



OTP BANK PLC.

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

FOR THE YEAR
ENDED 31 DECEMBER 2020

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

	Note	2020	2019
Interest Income	13.	321,296	323,896
Interest Expense	13.	<u>(99,630)</u>	<u>(119,384)</u>
NET INTEREST INCOME	13.	<u>221,666</u>	<u>204,512</u>
Risk cost		(66,765)	(39,881)
NET INTEREST INCOME AFTER RISK COST		<u>154,901</u>	<u>164,631</u>
MODIFICATION LOSS		(17,358)	-
Net profit from fees and commissions		219,031	213,363
Net operating income		60,632	130,358
Other administrative expenses		(323,960)	(305,158)
PROFIT BEFORE INCOME TAX		93,246	203,194
Income tax expense		<u>(772)</u>	<u>(9,840)</u>
NET PROFIT FOR THE PERIOD		<u>92,474</u>	<u>193,354</u>
Earnings per share (in HUF)			
Basic		<u>333</u>	<u>691</u>
Diluted		<u>333</u>	<u>691</u>

The comprehensive income items are as follows:

	2020	2019
NET PROFIT FOR THE YEAR	<u>92,474</u>	<u>193,354</u>
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	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	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	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	<u>310</u>	<u>(348)</u>
Total	<u>(17,820)</u>	<u>21,151</u>
NET COMPREHENSIVE INCOME	<u>74,654</u>	<u>214,505</u>

	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	-	-	3,547	-	3,547
Payments to ICES holders	-	-	(1,334)	-	(1,334)
Sale of treasury shares	-	-	-	33,513	33,513
Acquisition of treasury shares	-	-	-	(34,185)	(34,185)
Loss on sale of treasury shares	-	-	(11,950)	-	(11,950)
Dividend for the year 2018	=	=	<u>(61,320)</u>	=	<u>(61,320)</u>
Other transaction with owners	=	=	<u>(71,057)</u>	<u>(672)</u>	<u>(71,729)</u>
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	=	=	<u>(17,820)</u>	=	<u>(17,820)</u>
Total comprehensive income	=	=	<u>74,654</u>	=	<u>74,654</u>
Share-based payment	-	-	3,394	-	3,394
Payments to ICES holders	-	-	(4,853)	-	(4,853)
Sale of treasury shares	-	-	-	41,759	41,759
Acquisition of treasury shares	-	-	-	(85,922)	(85,922)
Loss on sale of treasury shares	-	-	(4,416)	-	(4,416)
Dividend for the year 2019	=	=	=	=	=
Other transaction with owners	=	=	<u>(5,875)</u>	<u>(44,163)</u>	<u>(50,038)</u>
Balance as at 31 December 2020	<u>28,000</u>	<u>52</u>	<u>1,697,081</u>	<u>(46,799)</u>	<u>1,678,334</u>

SEPARATE CONDENSED STATEMENT OF CASH FLOWS
FOR YEAR ENDED 31 DECEMBER 2020
(UNAUDITED) (in HUF mn)

	2020	2019
Profit before income tax	93,246	203,194
Net accrued interest	(34,365)	6,760
Income tax paid	(1,449)	(628)
Depreciation and amortization	38,997	29,925
Loss allowance / (Release of loss allowance)	77,684	(255)
Share-based payment	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 form leasing liabilities	(257)	(244)
Net change in assets and liabilities in operating activities	<u>594,655</u>	<u>(21,975)</u>
Net cash provided by operating activities	<u>779,465</u>	<u>225,722</u>
Net provided by / (used in) cash used in investing activities	<u>(126,771)</u>	<u>(847,023)</u>
Net cash (used in) / provided by financing activities	<u>(374,238)</u>	<u>542,574</u>
Net increase / (decrease) in cash and cash equivalents	<u>278,456</u>	<u>(78,727)</u>
Cash and cash equivalents at the beginning of the year	<u>224,631</u>	<u>303,358</u>
Cash and cash equivalents at the end of the year	<u>503,087</u>	<u>224,631</u>

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

1.1. General information

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

1.2. Accounting

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

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

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

Comparative figures - Change in the classification and valuation policy of certain subsidized retail loans 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 or loss. This amount is determined using expected credit loss models used for loans measured at amortized cost. The comparative amount of Loss allowance on loans, placements and repo receivables has been reduced accordingly with the loss allowance and reversal amounts for the respective loans.
 - The Bank presents the remaining component of the change in fair value under the (Losses) / Gains on financial instruments at fair value through profit or loss.

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

1.2. Accounting [continued]

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

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. These amendments have been marked "Reclassified" in the notes.



NOTES TO UNAUDITED SEPARATE, CONDENSED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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

1.2. Accounting [continued]

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

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

NOTE 2: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2020

1) Sale of the Slovakian subsidiary

See details about the event above in Note 7.

2) COVID-19

Participation in COVID moratorium

	Current volume in moratorium (bn HUF)	Current participation ratio
OTP Bank	1,059	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	<u>(47,658)</u>	<u>(14,075)</u>
Net amortised cost before modification	<u>629,106</u>	<u>580,863</u>
Modification loss due to covid moratoria	<u>(17,358)</u>	=
Net amortised cost after modification	<u>611,748</u>	<u>580,863</u>

NOTE 3: SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

27 July 2020 NBH set minimum requirements for calculating impairments for potential loan losses, simultaneously formulated more flexible prudential criteria through modifying its circular on applying IFRS9 standards regarding macroeconomic information and credit risk standards. Credit institutions can use the modified criteria aimed at moderating the consequences of COVID-19 pandemic from 27 July 2020 until the end of 2021 the latest. One particular modification is that in case of restructuring beyond the payment moratorium deadline banks may dispense with classifying the restructuring as a significant credit risk factor provided such restructuring decision was made on an assumption that both the financial difficulties of the client and the restructuring aimed curing that are having a temporary nature.

NOTE 4: 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	<u>2,075</u>	<u>20,089</u>
Subtotal	<u>11,729</u>	<u>46,255</u>
Securities mandatorily measured at fair value through profit or loss		
Shares in investment funds	23,818	17,100
Bonds	5,342	5,180
Shares	<u>2,776</u>	-
Subtotal	<u>31,936</u>	<u>22,280</u>
Held for trading derivative financial instruments:		
Foreign currency swaps	41,852	38,213
Interest rate swaps	34,256	52,516
CCIRS and mark-to-market CCIRS swaps ¹	7,359	1,216
Other derivative transactions ²	<u>33,351</u>	<u>11,749</u>
Subtotal	<u>116,818</u>	<u>103,694</u>
Total	<u>160,483</u>	<u>172,229</u>

NOTE 5: FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in HUF mn)

	2020	2019
Securities at fair value through other comprehensive income		
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	<u>42,776</u>	<u>39,601</u>
in HUF	2,968	2,999
in foreign currency	39,808	36,602
-non-listed securities	<u>22,360</u>	<u>38,601</u>
in HUF	16,782	18,516
in foreign currency	5,578	20,085
Subtotal	<u>896,219</u>	<u>1,463,657</u>
Non-trading equity instruments		
-non-listed securities	<u>15,731</u>	<u>22,320</u>
in HUF	528	528
in foreign currency	15,203	21,792
	<u>15,731</u>	<u>22,320</u>
Securities at fair value through other comprehensive income total	<u>911,950</u>	<u>1,485,977</u>

¹ CCIRS: Cross Currency Interest Rate Swap

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

NOTE 6: LOANS (in HUF mn)

Loans mandatorily measured at fair value through profit or loss

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

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

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

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

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

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

¹ incl. housing loans

NOTE 6: LOANS (in HUF mn) [continued]

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

	2020	2019
In HUF	61%	57%
In foreign currency	<u>39%</u>	<u>43%</u>
Total	<u>100%</u>	<u>100%</u>

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

	2020	2019	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	<u>(2,797)</u>	<u>(5,527)</u>	<u>(5,527)</u>
Closing balance	<u>123,670</u>	<u>72,066</u>	<u>79,917</u>

NOTE 7: INVESTMENTS IN SUBSIDIARIES (in HUF mn)

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

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	<u>(12,649)</u>	<u>(69,498)</u>
Closing balance	<u>425,163</u>	<u>427,770</u>

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

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

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

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

NOTE 9: DEPOSITS FROM CUSTOMERS (in HUF mn)

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

An analysis of deposits from customers by type 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	<u>753,351</u>	<u>10%</u>	<u>639,891</u>	<u>10%</u>
Total	<u>7,895,735</u>	<u>100%</u>	<u>6,573,550</u>	<u>100%</u>

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

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

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

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
<i>from this: Payment undertaking liabilities (related to issue of mortgage bonds) of OTP Mortgage Bank</i>	<i>683,736</i>	<i>558,100</i>
Factoring loan commitments	305,269	228,145
Confirmed letters of credit	<u>5,039</u>	<u>749</u>
Contingent liabilities and commitments total in accordance with IFRS 9	<u>3,170,911</u>	<u>2,810,702</u>
Legal disputes (disputed value)	4,720	5,233
Liabilities due to venture capital fund contribution	32,712	17,142
Other	<u>602</u>	<u>2,665</u>
Contingent liabilities and commitments total in accordance with IAS 37	<u>38,034</u>	<u>25,040</u>
Total	<u>3,208,945</u>	<u>2,835,742</u>

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

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

NOTE 12: DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn)

Fair value of derivative instruments

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

	2020			2019			
	Before netting Assets	Liabilities	Netting ¹	After netting 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)	<u>37,887</u>	<u>(36,115)</u>	<u>8,984</u>	<u>28,903</u>	<u>(27,131)</u>	<u>30,460</u>	<u>(27,989)</u>
<i>From this: Interest rate derivatives cleared by NBH</i>	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)	<u>51,162</u>	<u>(44,783)</u>	<u>=</u>	<u>51,162</u>	<u>(44,783)</u>	<u>37,348</u>	<u>(32,625)</u>
<i>From this: Foreign exchange derivatives cleared by NBH</i>	5,211	(1,852)	-	5,211	(1,852)	4,166	(259)

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

NOTE 12: DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn)

Fair value of derivative financial instruments [continued]

	2020		Netting ¹	2019		2019	
	Before netting Assets	Liabilities		After netting Assets	Liabilities	Assets	Liabilities
Equity stock and index derivatives							
Commodity Swaps	13,999	(12,901)	-	13,999	(12,901)	1,213	(960)
Equity swaps	<u>7,071</u>	<u>(560)</u>	-	<u>7,071</u>	<u>(560)</u>	<u>4,530</u>	<u>(558)</u>
OTC derivatives	<u>21,070</u>	<u>(13,461)</u>	-	<u>21,070</u>	<u>(13,461)</u>	<u>5,743</u>	<u>(1,518)</u>
Exchange traded futures and options	379	(1,262)	-	379	(1,262)	5	(248)
Total equity stock and index derivatives	<u>21,449</u>	<u>(14,723)</u>	-	<u>21,449</u>	<u>(14,723)</u>	<u>5,748</u>	<u>(1,766)</u>
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	<u>44</u>	-	-	<u>44</u>	-	<u>75</u>	-
Total derivatives held for risk management not designated in hedges	<u>28,040</u>	<u>(26,086)</u>	<u>12,736</u>	<u>15,304</u>	<u>(13,350)</u>	<u>30,138</u>	<u>(20,708)</u>
<i>From this: Total derivatives cleared by NBH held for risk management</i>	759	(6,269)	-	759	(6,269)	1,305	(6,689)
Total Held for trading derivative financial instruments	<u>138,538</u>	<u>(121,707)</u>	<u>21,720</u>	<u>116,818</u>	<u>(99,987)</u>	<u>103,694</u>	<u>(83,088)</u>
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	<u>8,027</u>	-	<u>8,027</u>	-	<u>8,027</u>	<u>9,214</u>	-
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	<u>8,612</u>	<u>(12,926)</u>	<u>1,795</u>	<u>6,817</u>	<u>(11,131)</u>	<u>7,463</u>	<u>(10,023)</u>
<i>From this: Total derivatives cleared by NBH held for hedging</i>	-	(1,691)	-	-	(1,691)	-	(2,886)
Total derivatives held for risk management (OTC derivatives)	<u>16,639</u>	<u>(12,926)</u>	<u>9,822</u>	<u>6,817</u>	<u>(3,104)</u>	<u>16,677</u>	<u>(10,023)</u>
Total	<u>155,177</u>	<u>(134,633)</u>	<u>31,542</u>	<u>123,635</u>	<u>(103,091)</u>	<u>120,371</u>	<u>(93,111)</u>

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

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

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

NOTE 13: NET INTEREST INCOME (in HUF mn)

	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	<u>239,633</u>	<u>235,679</u>
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	<u>81,663</u>	<u>88,217</u>
Interest incomes and similar to interest incomes total	<u>321,296</u>	<u>323,896</u>
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 (depreciation)	49	48
Financial assets	1,622	2,278
Repo liabilities	1,616	4,477
Subtotal	<u>99,630</u>	<u>119,384</u>

NOTE 14: RELATED PARTY TRANSACTIONS (in HUF mn)

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

Related party transactions can be detailed as follows:

Transactions related to OTP Mortgage Bank Ltd.:

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

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.