage 1	Stage 2	Stage 3
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	1,535,884	1,540,240	2	1,461
Repo receivables	183,364	183,656	–	–
Retail consumer loans	**531,115**	**456,034**	**98,027**	**10,632**
Mortgage loans	**95,762**	**29,857**	**58,609**	**6,602**
Municipal loans	**86,061**	**72,406**	**15,564**	**43**
Corporate loans	**2,704,822**	**2,361,979**	**380,458**	**37,177**
Loans at amortised cost	3,417,760	2,920,276	552,658	54,454
FVOCI securities*	911,950	911,950	–	–
Securities at amortised cost	2,007,692	2,010,980	–	–
Other financial assets	127,179	93,491	40,452	1,133
Total as at 31 December 2020	**8,762,949**	**8,239,713**	**593,112**	**57,048**
Loan commitments	1,429,732	1,369,379	69,998	1,683
Financial guarantees	1,412,663	1,409,766	8,609	161
Factoring loan commitments	304,993	299,908	3,551	1,810
Bill of credit	5,026	5,039	–	–
Loan commitments and financial guarantees total	**3,152,414**	**3,084,092**	**82,158**	**3,654**

As at 31 December 2019:

	Carrying amount/			Gross carrying amount/
	Exposure	Stage 1	Stage 2	Stage 3
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	1,560,142	1,563,732	2	–
Repo receivables	45,539	45,545	–	–
Retail consumer loans	**500,153**	**492,435**	**16,157**	**5,583**
Mortgage loans	**111,064**	**91,058**	**12,619**	**6,031**
Municipal loans	**86,907**	**83,136**	**122**	**5,332**
Corporate loans	**2,378,407**	**2,294,436**	**92,411**	**36,020**
Loans at amortised cost	3,076,531	2,961,065	121,309	52,966
FVOCI securities*	1,485,977	1,485,977	–	–
Securities at amortised cost	1,447,224	1,448,667	–	–
Other financial assets	89,482	56,577	37,499	1,015
Total as at 31 December 2019	**7,994,581**	**7,851,249**	**158,810**	**53,981**
Loan commitments	1,487,112	1,485,861	8,136	511
Financial guarantees	1,079,896	1,080,423	4,276	1,813
Factoring loan commitments	227,871	225,703	589	1,853
Bill of credit	747	749	–	–
Loan commitments and financial guarantees total	**2,795,626**	**2,792,736**	**13,001**	**4,177**

* 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.

Notional amount		Loss allowance					Write-off
Purchased or originated credit impaired	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Total	
–	579,120	–	–	–	–	–	–
–	1,541,703	4,356	2	1,461	–	5,819	–
–	183,656	292	–	–	–	292	–
5	564,698	5,945	20,866	6,770	2	33,583	–
2,909	97,977	20	688	1,313	194	2,215	–
–	88,013	227	1,709	16	–	1,952	–
11,128	2,790,742	16,314	43,034	25,127	1,445	85,920	25,720
14,042	3,541,430	22,506	66,297	33,226	1,641	123,670	25,720
–	911,950	1,714	–	–	–	1,714	–
–	2,010,980	3,288	–	–	–	3,288	–
31	135,107	2,407	4,504	996	21	7,928	–
14,073	**8,903,946**	**34,563**	**70,803**	**35,683**	**1,662**	**142,711**	**25,720**
–	1,441,060	5,442	5,047	839	–	11,328	–
–	1,418,536	5,087	738	48	–	5,873	–
–	305,269	175	35	66	–	276	–
–	5,039	13	–	–	–	13	–
–	**3,169,904**	**10,717**	**5,820**	**953**	**–**	**17,490**	**–**

Notional amount		Loss allowance					Write-off
Purchased or originated credit impaired	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Total	
–	289,686	–	–	–	–	–	–
–	1,563,734	3,590	2	–	–	3,592	–
–	45,545	6	–	–	–	6	–
6	514,181	5,135	5,542	3,348	3	14,028	–
3,038	112,746	19	234	1,314	115	1,682	–
–	88,590	435	8	1,240	–	1,683	–
10,213	2,433,080	21,188	12,894	19,939	652	54,673	34,770
13,257	3,148,597	26,777	18,678	25,841	770	72,066	34,770
–	1,485,977	1,702	–	–	–	1,702	–
–	1,448,667	1,443	–	–	–	1,443	–
37	95,128	583	4,291	754	18	5,646	–
13,294	**8,077,334**	**34,101**	**22,971**	**26,595**	**788**	**84,455**	**34,770**
–	1,494,508	6,577	620	199	–	7,396	–
–	1,086,512	4,784	456	1,376	–	6,616	–
–	228,145	201	1	72	–	274	–
–	749	2	–	–	–	2	–
–	**2,809,914**	**11,564**	**1,077**	**1,647**	**–**	**14,288**	**–**

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**

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**

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**

Loan portfolio by countries

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

Country	31 December 2020		31 December 2019	
	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)**

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:

As at 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**

As at 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**

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*	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.

Financial instruments by rating categories**

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**

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**

* Incl.: project and syndicated loans.
** Moody's ratings.

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**

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

Country	31 December 2020		31 December 2019	
	Gross carrying amount	Loss allowance	Gross carrying amount	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)**

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.

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*	**(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**

* 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.

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*	**(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**

* 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.

35.3 Net foreign currency position and foreign currency risk

As at 31 December 2020:

	USD	EUR	CHF	Others	Total
Assets*	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*	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.

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

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
	HUF	Foreign currency	HUF	Foreign currency	HUF	Foreign currency	HUF	Foreign currency	HUF	Foreign currency	HUF	Foreign currency	HUF	Foreign currency	
ASSETS															
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
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
LIABILITIES															
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)**

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
	HUF	Foreign currency	HUF	Foreign currency	HUF	Foreign currency	HUF	Foreign currency	HUF	Foreign currency	HUF	Foreign currency	HUF	Foreign currency	
ASSETS															
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
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
LIABILITIES															
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)**

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 million):

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 Bank 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.

Probability	Effects to the P&L in 3 months period in HUF billion	
	31 December 2020	31 December 2019
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.

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**

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).

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

	Basel III	
	2020*	2019
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 (Tier2)	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**
CET1 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

Tier2 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.

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

* 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.

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.

Derecognition

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.

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[2].

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

[2] Until the end of 2014 Board of Directors.

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

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

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)
Vojvodjanska Banka a.d. 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**

39.3 Interests received by the Bank*

	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*

	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 a.d. 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**

* Derivatives and interest on securities are not included.

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

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

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 BonusGold/ 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

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 BonusGold	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 Invest-ment Account, Shares in invest-ment funds
Personal loans	7	–	–	7	11.99%-17.99%	–	–	Income received to bank account

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.

In the percentage of the total assets	2020	2019
Loans managed by the Bank as a trustee	28,055	29,296

NOTE 41: CONCENTRATION OF ASSETS AND LIABILITIES

In the percentage of the total assets	2020	2015
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*	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.

* 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*	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**	**(5,053)**	**5,818**	**–**	**–**
Total	**222,077**	**257,707**	**59,805**	**(17,734)**

* 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.

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

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	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*	(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**	**(5,064)**	**3,675**	**–**	**–**
Total	**204,785**	**243,593**	**8,818**	**20,599**

* 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.

** 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.

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).

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*	After netting		Before 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)
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)**

* 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.

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.

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	

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	

Amount, timing and uncertainty of future cash-flows – hedging instruments:

	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		Netting	After netting		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
				Assets	Liabilities		Assets	Liabilities		
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		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		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
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

	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

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**

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%

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**

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.