



OTP BANK PLC.

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

FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

OTP BANK PLC.

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

	Note	30 June 2021	31 December 2020	30 June 2020
Cash, amounts due from banks and balances with the National Bank of Hungary	5.	392,632	579,120	469,992
Placements with other banks, net of allowance for placement losses	6.	2,272,209	1,535,884	1,476,344
Repo receivables	7.	47,144	183,364	11,922
Financial assets at fair value through profit or loss	8.	181,675	160,483	226,159
Financial assets at fair value through other comprehensive income	9.	857,351	911,950	983,207
Securities at amortised cost	10.	2,588,668	2,007,692	1,643,025
Loans at amortised cost and mandatorily measured at fair value through profit or loss	11.	4,144,108	3,898,697	3,575,356
Investments in subsidiaries	12.	1,586,180	1,548,972	1,547,443
Property and equipment	13.	79,205	77,974	75,395
Intangible assets	13.	54,410	57,639	54,402
Right of use assets		11,521	13,479	14,888
Investments properties	14.	1,912	1,936	2,356
Current tax assets	16.	-	593	2
Derivative financial assets designated as hedge accounting relationships	15.	12,883	6,817	22,529
Other assets	16.	<u>225,560</u>	<u>169,794</u>	<u>168,177</u>
TOTAL ASSETS		<u>12,455,458</u>	<u>11,154,394</u>	<u>10,271,197</u>
Amounts due to banks and deposits from the National Bank of Hungary and other banks	17.	1,223,842	766,977	732,436
Repo liabilities	18.	315,260	109,612	131,672
Deposits from customers	19.	8,379,970	7,895,735	6,933,116
Leasing liabilities		12,002	14,106	15,401
Liabilities from issued securities	20.	31,003	28,435	41,723
Financial liabilities at fair value through profit or loss	21.	23,529	25,902	27,192
Derivative financial liabilities designated as held for trading	22.	83,259	99,987	154,832
Derivative financial liabilities designated as hedge accounting relationships	23.	144	3,104	11,522
Deferred tax liabilities	33.	3,653	3,062	3,206
Current tax liabilities	24.	2,588	-	1,032
Other liabilities	24.	256,092	224,897	262,222
Subordinated bonds and loans	25.	<u>295,592</u>	<u>304,243</u>	<u>302,991</u>
TOTAL LIABILITIES		<u>10,626,934</u>	<u>9,476,060</u>	<u>8,617,345</u>
Share capital	26.	28,000	28,000	28,000
Retained earnings and reserves	27.	1,808,794	1,697,133	1,647,635
Treasury shares	28.	<u>(8,270)</u>	<u>(46,799)</u>	<u>(21,783)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>1,828,524</u>	<u>1,678,334</u>	<u>1,653,852</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>12,455,458</u>	<u>11,154,394</u>	<u>10,271,197</u>

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

	Note	Six month period ended 30 June 2021	Six month period ended 30 June 2020	Year ended 31 December 2020
<i>Interest Income:</i>				
Interest income calculated using the effective interest method	29.	136,991	119,140	239,633
Income similar to interest income	29.	43,685	41,382	81,663
Interest income and similar to interest income total		180,676	160,522	321,296
<i>Interest Expense:</i>				
Interest expenses total	29.	(47,812)	(54,505)	(99,630)
NET INTEREST INCOME		<u>132,864</u>	<u>106,017</u>	<u>221,666</u>
Loss allowance on loan, placement and repo receivables losses	6., 7., 11., 30.	(9,972)	(36,381)	(57,671)
Loss allowance on securities at fair value through other comprehensive income and on securities at amortised cost	9., 10., 30.	(2,911)	396	(1,848)
Provision for loan commitments and financial guarantees given	24., 30.	(1,783)	(7,194)	(3,202)
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss		(7,518)	(3,296)	(405)
Risk cost total		(22,184)	(46,475)	(63,126)
NET INTEREST INCOME AFTER RISK COST		<u>110,680</u>	<u>59,542</u>	<u>158,540</u>
GAINS / (LOSSES) ARISING FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST		<u>382</u>	<u>(3,190)</u>	<u>(3,279)</u>
MODIFICATION LOSS		-	-	<u>(17,358)</u>
Income from fees and commissions	31.	137,807	117,471	259,781
Expenses from fees and commissions	31.	<u>(22,118)</u>	<u>(17,386)</u>	<u>(40,750)</u>
NET PROFIT FROM FEES AND COMMISSIONS		<u>115,689</u>	<u>100,085</u>	<u>219,031</u>
Foreign exchange losses		(3,297)	(4,147)	(4,518)
(Losses) / Gains on securities, net		(816)	5,043	17,595
(Losses) / Gains on financial instruments at fair value through profit or loss		(381)	2,107	(671)
Gains on derivative instruments, net		1,910	3,272	7,057
Dividend income	12.	81,549	60,946	60,973
Other operating income	32.	5,085	2,748	7,900
Other operating expenses	32.	<u>(563)</u>	<u>(26,429)</u>	<u>(28,064)</u>
NET OPERATING INCOME		<u>83,487</u>	<u>43,540</u>	<u>60,272</u>
Personnel expenses	32.	(61,791)	(57,979)	(118,498)
Depreciation and amortization	32.	(20,026)	(17,701)	(38,948)
Other administrative expenses	32.	<u>(89,081)</u>	<u>(85,212)</u>	<u>(166,514)</u>
OTHER ADMINISTRATIVE EXPENSES		<u>(170,898)</u>	<u>(160,892)</u>	<u>(323,960)</u>
PROFIT BEFORE INCOME TAX		139,340	39,085	93,246
Income tax	33.	<u>(12,007)</u>	396	<u>(772)</u>
NET PROFIT FOR THE YEAR		<u>127,333</u>	<u>39,481</u>	<u>92,474</u>
Earnings per share (in HUF)				
Basic	42.	<u>461</u>	<u>142</u>	<u>333</u>
Diluted	42.	<u>461</u>	<u>142</u>	<u>333</u>

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

	Note	Six month period ended 30 June 2021	Six month period ended 30 June 2020	Year ended 31 December 2020
NET PROFIT FOR THE YEAR		<u>127,333</u>	<u>39,481</u>	<u>92,474</u>
Items that may be reclassified subsequently to profit or loss:				
Fair value adjustment of debt instruments at fair value through other comprehensive income		(11,159)	(15,134)	(14,459)
Deferred tax (9%) related to fair value adjustment of debt instruments at fair value through other comprehensive income	33.	870	1,320	1,262
Gains / (Losses) on separated currency spread of financial instruments designated as hedging instrument		411	984	(1,526)
Deferred tax (9%) related to (losses) / gains on separated currency spread of financial instruments designated as hedging instrument	33.	(37)	(88)	137
(Losses) / Gains on derivative financial instruments designated as cash flow hedge		(2,829)	418	(296)
Deferred tax (9%) related to gains on derivative financial instruments designated as cash flow hedge	33.	-	-	27
Items that will not be reclassified to profit or loss:				
Fair value adjustment of equity instruments at fair value through other comprehensive income		94	(3,366)	(3,275)
Deferred tax (9%) related to equity instruments at fair value through other comprehensive income	33.	<u>(141)</u>	<u>372</u>	<u>310</u>
Total		<u>(12,791)</u>	<u>(15,494)</u>	<u>(17,820)</u>
NET COMPREHENSIVE INCOME		<u>114,542</u>	<u>23,987</u>	<u>74,654</u>

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

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

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

	Note	Six month period ended 30 June 2021	Six month period ended 30 June 2020	Year ended 31 December 2020
OPERATING ACTIVITIES				
Profit before income tax		139,340	39,085	93,246
Net accrued interest		(30,803)	(22,916)	(34,365)
Depreciation and amortization	13.	20,048	17,726	38,997
Loss allowance on loans and placements	30.	9,684	43,366	61,310
Loss allowance / (Release of loss allowance) on securities at fair value through other comprehensive income	9.	260	(477)	3
(Reversal of impairment loss) / Impairment loss on investments in subsidiaries	12.	(8,002)	9,913	10,042
Loss allowance on securities at amortised cost	10.	2,939	81	1,845
(Release of loss allowance) / Loss allowance on other assets	16.	(1,207)	497	3,521
Provision on off-balance sheet commitments and contingent liabilities	24.	5,800	18,474	3,110
Share-based payment	38.	1,691	1,744	3,394
Unrealised losses / (gains) on fair value adjustment of financial instruments at fair value through profit or loss		7,978	(953)	3,549
Unrealised (gains)/losses on fair value adjustment of derivative financial instruments		(11,882)	2,325	4,011
Interest expense from leasing liabilities		(111)	(67)	(257)
Foreign exchange loss		12,143	-	-
Proceeds from sale of tangible and intangible assets		(5)	-	-
<u>Net changing in assets and liabilities in operating activities</u>				
Net (increase) / decrease in placements with other banks and repo receivables before allowance for placement losses	6.	(613,700)	119,411	(115,862)
Changes in held for trading securities	8.	(27,036)	17,039	34,091
Change in financial instruments mandatorily measured at fair value through profit or loss	8.	367	(4,920)	(9,015)
Changes in derivative financial instruments at fair value through profit or loss	8.	(3,879)	(77)	2,895
Net increase in loans	11.	(299,657)	(285,905)	(604,138)
Increase in other assets, excluding advances for investments and before provisions for losses	16.	(44,144)	(51,977)	(56,532)
Net increase / (decrease) in amounts due to banks and deposits from the National Bank of Hungary and other banks and repo liabilities	17.	669,954	(335,324)	(322,365)
Financial liabilities designated as fair value through profit or loss	21.	(970)	(1,298)	(4,219)
Net increase in deposits from customers	19.	525,699	359,708	1,322,243
Increase/(decrease) in other liabilities	24.	20,320	(2,560)	(25,145)
Net increase in the compulsory reserve established by the National Bank of Hungary	5.	(10,483)	(4,728)	(10,978)
Dividend income	12.	(81,549)	(60,912)	(60,913)
Income tax paid		(1,207)	-	(1,449)
Net cash provided by / (used in) operating activities		<u>281,589</u>	<u>(142,745)</u>	<u>337,019</u>

OTP BANK PLC.
SEPARATE STATEMENT OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021 (in HUF mn) [continued]

	Note	Six month period ended 30 June 2021	Six month period ended 30 June 2020	Year ended 31 December 2020
INVESTING ACTIVITIES				
Purchase securities at fair value through other comprehensive income	9.	(385,098)	(710,009)	(1,079,151)
Proceeds from sale of securities at fair value through other comprehensive income	9.	430,589	1,194,005	1,623,498
Change in derivative financial instruments designated as hedge accounting		(4,478)	(634)	(190)
Increase in investments in subsidiaries	12.	(45,691)	(14,818)	(32,961)
Decrease in investments in subsidiaries	12.	16,485	-	16,485
Dividend income		72,824	60,912	60,913
Increase in securities at amortised cost	10.	(652,035)	(193,754)	(680,089)
Redemption of securities at amortised cost	10.	74,674	4,929	119,642
Additions to property, equipment and intangible assets	13.	(16,787)	(16,085)	(68,885)
Disposal of property, equipment and intangible assets	13.	396	1,969	29,433
Net decrease in investment properties	14.	2	-	396
Net (used in) / provided by cash used in investing activities		<u>(509,119)</u>	<u>326,515</u>	<u>(10,909)</u>
FINANCING ACTIVITIES				
Leasing payments		(2,327)	(1,819)	(3,919)
Cash received from issuance of securities	20.	6,492	(7,333)	7,119
Cash used for redemption of issued securities	20.	(7,164)	5,721	(21,984)
Increase in subordinated bonds and loans	25.	775	21,711	29,945
Decrease in subordinated bonds and loans	25.	(707)	(875)	(5,373)
Payments to ICES holders	27.	(2,233)	(2,437)	(4,853)
Increase of Treasury shares	28.	(10,489)	(56,875)	(85,923)
Decrease of Treasury shares	28.	46,221	33,716	37,344
Dividends paid	27.	(9)	(1)	(10)
Net cash provided by / (used in) financing activities		<u>30,559</u>	<u>(8,192)</u>	<u>(47,654)</u>
Net (decrease) / increase in cash and cash equivalents		<u>(196,971)</u>	<u>175,578</u>	<u>278,456</u>
Cash and cash equivalents at the beginning of the year		<u>503,087</u>	<u>224,631</u>	<u>224,631</u>
Cash and cash equivalents at the end of the year		<u>306,116</u>	<u>400,209</u>	<u>503,087</u>

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

1.1. General information

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

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

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

The Bank's owners have the power to amend the separate financial statements after issue if applicable.

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: Ernst & Young Audit Ltd. (001165), 1132 Budapest Váci Street 20. Registered under 01-09-267553 by Budapest-Capital Regional Court, as registry court. Statutory registered auditor: Zsuzsanna Nagyváradiné Szépfalvi, registration number: 005313.

Audit service fee agreed by the Annual General Meeting of the Bank for the year ended 2021 is an amount of HUF 162 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 (%):

	30 June 2021	31 December 2020
Domestic and foreign private and institutional investors	98%	97%
Employees	1%	1%
Treasury shares	<u>1%</u>	<u>2%</u>
Total	<u>100%</u>	<u>100%</u>

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 361 branches in Hungary.

	30 June 2021	31 December 2020
Number of the employees of the Bank:		
Number of employees	9,933	9,829
Average number of employees	9,947	9,654

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").

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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

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

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

- **Amendments to 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 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 1 “First-time Adoption of International Financial Reporting Standards”, IFRS 9 “Financial Instruments”, IAS 41 “Agriculture”– “Annual Improvements to IFRSs 2018-2020 Cycle”** - adopted by EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 3 “Business Combinations”; IAS 16 “Property, Plant and Equipment”; IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”** – adopted by the EU on 28 June 2021 Annual Improvements (effective for annual periods beginning on or after 1 January 2022)

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:

- **Amendments to IFRS 16 “Leases”** – “Covid 19-Related Rent Concessions beyond 30 June 2021” (effective for annual periods beginning on or after 1 April 2021),
- **Amendments to IFRS 17 “Insurance Contracts”** (effective for annual periods beginning on or after 1 January 2023),
- **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).
- **Amendments to IAS 12 “Income Taxes”** – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023)

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.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.5. Securities at amortised cost

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

2.6. Financial assets at fair value through profit or loss

2.6.1. Securities held for trading

Investments in securities are accounted for on a trade date basis and are initially measured at fair value. Securities held for trading are measured at subsequent reporting dates at fair value. Unrealised gains and losses on held for trading securities are recognized in profit or loss and are included in the separate statement of profit or loss for the period. The Bank holds held for trading securities within the business model to obtain short-term gains. Consequently realised and unrealised gains and losses are recognized in the net operating income. The Bank applies FIFO¹ inventory valuation method for securities held for trading. Such securities consist of discounted and interest bearing Treasury bills, Hungarian Government bonds, mortgage bonds, shares in non-financial commercial companies, shares in investment funds, shares in venture capital funds and shares in financial institutions.

2.6.2. Derivative financial instruments

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

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

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

Foreign currency contracts

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

¹ First In First Out

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.6.2 Derivative financial instruments [continued]

Foreign exchange swaps and interest rate swaps

The Bank enters into foreign-exchange swap and interest rate swap (“IRS”) transactions. The swap transaction is a complex agreement concerning the swap of certain financial instruments, which usually consists of a spot and one or more forward contracts.

Interest rate swaps obligate two parties to exchange one or more payments calculated with reference to fixed or periodically reset rates of interest applied to a specific notional principal amount (the base of the interest calculation). Notional principal is the amount upon which interest rates are applied to determine the payment streams under interest rate swaps.

Such notional principal amounts are often used to express the volume of these transactions but are not actually exchanged between the counterparties. The Bank’s interest rate swap contracts can be hedging or held for trading contracts.

Cross-currency interest rate swaps

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

Equity and commodity swaps

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

Forward rate agreements (“FRA”)

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

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

Foreign exchange options

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

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

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

2.8. Offsetting

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

2.9. Embedded derivatives

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

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

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

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

Debt instruments

Investments in debt securities are accounted for on a trade date basis and are initially measured at fair value. Securities at fair value through other comprehensive income are measured at subsequent reporting dates at fair value. Unrealised gains and losses on FVOCI financial instruments are recognized in other comprehensive income, except for interest and foreign exchange gains/losses on monetary items, unless such FVOCI security is part of an effective hedge. Such gains and losses will be reported when realised in profit or loss for the applicable period. The Bank applies FIFO¹ inventory valuation method for FVOCI securities.

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

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

Fair value through other comprehensive income option for equity instruments

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

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

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

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

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

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

¹ First In First Out

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

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

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

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

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

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

Modification of contractual cash flows

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

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with IFRS 9, the Bank recalculates the gross carrying amount of the financial asset and shall recognize 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.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.12. Loss allowance [continued]

Classification into risk classes

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

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

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

- for the past 3 years the average annual balance of receivables under simplified approach is calculated,
- the written-off receivables under simplified approach are determined in the past 3 years,
- the loss allowance ratio will be the sum of the written-off amounts divided by the sum of the average balances,
- the loss allowance is multiplied by the end-of-year balance and it will be the actual loss allowance on these receivables,
- loss allowance should be recalculated annually.

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

- the payment delay exceeds 30 days,
- it is classified as performing forbore,
- 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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.12. Loss allowance [continued]

Classification into risk classes [continued]

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

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

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.14. Sale and repurchase agreements, security lending

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

2.15. Property, equipment and intangible assets

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

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

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

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

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

2.16. Inventories

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

2.17. Investment properties

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

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.18. Financial liabilities

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

2.19. Leases

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

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

Recognition of lease liabilities

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

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

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

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

Recognition of right-of-use assets

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

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

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

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.20. Share capital

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

2.21. Treasury shares

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

2.22. Interest income and interest expense

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

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

2.23. Fees and Commissions

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

The Bank provides foreign exchange trading services to its customers, the profit margin achieved on these transactions is presented as Net profit from fees and commissions in the Separate Statement of Profit or Loss.

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.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.27. Off-balance sheet commitments and contingent liabilities

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

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

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

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

2.28. Share-based payment and employee benefit

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

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

2.29. Separate statement of cash flows

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

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

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

2.30. Segment reporting

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

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

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.31. Comparative figures

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

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

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

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

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

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

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

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

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.31. Comparative figures [continued]

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

Note	Name of the Note
29.	Interest income and interest expenses
30.	Risk cost

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.31. Comparative figures [continued]

Line item	30 June 2021	31 December 2020 Revised presentation	Reclassification of amounts related to derecognition of financial assets at amortised cost	31 December 2020	30 June 2020 Revised presentation	Reclassification of amounts related to derecognition of financial assets at amortised cost	Reclassification of amounts related to mandatorily measured at fair value through profit or loss	30 June 2020 As previously presented
Interest income calculated using the effective interest method	136,991	239,633	-	239,633	119,140	-	(6,099)	125,239
Income similar to interest income	43,685	81,663	-	81,663	41,382	-	6,167	35,215
Interest income	180,676	321,296	-	321,296	160,522	-	68	160,454
Interest expense	(47,812)	(99,630)	-	(99,630)	(54,505)	-	-	(54,505)
Loss allowance on loan losses	(9,972)	(55,444)	3,639	(59,083)	(36,584)	3,346	3,639	(43,569)
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	(7,518)	(405)	-	(405)	(3,296)	-	(3,296)	-
Further risk cost items	(4,694)	(7,277)	-	(7,277)	(4,616)	-	-	(6,595)
Risk cost total	(22,184)	(63,126)	3,639	(66,765)	(46,475)	3,346	343	(50,164)
NET INTEREST INCOME AFTER RISK COST	<u>110,680</u>	<u>158,540</u>	<u>3,639</u>	<u>154,901</u>	<u>59,542</u>	<u>3,346</u>	<u>411</u>	<u>55,785</u>
GAINS / (LOSSES) ARISING FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST	<u>115,689</u>	<u>(3,279)</u>	<u>(3,279)</u>	=	<u>96,895</u>	<u>(3,190)</u>	=	<u>100,085</u>
(Losses) / Gains on financial instruments at fair value through profit or loss	<u>(3,297)</u>	<u>-671</u>	:	<u>(671)</u>	<u>2,107</u>	:	<u>(411)</u>	<u>2,518</u>
(Losses) and gains on securities, net	-	<u>17,595</u>	<u>(360)</u>	<u>17,955</u>	<u>5,043</u>	<u>(156)</u>	:	<u>5,199</u>
NET OPERATING INCOME	<u>83,487</u>	<u>60,272</u>	<u>(360)</u>	<u>60,632</u>	<u>43,540</u>	<u>(156)</u>	<u>(411)</u>	<u>44,107</u>

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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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.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 4: COVID-19 (in HUF mn)

Covid-19 has had substantial implications for the operations of the Bank during 2021. Below are some of the more important Covid-19 related events that occurred in Hungary:

- Effective from 13 January 2021 the National Bank of Hungary extended the available amount for the Bond Funding for Growth scheme by HUF 750 billion to HUF 1,150 billion. At the same time it decided to increase the maximum maturity of corporate bonds that can be purchased by the central bank from 20 to 30 years. Also, the central bank's exposure limit to a company group was revised from HUF 50 billion to HUF 70 billion.
- On 4 February 2021 the Prime Minister announced an interest-free loan programme for companies in trouble in the wake of the pandemic. According to Government Resolution 1038/2021. (II. 5.) the programme will be administered by the Hungarian Development Bank, and the available amount under the programme will be HUF 100 billion. Companies can take out maximum HUF 10 million each for the purpose of covering wages and social contributions, overhead costs, general operating expenses and inventory financing. Client interest rate is 0%, the loan tenor can be up to 10 years, and the servicing of the loan will start after a 3 year grace period. The scope of eligible entities was determined in agreement with the Hungarian Chamber of Commerce and Industry.
- On 1 April 2021 Moody's rating agency upgraded the outlook on the Hungarian banking sector from negative to stable
- On 6 April 2021 the NBH raised the available amount for the Funding for Growth Go! Scheme by HUF 500 billion to HUF 3,000 billion.
- On 11 May 2021 Mihály Varga, Minister of Finance announced several amendments to tax regulations: among others, effective from July 2022 wage taxes payable by employers will be cut by 2 pps (of which the vocational training contribution of 1.5 pps will be abolished, and the employers' social contributions will be cut by 0.5 pp).
- On 18 May 2021 the Hungarian Development Bank revealed that the interest-free, maximum HUF 10 million loan for micro- and small enterprises (the so-called interest-free restart quick loan) can be applied for by companies whose revenues in 2020 plummeted by more than 30%, irrespective of the scope of activities (certain other criteria must be met).
- On 25 May 2021 the National Bank of Hungary did not touch the benchmark interest rates, but stressed that the central bank is ready to tighten monetary conditions in a proactive manner to the extent necessary in order to ensure price stability and to mitigate inflation risks.
- On 31 May 2021 OTP Bank signed a share sale and purchase agreement on purchasing 100% shareholding of Nova KBM d.d. and its subsidiaries, which are 80% owned by funds managed by affiliates of Apollo Global Management, Inc. and 20% by EBRD. With a market share of 20.5% by total assets as of December 2020, Nova KBM d.d. is the 2nd largest bank in the Slovenian banking market. The financial closing of the transaction is estimated in 2Q 2022 subject to obtaining all the necessary regulatory approvals.
- On 9 June 2021 Viktor Orbán Prime Minister announced that their actual personal income tax payments (up to the tax burden of the average wage) will be refunded to families raising kids in early-2022 provided that the 2021 GDP growth surpasses 5.5%.
- According to Government Decree No. 317/2021. (VI. 9.) released on 9 June 2021 the payment moratorium was extended with unchanged conditions until 30 September 2021.
- On 9 June 2021 Viktor Orbán Prime Minister announced that once the central bank phases out its Funding for Growth scheme, the government will have to shoulder the financial burden of providing cheap (not higher than 0.5% interest rate) subsidized loans to domestic micro and small enterprises, through the Széchenyi Card programme by KAVOSZ. On 9 June László Krisán, CEO of KAVOSZ revealed the details of the Széchenyi Card GO! programme launched on 1 July 2021.
- On its 22 June 2021 meeting the Monetary Council embarked on a rate hike cycle: the base rate was increased by 30 bps to 0.9%. Also, effective from 24 June 2021 the National Bank of Hungary raised the one-week deposit rate to the level of the base rate.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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

- The Monetary Council has started to transform the use of instruments having an effect at longer maturities. Accordingly, with the exhaustion of the HUF 3,000 billion available amount, the Funding for Growth Go! programme will be phased out. However, the central bank continues to consider the government securities purchase programme to be crucial in its set of monetary policy instruments. The central bank will continue to use the programme by maintaining a lasting presence in the market, taking a flexible approach to changing the quantity and structure of weekly securities purchases, to the extent and for the time necessary.
- The central bank has updated its economic forecasts: for 2021 a GDP growth of 6.2% with 4.1% CPI is expected, followed by 5.5% growth and 3.1% inflation in the following year.
- On 2 July 2021 the National Bank of Hungary recommended in its circular that financial institutions should abstain from charging prepayment fees in the case of full or partial prepayment of deferred interest and fee accumulated during the term of the moratorium. The central bank also recommended free of charge loan contract modification if borrowers voluntarily undertake higher monthly instalments in order to shorten the remaining maturity.
- On 6 July 2021 the National Bank of Hungary announced that with the aim of boosting green mortgage lending, it decided to launch the Green Mortgage Bond Purchase Programme and the FGS Green Home Programme as the first steps of the implementation of the new Green Monetary Policy Toolkit Strategy:

The strategic goal of the Green Mortgage Bond Purchase Programme is to contribute to the development of the domestic green mortgage bond market through targeted purchases and, through this, encourage green mortgage loan activities. The central bank will review the programme when the HUF 200 billion purchase volume has been reached. Additionally, the central bank also decided to re-launch the Mortgage Bond Rollover Facility for mortgage bonds without green rating.

The central bank will launch the Green Home Programme in October 2021 with a total limit of HUF 200 billion as part of the Funding for Growth Scheme (FGS). As in the previous phases of the FGS, the MNB will provide refinancing operation to credit institutions at 0% interest, which will be lent to residential customers at a maximum of 2.5%, fixed interest rate until the end of the maturity period. Under the scheme, loans of up to HUF 70 million and a maximum term of 25 years can be granted for constructions or purchases of new, highly energy-efficient residential real estates.

- On 23 July 2021 the European Central Bank announced that restrictions concerning dividend payments won't be prolonged beyond the previously effective deadline of 30 September 2021.
- A Government Decree was published on 23 July 2021 facilitating the VAT refund in the case of newly built houses in brownfield sites.
- On 27 July 2021 the National Bank of Hungary raised the base rate by 30 bps to 1.2%, then on 29 July the one-week deposit rate was hiked to the same level, by the same magnitude.
- On 30 July 2021 the results of the 2021 EU-wide stress test conducted by the European Banking Authority were revealed. The fully loaded consolidated Common Equity Tier 1 (CET1) ratio of OTP Bank Plc. would change to 16.3% under the baseline scenario and to 11.2% under the adverse scenario in 2023, compared to 14.2% as at the end of 2020.
- On 12 August 2021 the National Bank of Hungary announced that its management circular has been reviewed. According to one of the amendments, the central bank extended the deadline concerning restrictions on dividend payment and treasury share purchases until the end of 2021. Credit institutions might be exempted from the dividend payment ban only if they meet certain strict conditions.
- On 24 August 2021 the National Bank of Hungary raised the base rate by 30 bps to 1.5%. Additionally, the central bank decided to begin gradually withdrawing the government securities purchase programme while considering aspects of maintaining market stability. In the future, the Monetary Council will not set a revision limit applicable to the entire stock purchased under the programme. Instead, the Council will set a target amount for weekly purchases. As a first step, the central bank's purchases will decrease from a weekly amount of HUF 60 billion to HUF 50 billion from the week starting on 23 August 2021. The Bank may depart from this arrangement in a flexible manner, depending on the supply and other market conditions. Also, the central bank increased the available amount under the Bond Funding for Growth scheme by HUF 400 billion to HUF 1,550 billion.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 4: COVID-19 (in HUF mn) [continued]

Participation in COVID moratorium as at 30 June 2021

	Current volume in moratorium	Current participation ratio
OTP Bank	869,352	20.24%

Participation in COVID moratorium as at 31 December 2021

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

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

	2020
Gross carrying amount before modification	676,764
Loss allowance before modification	<u>(47,658)</u>
Net amortised cost before modification	<u>629,106</u>
Modification loss due to covid moratoria	<u>(17,358)</u>
Net amortised cost after modification	<u>611,748</u>

Financial assets modified during the period related to moratorium

Provision for prolongation of covid moratorium was recognised by the Bank as at 30 June 2021 in the Statement of Financial Situation "Other Liabilities" line, but new loans were not involved into the process of moratorium.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 5: CASH, AMOUNTS DUE FROM BANKS AND BALANCES WITH THE NATIONAL BANK OF HUNGARY (in HUF mn)

	30 June 2021	31 December 2020
Cash on hand:		
In HUF	136,184	107,523
In foreign currency	<u>14,638</u>	<u>18,899</u>
	<u>150,822</u>	<u>126,422</u>
Amounts due from banks and balances with National Bank of Hungary:		
Within one year:		
In HUF	97,081	204,942
In foreign currency	<u>144,729</u>	<u>247,756</u>
	<u>241,810</u>	<u>452,698</u>
Subtotal	<u>392,632</u>	<u>579,120</u>
Average amount of compulsory reserve	86,516	76,033
Total	<u>306,116</u>	<u>503,087</u>
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)

	30 June 2021	31 December 2020
Within one year:		
In HUF	1,593,718	905,241
In foreign currency	<u>332,378</u>	<u>329,633</u>
	<u>1,926,096</u>	<u>1,234,874</u>
Over one year		
In HUF	316,818	267,291
In foreign currency	<u>35,436</u>	<u>39,538</u>
	<u>352,254</u>	<u>306,829</u>
Total placements	<u>2,278,350</u>	<u>1,541,703</u>
Loss allowance on placement losses	<u>(6,141)</u>	<u>(5,819)</u>
Total	<u>2,272,209</u>	<u>1,535,884</u>

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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

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

	30 June 2021	31 December 2020
Balance as at 1 January	5,819	3,592
Loss allowance	6,935	12,548
Release of loss allowance	(6,517)	(10,497)
Use of loss allowance	(2)	-
FX movement	(94)	176
Closing balance	<u>6,141</u>	<u>5,819</u>

Interest conditions of placements with other banks (%):

	30 June 2021	31 December 2020
Placements with other banks in HUF	0.75% - 3.84%	0% - 3.84%
Placements with other banks in foreign currency	(0,75%) - 3,7%	(0.76%) - 29%
Average interest of placements with other banks	0.92%	0.81%

NOTE 7: REPO RECEIVABLES (in HUF mn)

	30 June 2021	31 December 2020
Within one year:		
In HUF	47,180	183,656
Total gross amount	<u>47,180</u>	<u>183,656</u>
Loss allowance	(36)	(292)
Total repo receivables	<u>47,144</u>	<u>183,364</u>

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

	30 June 2021	31 December 2020
Balance as at 1 January	292	6
Loss allowance	83	362
Release of loss allowance	(339)	(76)
Closing balance	<u>36</u>	<u>292</u>

Interest conditions of repo receivables (%):

	30 June 2021	31 December 2020
Repo receivables in HUF	(0,6%) - 0,5%	(0.1%) - 0.9%
Average interest of repo receivables	0.16%	0.09%

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

NOTE 8: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)	30 June 2021	31 December 2020
Held for trading securities:		
Government bonds	34,118	6,031
Other non-interest bearing securities	1,378	1,964
Hungarian government discounted Treasury Bills	792	1,233
Corporate shares and investments	737	426
Mortgage bonds	109	-
Other securities	<u>1,910</u>	<u>2,075</u>
Subtotal	<u>39,044</u>	<u>11,729</u>
Securities mandatorily measured at fair value through profit or loss		
Shares in investment funds	24,744	23,818
Bonds	8,431	5,342
Shares	-	<u>2,776</u>
Subtotal	<u>33,175</u>	<u>31,936</u>
Held for trading derivative financial instruments:		
Foreign currency swaps	37,979	41,852
Interest rate swaps	27,943	34,256
CCIRS and mark-to-market CCIRS swaps ¹	6,170	7,359
Other derivative transactions ²	<u>37,364</u>	<u>33,351</u>
Subtotal	<u>109,456</u>	<u>116,818</u>
Total	<u>181,675</u>	<u>160,483</u>
Interest conditions and the remaining maturities of securities held for trading are as follows:		
	30 June 2021	31 December 2020
Within one year:		
variable interest	4	78
fixed interest	2,649	2,319
	<u>2,653</u>	<u>2,397</u>
Over one year:		
variable interest	1,523	1,355
fixed interest	32,753	5,587
	<u>34,276</u>	<u>6,942</u>
Non-interest bearing securities	<u>2,115</u>	<u>2,390</u>
Total	<u>39,044</u>	<u>11,729</u>
Securities held for trading denominated in HUF	85%	71%
Securities held for trading denominated in foreign currency	<u>15%</u>	<u>29%</u>
Securities held for trading total	<u>100%</u>	<u>100%</u>
Government bonds denominated in HUF	87%	68%
Government bonds denominated in foreign currency	<u>13%</u>	<u>32%</u>
Government securities total	<u>100%</u>	<u>100%</u>
Interest rates on securities held for trading in HUF	0,5%-6%	0,5%-6,75%
Interest rates on securities held for trading in foreign currency	0,5%-7,25%	0,5%-6,375%
Average interest on securities held for trading	0.19%	0.63%

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

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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

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

	30 June 2021	31 December 2020
Within one year:		
variable interest	-	28
	-	<u>28</u>
Over one year:		
variable interest	5,551	5,314
Subtotal	<u>5,551</u>	<u>5,314</u>
Non-interest bearing securities	<u>27,624</u>	<u>26,594</u>
Total	<u>33,175</u>	<u>31,936</u>
Securities mandatorily measured at fair value through profit or loss denominated in HUF	56%	58%
Securities mandatorily measured at fair value through profit or loss denominated in foreign currency	<u>44%</u>	<u>42%</u>
Securities mandatorily measured at fair value through profit or loss total	<u>100%</u>	<u>100%</u>
Interest rates on securities mandatorily measured at fair value through profit or loss	2.47%	2.49%
Average interest on securities mandatorily measured at fair value through profit or loss	2.47%	2.49%

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

	30 June 2021	31 December 2020
Securities at fair value through other comprehensive income		
Government bonds	477,492	488,459
Mortgage bonds	289,062	332,667
Interest bearing treasury bills	9,784	9,957
Other securities	65,188	65,136
listed securities	<u>43,531</u>	<u>42,776</u>
in HUF	2,919	2,968
in foreign currency	40,612	39,808
-non-listed securities	<u>21,657</u>	<u>22,360</u>
in HUF	16,319	16,782
in foreign currency	5,338	5,578
Subtotal	<u>841,526</u>	<u>896,219</u>
Non-trading equity instruments		
-non-listed securities	<u>15,825</u>	<u>15,731</u>
in HUF	528	528
in foreign currency	15,297	15,203
	<u>15,825</u>	<u>15,731</u>
Securities at fair value through other comprehensive income total	<u>857,351</u>	<u>911,950</u>

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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

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

Name	Currency	30 June 2021	31 December 2020
Garantiqa	HUF	393	392
Hage / Közvil / Pénzügykut	HUF	136	136
OBS	EUR	11,974	12,081
VISA A Preferred	USD	3,323	3,122
		15,826	15,731

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

	30 June 2021	31 December 2020
Within one year:		
variable interest	789	3,779
fixed interest	<u>119,595</u>	<u>123,481</u>
	<u>120,384</u>	<u>127,260</u>
Over one year:		
variable interest	87,271	101,555
fixed interest	<u>633,871</u>	<u>667,404</u>
	<u>721,142</u>	<u>768,959</u>
Non-interest bearing securities	<u>15,825</u>	<u>15,731</u>
Total	<u>857,351</u>	<u>911,950</u>
FVOCI securities denominated in HUF	80%	83%
FVOCI securities denominated in foreign currency	<u>20%</u>	<u>17%</u>
FVOCI securities total	<u>100%</u>	<u>100%</u>
Interest rates on FVOCI securities denominated in HUF	1,1%-11%	0,5%-11%
Interest rates on FVOCI securities denominated in foreign currency	0,625%-16%	0,625%-7,25%
Average interest on FVOCI securities	2.75%	2.75%

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

	30 June 2021	31 December 2020
Net gain / (loss) reclassified from other comprehensive income to statement of profit or loss	(15,050)	(2,008)
<u>Fair value of the hedged securities:</u>		
Government bonds	470,285	399,441
	<u>470,285</u>	<u>399,441</u>

During the six month period ended 30 June 2021 and 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.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

NOTE 10: SECURITIES AT AMORTISED COST (in HUF mn)

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

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

	30 June 2021	31 December 2020
Within one year:		
variable interest	63	-
fixed interest	<u>154,962</u>	<u>57,746</u>
	<u>155,025</u>	<u>57,746</u>
Over one year:		
variable interest	12,027	-
fixed interest	<u>2,428,766</u>	<u>1,953,234</u>
	<u>2,440,793</u>	<u>1,953,234</u>
Total	<u>2,595,818</u>	<u>2,010,980</u>

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

	30 June 2021	31 December 2020
Securities at amortised cost denominated in HUF	94%	99%
Securities at amortised cost denominated in foreign currency	<u>6%</u>	<u>1%</u>
Securities at amortised cost total	<u>100%</u>	<u>100%</u>
Interest rates on securities at amortised cost	0.5%-7%	0.5%-75%
Average interest on securities at amortised cost denominated in HUF	2.69%	2.69%

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

	30 June 2021	31 December 2020
Balance as at 1 January	3,288	1,443
Reclassification	1,281	-
Balance as at 1 January	4,569	1,443
Loss allowance	3,133	4,820
Release of loss allowance	(482)	(2,977)
FX movement	(70)	2
Closing balance	<u>7,150</u>	<u>3,288</u>

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

NOTE 11: LOANS (in HUF mn)

Loans measured at fair value through profit or loss

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

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

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

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

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

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

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

	30 June 2021	31 December 2020
Loans denominated in HUF	0.86% - 9.85%	1.5% - 9.85%
Average interest on loans denominated in HUF	4.10%	4.2%

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

	30 June 2021	31 December 2020
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%	(0.50%)-13%
Average interest on loans denominated in HUF	6.33%	6.09%
Average interest on loans denominated in foreign currency	1.76%	2.11%

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

NOTE 11: LOANS (in HUF mn) [continued]

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

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

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

	30 June 2021	31 December 2020
Balance as at 1 January	123,670	72,066
Reclassification	(1,281)	-
Balance as at 1 January	122,389	72,066
Loss allowance	92,296	213,618
Release of loss allowance	(80,935)	(156,383)
Use of loss allowance	(2,803)	(6,228)
Partial write-off	(872)	(2,797)
FX movement	(1,724)	3,394
Closing balance	<u>128,351</u>	<u>123,670</u>

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

NOTE 12: INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS (in HUF mn)

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

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:

	30 June 2021		31 December 2020	
	% 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
OTP banka Srbija akcionarsko drustvo Novi Sad (Serbia) ¹	100%	258,304	100%	131,164
OTP Bank Romania S.A. (Romania)	100%	152,808	100%	133,987
OTP banka Srbija a.d. (Serbia)	-	-	100%	127,140
SKB Banka d.d. Ljubljana (Slovenia)	100.00%	107,689	100%	107,689
JSC "OTP Bank" (Russia)	97.92%	74,336	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
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. (Moldova)	98.26%	24,159	98%	24,159
Merkantil Bank Ltd.	100%	23,663	100%	23,663
Air-Invest Llc.	100%	39,248	100%	36,748
Inga Kettó Llc.	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		<u>59,686</u>		<u>54,432</u>
Total		<u>1,991,773</u>		<u>1,965,197</u>

¹ Vojvodanska Banka ad Novi Sad (Serbia) for the year ended 31 December 2020

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

NOTE 12: INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS (in HUF mn) [continued]

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

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

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:

	30 June 2021	31 December 2020
OTP Bank JSC (Ukraine)	203,090	207,397
OTP Mortgage Bank Ltd.	65,096	65,096
OTP banka Srbija a.d. (Serbia)	43,477	53,383
Crnogorska komercijalna banka a.d. (Montenegro)	13,488	23,324
OTP Bank Romania S.A. (Romania)	46,021	38,416
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	<u>405,279</u>	<u>421,723</u>

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

	30 June 2021	31 December 2020
OTP Factoring Ltd.	44,000	45,463
OTP Bank JSC (Ukraine)	12,853	-
Inga Kettó Llc.	11,000	-
OTP Holding Malta Ltd.	5,531	4,823
OTP Real Estate Investment Fund Management Ltd.	3,500	4,000
OTP Bank S.A. (Moldova)	1,600	-
Monicomp Ltd.	1,173	3,800
OTP Funds Servicing and Consulting Ltd.	991	1,894
Other	<u>770</u>	<u>933</u>
Subtotal	<u>81,418</u>	<u>60,913</u>
Dividend from shares held-for-trading	16	8
Dividend from shares fair value through other comprehensive income	<u>115</u>	<u>52</u>
Total	<u>81,549</u>	<u>60,973</u>

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

NOTE 12: INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS (in HUF mn) [continued]

Significant associates and joint ventures

The main figures of the Bank's indirectly owned associates and joint ventures at cost¹:

As at 30 June 2021

	D-ÉG Thermoset Kft.	Szallas.hu Kft.	Company for Cash Services Llc.	Total
Assets	3,883	6,827	2,646	13,356
Liabilities	4,629	2,998	200	7,827
Shareholders' equity	<u>(746)</u>	<u>3,829</u>	<u>2,446</u>	<u>5,529</u>
Total income	<u>2,386</u>	<u>616</u>	<u>708</u>	<u>3,710</u>
<i>% Held</i>	<i>0.10%</i>	<i>47%</i>	<i>25%</i>	

Country / Headquarter	Hungary, Miskolc	Hungary, Budapest	Bulgaria, Sofia
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Activity:

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

As at 31 December 2020

	D-ÉG Thermoset Kft.	Szallas.hu Kft.	Company for Cash Services Llc.	Total
Assets	3,883	5,855	2,856	12,594
Liabilities	4,629	1,358	147	6,134
Shareholders' equity	<u>(746)</u>	<u>4,497</u>	<u>2,709</u>	<u>6,460</u>
Total income	<u>2,386</u>	<u>3,833</u>	<u>1,531</u>	<u>7,750</u>
<i>% Held</i>	<i>0.10%</i>	<i>47%</i>	<i>25%</i>	

Country / Headquarter	Hungary, Miskolc	Hungary, Budapest	Bulgaria, Sofia
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The Romanian Court of Registration registered a capital increase at OTP Bank Romania SA, the Romanian subsidiary of OTP Bank. Accordingly, the registered capital of the Romanian subsidiary of OTP Bank was increased to RON 2,079,253,200 from RON 1,829,253,120.

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

¹ Based on unaudited financial statements.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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

For the six month period 30 June 2021

	Intangible assets	Property	Office equipment and vehicles	Vehicles	Construction in progress	Right of use assets	Total
<u>Cost</u>							
Balance as at 1 January	164,875	72,277	93,878	160	9,421	22,443	363,054
Additions	18,188	1,690	5,749	42	7,982	438	34,089
Disposals	(10,093)	(1,270)	(1,491)	-	(7,457)	-	(20,311)
Balance as at 30 June	<u>172,970</u>	<u>72,697</u>	<u>98,136</u>	<u>202</u>	<u>9,946</u>	<u>22,881</u>	<u>376,832</u>
<u>Depreciation and Amortization</u>							
Balance as at 1 January	107,236	25,789	71,899	74	-	8,964	213,962
Charge for the year	11,790	1,713	4,047	12	-	2,464	20,026
Disposals	(466)	(407)	(1,363)	12	-	(68)	(2,292)
Balance as at 30 June	<u>118,560</u>	<u>27,095</u>	<u>74,583</u>	<u>98</u>	<u>=</u>	<u>11,360</u>	<u>231,696</u>
<u>Net book value</u>							
Balance as at 1 January	<u>57,639</u>	<u>46,488</u>	<u>21,979</u>	<u>86</u>	<u>9,421</u>	<u>13,479</u>	<u>149,092</u>
Balance as at 30 June	<u>54,410</u>	<u>45,602</u>	<u>23,553</u>	<u>104</u>	<u>9,946</u>	<u>11,521</u>	<u>145,136</u>

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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

For the year ended 31 December 2020

	Intangible assets	Property	Office equipment and vehicles	Vehicles	Construction in progress	Right of use assets	Total
<u>Cost</u>							
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	<u>164,875</u>	<u>72,277</u>	<u>93,878</u>	<u>160</u>	<u>9,421</u>	<u>22,443</u>	<u>363,054</u>
<u>Depreciation and Amortization</u>							
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	<u>107,236</u>	<u>25,789</u>	<u>71,899</u>	<u>74</u>	<u>-</u>	<u>8,964</u>	<u>213,962</u>
<u>Net book value</u>							
Balance as at 1 January	<u>53,282</u>	<u>46,432</u>	<u>20,729</u>	<u>70</u>	<u>10,523</u>	<u>13,607</u>	<u>144,643</u>
Balance as at 31 December	<u>57,639</u>	<u>46,488</u>	<u>21,979</u>	<u>86</u>	<u>9,421</u>	<u>13,479</u>	<u>149,092</u>

The Bank has no intangible assets with indefinite useful life.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

NOTE 14: INVESTMENT PROPERTIES (in HUF mn)

For the six month period ended 30 June 2021 and for the year ended 31 December 2020, respectively

	30 June 2021	31 December 2020
Property		
<u>Cost</u>		
Balance as at 1 January	2,577	3,061
Additions result from subsequent expenditure	-	38
Disposals	(2)	(522)
Closing Balance	<u>2,575</u>	<u>2,577</u>
<u>Depreciation and Amortization</u>		
Balance as at 1 January	641	680
Charge for the period	23	51
Disposals	(1)	(90)
Closing Balance	<u>663</u>	<u>641</u>
<u>Net book value</u>		
Balance as at 1 January	<u>1,936</u>	<u>2,381</u>
Closing Balance	<u>1,912</u>	<u>1,936</u>

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

	30 June 2021	31 December 2020
<i>Income and Expenses</i>		
Rental income	3	6
Depreciation	22	49

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:

	30 June 2021	31 December 2020
Interest rate swaps designated as fair value hedge	6,288	637
CCIRS designated as fair value hedge	6,746	6,180
Interest rate swaps designated as cash flow hedge	(151)	-
Total	<u>12,883</u>	<u>6,817</u>

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

NOTE 16: OTHER ASSETS¹ (in HUF mn)

	30 June 2021	31 December 2020
Other financial assets		
Receivables from OTP Employee Stock Ownership Program (OTP ESOP)	93,157	53,338
Receivables from card operations	16,196	8,453
Accrued day one gain of loans provided at below-market interest	-	14,465
Stock exchange deposit	16,872	9,667
Prepayments and accrued income	11,278	14,396
Trade receivables	4,504	8,233
Receivables from suppliers	6,743	5,885
Receivables from OTP Mortgage Bank Ltd.	2,461	1,823
Other	<u>34,605</u>	<u>18,847</u>
	<u>185,816</u>	<u>135,107</u>
Loss allowance	<u>(5,090)</u>	<u>(7,928)</u>
Other financial assets total	<u>180,726</u>	<u>127,179</u>
Other non-financial assets		
Prepayments and accrued income	17,737	17,732
Receivable related to Hungarian Government subsidies	14,887	10,622
Other	<u>12,714</u>	<u>14,743</u>
	<u>45,338</u>	<u>43,097</u>
Provision for impairment on other assets	<u>(504)</u>	<u>(482)</u>
Other non-financial assets total	<u>44,834</u>	<u>42,615</u>
Total	<u>225,560</u>	<u>169,794</u>

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

	30 June 2021	31 December 2020
Balance as at 1 January	7,928	5,646
Charge for the period	1,733	6,663
Release of loss allowance	(4,151)	(3,971)
Use of loss allowance	(404)	<u>(537)</u>
FX movement	<u>(16)</u>	<u>127</u>
Balance as at 31 December	<u>5,090</u>	<u>7,928</u>

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

	30 June 2021	31 December 2020
Balance as at 1 January	482	464
Charge for the period	48	81
Release of provision	(24)	(67)
FX movement	(2)	4
Balance as at 31 December	<u>504</u>	<u>482</u>

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 17: AMOUNTS DUE TO BANKS AND DEPOSITS FROM THE NATIONAL BANK OF HUNGARY AND OTHER BANKS (in HUF mn)

	30 June 2021	31 December 2020
Within one year:		
In HUF	266,097	172,799
In foreign currency	<u>255,574</u>	<u>41,643</u>
	<u>521,671</u>	<u>214,442</u>
Over one year:		
In HUF	637,820	457,882
In foreign currency	<u>64,351</u>	<u>94,653</u>
	<u>702,171</u>	<u>552,535</u>
Subtotal	<u>1,223,842</u>	<u>766,977</u>
Total	<u>1,223,842</u>	<u>766,977</u>

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

	30 June 2021	31 December 2020
Within one year:		
In HUF	(1.2%) - 0.9%	0%-20%
In foreign currency	(2.4%) - 4.5%	(0.56%)-0.26%
Over one year:		
In HUF	(2.4%) - 1.3%	(2.4%)-1.43%
In foreign currency	(2.4%) - 5.85%	2.4%)-4.84%

Average interest on amounts due to banks in HUF	(1.02%)	(0.94%)
Average interest on amounts due to banks in foreign currency	(1.05%)	(2.11%)

NOTE 18: REPO LIABILITIES (in HUF mn)

	30 June 2021	31 December 2020
Within one year:		
In HUF	209,623	-
In foreign currency	<u>67</u>	-
	<u>209,690</u>	<u>-</u>
Over one year:		
In HUF	-	73
In foreign currency	<u>105,570</u>	<u>109,539</u>
	<u>105,570</u>	<u>109,612</u>
Subtotal	<u>315,260</u>	<u>109,612</u>
Total	<u>315,260</u>	<u>109,612</u>

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

	30 June 2021	31 December 2020
Within one year:		
In HUF	(1.5%) - 0.9%	-
Over one year:		
In foreign currency	0.62% - 6.6%	0.63%-3.85%
Average interest on repo liabilities in HUF	1.37%	1.21%
Average interest on repo liabilities in foreign currency	0.62%	1.05%

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 19: DEPOSITS FROM CUSTOMERS (in HUF mn)

	30 June 2021	31 December 2020
Within one year:		
In HUF	6,718,065	6,412,897
In foreign currency	<u>1,616,699</u>	<u>1,438,255</u>
	<u>8,334,764</u>	<u>7,851,152</u>
Over one year:		
In HUF	45,206	44,583
	<u>45,206</u>	<u>44,583</u>
Subtotal	<u>8,379,970</u>	<u>7,895,735</u>

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

	30 June 2021	31 December 2020
Within one year in HUF	0% - 7.96%	(4.58%)-7.96%
Over one year in HUF	(4.4%) - 3%	0.01%-0.4%
In foreign currency	(0.58%) - 17.2%	(0.58%)-15.5%
Average interest on deposits from customers in HUF	(0.07%)	-0.07%
Average interest on deposits from customers in foreign currency	(0.01%)	-0.04%

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

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

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

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

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

	30 June 2021	31 December 2020
Issued securities denominated in HUF	0.6%-1.7%	0%-1.7%
Issued securities denominated in foreign currency	-	0.01%-1.11%
Average interest on issued securities denominated in HUF	(1.20%)	1.18%
Average interest on issued securities denominated in foreign currency	(0.02%)	1.12%

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 20: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

Term Note Program in the value of HUF 200 billion for the year of 2021/2022

On 28 May 2021 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 8 July 2021 the prospectus of Term Note Program. 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 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.

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.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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

Issued securities denominated in HUF as at 30 June 2021

	Name	Date of issuance	Maturity	Nominal value in HUF million	Amortised cost in HUF million	Interest conditions	Hedged
1	OTPRF2021B	20/10/2011	25/10/2021	3,061	3,713	indexed -	hedged
2	OTPRF2021A	05/07/2011	13/07/2021	2,760	3,577	indexed -	hedged
3	OTP_DK_22/II	29/05/2020	31/05/2022	3,175	3,148	discount	
4	OTPRF2022A	22/03/2012	23/03/2022	2,193	2,444	indexed 1.70	hedged
5	OTP_DK_25/3	31/05/2021	31/05/2025	1,216	1,127	discount	
6	OTPRF2022B	22/03/2012	23/03/2022	882	983	indexed 1.70	hedged
7	OTP_DK_23/II	29/05/2020	31/05/2023	997	976	discount	
8	OTP_DK_22/I	15/12/2018	31/05/2022	993	975	discount	
9	OTPRF2023A	22/03/2013	24/03/2023	843	946	indexed 1.70	hedged
10	OTPRF2022E	29/10/2012	31/10/2022	812	908	indexed 1.70	hedged
11	OTP_DK_24/3	31/05/2021	31/05/2024	883	841	discount	
12	OTPRF2022F	28/12/2012	28/12/2022	666	752	indexed 1.70	hedged
13	OTP_DK_27/II	31/05/2021	31/05/2027	795	695	discount	
14	OTP_DK_23/I	15/12/2018	31/05/2023	717	686	discount	
15	OTPRF2021C	21/12/2011	30/12/2021	559	686	indexed -	hedged
16	OTP_DK_26/II	31/05/2021	31/05/2026	707	637	discount	
17	OTP_DK_24/II	29/05/2020	31/05/2024	592	569	discount	
18	OTP_DK_28/I	31/05/2021	31/05/2028	669	565	discount	
19	OTP_DK_25/II	29/05/2020	31/05/2025	592	559	discount	
20	OTPX2022B	18/07/2012	18/07/2022	164	499	indexed 1.70	hedged
21	OTPRF2021D	21/12/2011	30/12/2021	394	480	indexed -	hedged
22	OTP_DK_24/I	30/05/2019	31/05/2024	426	395	discount	
23	OTPX2023A	22/03/2013	24/03/2023	312	373	indexed 1.70	hedged
24	OTP_DK_26/I	29/05/2020	31/05/2026	392	363	discount	
25	OTPX2021D	21/12/2011	27/12/2021	249	347	indexed -	hedged
26	OTPX2024B	10/10/2014	16/10/2024	295	342	indexed 0.70	hedged
27	OTPX2022D	28/12/2012	27/12/2022	238	331	indexed 1.70	hedged
28	OTP_DK_29/I	31/05/2021	31/05/2029	403	328	discount	
29	OTPRF2022D	28/06/2012	28/06/2022	273	323	indexed 1.70	hedged
30	OTPX2022C	29/10/2012	28/10/2022	177	296	indexed 1.70	hedged
31	OTPX2024A	18/06/2014	21/06/2024	241	283	indexed 1.30	hedged
32	OTPX2024C	15/12/2014	20/12/2024	242	280	indexed 0.60	hedged
33	OTPX2023B	28/06/2013	26/06/2023	198	276	indexed 0.60	hedged
34	OTPRF2022C	28/06/2012	28/06/2022	199	260	indexed 1.70	hedged
35	OTPX2022A	22/03/2012	23/03/2022	175	239	indexed -	hedged
36	OTPX2021C	19/09/2011	24/09/2021	231	237	indexed -	hedged
37	OTPRF2021E	21/12/2011	30/12/2021	80	93	indexed -	hedged
38	OTP_DK_25/I	30/05/2019	31/05/2025	104	93	discount	
39	OTP_DK_27/I	29/05/2020	31/05/2027	95	86	discount	
40	OTP_DK_30/I	31/05/2021	31/05/2030	104	81	discount	
41	Other			211	211	indexed	
	Subtotal issued securities in HUF			<u>28,315</u>	<u>31,003</u>		
	Total			<u>28,315</u>	<u>31,003</u>		

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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

Issued securities denominated in foreign currency as at 31 December 2020

Name	Date of issuance	Maturity	Currency	Nominal value in FX million	Nominal value in HUF million	Amortised cost in FX million	Amortised cost in HUF million	Interest conditions (in % actual) hedged
1OTP_VK1_21/1	20/02/2020	20/02/2021	USD	1.39	414	1.39	414	variable 0.01
2OTP_VK1_21/2	02/04/2020	02/04/2021	USD	1.24	370	1.24	370	variable 0.01
3OTP_VK1_21/3	14/05/2020	14/05/2021	USD	1.18	351	1.18	351	variable 0.01
4OTP_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				<u>4.55</u>	<u>1,356</u>	<u>4.55</u>	<u>1,356</u>	

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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

Issued securities denominated in HUF as at 31 December 2020

	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			<u>213</u>	<u>213</u>		
	Subtotal issued securities in HUF			<u>26,849</u>	<u>27,079</u>		
	Total			<u>28,205</u>	<u>28,435</u>		

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 21: FINANCIAL LIABILITIES DESIGNATED AS FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)

	30 June 2021	31 December 2020
Within one year:		
In HUF	<u>1,915</u>	<u>2,010</u>
	<u>1,915</u>	<u>2,010</u>
Over one year:		
In HUF	<u>21,614</u>	<u>23,892</u>
	<u>21,614</u>	<u>23,892</u>
Subtotal	<u>23,529</u>	<u>25,902</u>

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

	30 June 2021	31 December 2020
Within one year:		
In HUF	0.46% - 2.23%	0.51% - 2.5%
Over one year:		
In HUF	0.01% - 2.95%	0% - 2.5%
 Average interest on amounts due to banks in HUF	 2.03%	 2.46%

Certain MFB refinanced loan receivables are categorised as fair value through profit or loss based on SPPI test. Related refinancing loans at the liability side are categorised as fair value through profit or loss based on fair value option due to accounting mismatch as provided by the IFRS 9 standard.

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

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

	30 June 2021	31 December 2020
Interest rate swaps	17,262	28,812
Foreign currency swaps	27,857	34,327
CCIRS and mark-to-market CCIRS	2,629	7,285
Other derivative contracts	<u>35,511</u>	<u>29,563</u>
Total	<u>83,259</u>	<u>99,987</u>

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

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

	30 June 2021	31 December 2020
IRS designated as fair value hedge	7	5,266
CCIRS designated as fair value hedge	1,850	5,865
IRS designated as cash flow hedge	<u>(1,713)</u>	<u>(8,027)</u>
Total	<u>144</u>	<u>3,104</u>

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 24: OTHER LIABILITIES¹ (in HUF mn)

	30 June 2021	31 December 2020
Other financial liabilities		
Liabilities from investment services	74,439	62,490
Liabilities due to short positions	29,230	9,131
Accrued expenses	24,220	15,473
Provision on off-balance sheet commitments, contingent liabilities	19,097	17,490
Liabilities from customer's credit card payments	17,998	11,195
Accrued day one gain of loan liabilities at below-market interest	394	14,391
Accounts payable	8,953	24,121
Other	19,215	13,249
Other financial liabilities total	<u>193,546</u>	<u>167,540</u>
Other non-financial liabilities		
Technical accounts	34,045	37,304
Current income tax payable	14,334	9,680
Provision on off-balance sheet commitments, contingent liabilities	6,433	2,416
Accrued expenses	3,462	2,902
Social contribution	2,640	3,746
Other	<u>1,632</u>	<u>1,309</u>
Other non-financial liabilities total	<u>62,546</u>	<u>57,357</u>
Other liabilities total	<u>256,092</u>	<u>224,897</u>

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

	30 June 2021	31 December 2020
Provision for losses on other off-balance sheet commitments and contingent liabilities	19,097	17,490
Provisions in accordance with IFRS 9	<u>19,097</u>	<u>17,490</u>
Provision for litigation	267	199
Provision for retirement pension and severance pay	588	1,300
Provision on other liabilities	<u>5,578</u>	<u>917</u>
Provisions in accordance with IAS 37	<u>6,433</u>	<u>2,416</u>
Total	<u>25,530</u>	<u>19,906</u>

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

	30 June 2021	31 December 2020
Opening balance	17,490	14,288
Provision for the period	25,549	56,863
Release of provision for the period	<u>(23,766)</u>	<u>(54,044)</u>
FX revaluation	<u>(176)</u>	<u>383</u>
Closing balance	<u>19,097</u>	<u>17,490</u>

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

	30 June 2021	31 December 2020
Opening balance	2,416	2,508
Provision for the period	4,815	20,970
Release of provision	<u>(798)</u>	<u>(21,062)</u>
Closing balance	<u>6,433</u>	<u>2,416</u>

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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

	30 June 2021	31 December 2020
Within one year		
In foreign currency	5,318	2,972
Over one year:		
In foreign currency	<u>290,274</u>	<u>301,271</u>
Total	<u>295,592</u>	<u>304,243</u>

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

	30 June 2021	31 December 2020
Subordinated bonds and loans denominated in foreign currency	2.5%-2.9%	2.5%-2.9%
Average interest on subordinated bonds and loans denominated in foreign currency	2.67%	2.74%

Subordinated loans and bonds are detailed as follows as at 30 June 2021:

Type	Nominal value	Date of issuance	Date of maturity	Issue price	Interest conditions	Current interest rate
Subordinated bond	EUR 327.5 million	7 November 2006	Perpetual	99.375%	Three-month EURIBOR + 3%, variable (payable quarterly)	2.471%
Subordinated bond	EUR 499.6 million	15 July 2019	15 July 2029	99.738%	Fixed 2.875% annual in the first 5 years and callable after 5 years, variable after year 5 (payable annually) calculated as a sum of the initial margin (320 basis point) and the 5 year mid- swap rate prevailing at the and of the 5 year.	2.875%

NOTE 26: SHARE CAPITAL (in HUF mn)

	30 June 2021	31 December 2020
<u>Authorized, issued and fully paid:</u>		
Ordinary shares	<u>28,000</u>	<u>28,000</u>

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.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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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 warned earlier 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 warned to stop treasury share purchases (except share purchase related to share based payment programs) until 30 September 2021 too. On 12 August 2021 NBH has reviewed its management circular. Accordingly the deadline concerning restrictions on dividend payment and treasury share purchases has been extended until the end of 2021.

The intention of the Management is paying HUF 119 billion (for the year ended 2019 HUF 69 billion and for the year ended 2020 HUF 50 billion) and HUF 42 billion (for the first half year of 2021) 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 discretionary 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.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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

Retained earnings

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

Put option reserve

OTP Bank Plc. and MOL Plc. entered into a share swap agreement in 16 April 2009, whereby OTP has changed 24,000,000 OTP ordinary shares for 5,010,501 „A series” MOL shares. The final maturity of the share swap agreement is 11 July 2022, until which any party can initiate cash or physical settlement of the transaction.

Put option reserve represents the written put option over OTP ordinary shares were accounted as a deduction from equity at the date of OTP-MOL share swap transaction.

Other comprehensive income

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

General reserve

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

Tied-up reserve

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 27: RETAINED EARNINGS AND RESERVES (in HUF mn) [continued]

The equity correlation table of the Bank based on paragraph 114/B of Act on Accounting as at 30 June 2021:

30 June 2021 Closing balance	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	44,264	1,819,946	(55,468)	(8,270)	-	-	-	1,828,524
Unused portion of reserve for developments	-	-	-	(998)	-	-	-	998	-	-
Other comprehensive income	-	-	-	(29,673)	-	-	29,673	-	-	-
Option reserve	-	(55,468)	-	-	55,468	-	-	-	-	-
Treasury shares	-	(8,270)	-	-	-	8,270	-	-	-	-
Share based payments	-	44,264	(44,264)	-	-	-	-	-	-	-
Net profit for the year	-	-	-	(127,333)	-	-	-	-	127,333	-
General reserve	=	=	=	<u>(118,104)</u>	=	=	=	<u>118,104</u>	=	=
Components of Shareholder's equity in accordance with paragraph 114/B of Act on Accounting	<u>28,000</u>	<u>(19,422)</u>	=	<u>1,543,838</u>	=	=	<u>29,673</u>	<u>119,102</u>	<u>127,333</u>	<u>1,828,524</u>

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 27: RETAINED EARNINGS AND RESERVES (in HUF mn) [continued]

The equity correlation table of the Bank based on paragraph 114/B of Act on Accounting as at 1 January 2021:

1 January 2021 Opening balance	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	-	-	-
Portion of supplementary payment recognised as an asset	-	-	-	-	-	-	-	-	-	-
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	=	=	=	<u>(105,371)</u>	=	=	=	<u>105,371</u>	=	=
Components of Shareholder's equity in accordance with paragraph 114/B of Act on Accounting	<u>28,000</u>	<u>(59,642)</u>	=	<u>1,466,777</u>	=	=	<u>44,356</u>	<u>106,369</u>	<u>92,474</u>	<u>1,678,334</u>

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 27: RETAINED EARNINGS AND RESERVES (in HUF mn) [continued]

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

	30 June 2021	31 December 2020
Retained earnings	1,543,838	1,466,777
Net profit for the year	<u>127,333</u>	<u>92,474</u>
Untied retained earnings	<u>1,671,171</u>	<u>1,559,251</u>

Items of retained earnings and other reserves

	30 June 2021	31 December 2020
Retained earnings	1,544,837	1,465,037
Capital reserve	52	52
Option reserve	(55,468)	(55,468)
Other reserves	118,103	105,370
Fair value of financial instruments measured at fair value through other comprehensive income	29,763	44,356
Share-based payment reserve	44,264	42,573
Fair value of derivative financial instruments designated as cash-flow hedge	(90)	2,739
Net profit for the period	<u>127,333</u>	<u>92,474</u>
Retained earnings and other reserves	<u>1,808,794</u>	<u>1,697,133</u>

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

	30 June 2021	31 December 2020
Balance as at 1 January	36,441	51,011
Change of fair value correction	(15,694)	(22,069)
Deferred tax related to change of fair value correction	839	1,973
Transfer to p/l due to reclassification to FVTPL securities	-	-
Transfer to p/l due to derecognition	68	6,073
Deferred tax related to accumulated transfer to p/l	<u>(6)</u>	<u>(547)</u>
Closing balance	<u>21,648</u>	<u>36,441</u>

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

	30 June 2021	31 December 2020
Balance as at 1 January	1,714	1,702
Increase of loss allowance	402	795
Release of loss allowance	<u>(156)</u>	<u>(783)</u>
Closing balance	<u>1,960</u>	<u>1,714</u>

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

	30 June 2021	31 December 2020
Balance as at 1 January	6,201	10,262
Change of fair value correction	(187)	(3,276)
Deferred tax related to change of fair value correction	141	310
Transfer to retained earnings	=	<u>(1,095)</u>
Closing balance	<u>6,155</u>	<u>6,201</u>

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 28: TREASURY SHARES (in HUF mn)

	30 June 2020	31 December 2020
Nominal value (ordinary shares)	108	433
Carrying value at acquisition cost	8,270	46,799

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:

	30 June 2020	31 December 2020
Number of shares as at 1 January	4,331,169	320,165
Additions	1,568,439	8,296,388
Disposals	<u>(4,786,544)</u>	<u>(4,285,384)</u>
Number of shares at the end of the period	<u>1,113,064</u>	<u>4,331,169</u>

	30 June 2020	31 December 2020
Change in carrying value:		
Balance as at 1 January	46,799	2,636
Additions	10,489	85,922
Disposals	<u>(49,018)</u>	<u>(41,759)</u>
Closing Balance	<u>8,270</u>	<u>46,799</u>

	30 June 2020	31 December 2020
Treasury shares held by OTP Group members	2,234	1,959

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 29: INTEREST INCOME AND EXPENSES (in HUF mn)

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 30: RISK COST (in HUF mn)

	30 June 2021	30 June 2020	31 December 2020
Loss allowance of loans at amortised cost			
Loss allowance	91,091	108,053	211,543
Release of loss allowance	(81,281)	(71,755)	(156,385)
	<u>9,810</u>	<u>36,298</u>	<u>55,158</u>
Loss allowance of placements with other banks			
Loss allowance	6,935	4,545	12,724
Release of loss allowance	(6,517)	(4,748)	(10,497)
	<u>418</u>	<u>(203)</u>	<u>2,227</u>
Loss allowance of repo receivables			
Loss allowance	83	362	362
Release of loss allowance	(339)	(76)	(76)
	<u>(256)</u>	<u>286</u>	<u>286</u>
Loss allowance of FVOCI securities			
Loss allowance	843	751	2,119
Release of loss allowance	(583)	(1,228)	(2,116)
	<u>260</u>	<u>(477)</u>	<u>3</u>
Loss allowance of securities at amortised cost			
Loss allowance	3,133	2,009	4,822
Release of loss allowance	(482)	(1,928)	(2,977)
	<u>2,651</u>	<u>81</u>	<u>1,845</u>
Provision on loan commitments and financial guarantees			
Provision for the period	25,549	29,307	57,246
Release of provision	(23,766)	(22,113)	(54,044)
	<u>1,783</u>	<u>7,194</u>	<u>3,202</u>
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	<u>7,518</u>	<u>3,296</u>	<u>405</u>
Risk cost total	<u>22,184</u>	<u>46,475</u>	<u>63,126</u>

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

Income from fees and commissions:

	30 June 2021	30 June 2020
Fees and commissions related to lending	6,007	3,382
Deposit and account maintenance fees and commissions	57,959	50,557
Fees and commission related to the issued bank cards	39,715	35,507
Fees and commissions related to security trading	14,334	11,793
Fx margin	7,466	6,159
Fees and commissions paid by OTP Mortgage Bank Ltd.	5,339	4,006
Net insurance fee income	3,763	3,317
Other	<u>3,224</u>	<u>2,750</u>
Fees and commissions from contracts with customers	<u>131,800</u>	<u>114,089</u>
Total Income from fees and commissions:	<u>137,807</u>	<u>117,471</u>
Contract balances		
	30 June 2021	30 June 2020
Receivables, which are included in 'other assets'	13,176	7,625
Loss allowance	(374)	(103)

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 31: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn) [continued]

Performance obligations and revenue recognition policies:

Fee type	Nature and timing of satisfaction of performance obligations, and the significant payment terms	Revenue recognition under IFRS 15
Deposit and account maintenance fees and commissions	<p>The Bank provides a number of account management services for both retail and corporate customers in which they charge a fee. Fees related to these services can be typically account transaction fees (money transfer fees, direct debit fees, money standing order fees, etc.), internet banking fees (e.g. OTP Direct fee), account control fees (e.g. sms fee), or other fees for occasional services (account statement fees, other administration fees, etc.).</p> <p>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.</p> <p>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.</p> <p>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 %.</p> <p>The rates are reviewed by the Bank regularly.</p>	<p>Fees for ongoing account management services are charged on a monthly basis during the period when they are provided.</p> <p>Transaction-based fees are charged when the transaction takes places or charged monthly at the end of the month.</p>
Fees and commission related to the issued bank cards	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>The rates are reviewed by the Bank regularly.</p>	<p>Fees for ongoing services are charged on a monthly basis during the period when they are provided.</p> <p>Transaction-based fees are charged when the transaction takes places or charged monthly at the end of the month.</p>

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NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 31: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn) [continued]

Performance obligations and revenue recognition policies: [continued]

Fee type	Nature and timing of satisfaction of performance obligations, and the significant payment terms	Revenue recognition under IFRS 15
Fees and commissions related to security account management services	<p>The Bank provides its clients with security account management services. Fees will be charged for account management and transactions on accounts.</p> <p>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.</p> <p>Fees for transactions on the securities account are charged immediately after the transaction. They are determined in%, based on the transaction amount.</p> <p>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.</p>	<p>Fees for ongoing services are charged quarterly or annually during the period when they are provided. The fees are accrued monthly.</p> <p>Transaction-based fees are charged when the transaction takes places.</p>
Fees and commissions paid by OTP Mortgage Bank Ltd.	<p>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.</p> <p>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.</p> <p>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.</p> <p>Fees for agent services are charged monthly. The rate is %, based on the products sold during the period.</p>	<p>Fees for ongoing services are charged on a monthly basis during the period when they are provided.</p> <p>Transaction-based fees are charged when the transaction takes places.</p>
Net insurance fee income	<p>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.</p> <p>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 %.</p>	<p>Fees for ongoing services are charged on a monthly basis during the period when they are provided.</p>
Other	<p>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.</p> <p>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.</p>	<p>Fees for ongoing services are charged on a monthly basis during the period when they are provided.</p> <p>Fees for ad hoc services are charged when the transaction takes places.</p>

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

	30 June 2021	30 June 2020
Other fees and commissions related to issued bank cards	16,407	13,714
Insurance fees	353	338
Fees and commissions related to lending	2,745	950
Fees and commissions related to security trading	231	594
Fees and commissions relating to deposits	1,095	704
Trust activities related to securities	763	566
Postal fees	101	112
Money market transaction fees and commissions	63	32
Other	<u>360</u>	<u>376</u>
Total	<u>22,118</u>	<u>17,386</u>
	<u>115,689</u>	<u>100,085</u>

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

	30 June 2021	30 June 2020
Intermediary and other services	1,217	590
Non-repayable assets received	1,044	-
Income from lease of tangible assets	497	353
Gains on derecognition of deposits	297	178
Gains on discount from advertising agency fees	182	171
Income from written off receivables	128	118
Gains on sale of receivables	6	231
Gains on transactions related to property activities	118	112
Gains on sale of tangible assets	5	79
Other operating income from OTP Employee Stock Ownership Program (OTP ESOP)	1,345	-
Other	<u>246</u>	<u>916</u>
Total	<u>5,085</u>	<u>2,748</u>

	30 June 2021	30 June 2020
Losses on other assets	(206)	(447)
Release of provision for off-balance sheet commitments and contingent liabilities	(5,613)	(11,280)
Non-repayable assets contributed	(9,653)	(2,904)
Release of loss allowance on other assets	1,413	(497)
Financial support for sport association and organization of public utility	4,752	(559)
Release of loss allowance/(Loss allowance) on investments in subsidiaries	8,002	(9,913)
Other	<u>742</u>	<u>(829)</u>
Total	<u>(563)</u>	<u>(26,429)</u>

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 32: OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn) [continued]

	30 June 2021	30 June 2020
Personnel expenses:		
Wages	47,462	43,461
Taxes related to personnel expenses	8,056	8,290
Other personnel expenses	<u>6,273</u>	<u>6,228</u>
Subtotal	<u>61,791</u>	<u>57,979</u>
Depreciation and amortization	<u>20,026</u>	<u>17,701</u>
Other administrative expenses:		
Taxes, other than income tax ¹	45,028	47,026
Services	26,321	17,749
Fees payable to authorities and other fees	8,556	7,166
Administration expenses, including rental fees	3,654	7,838
Professional fees	2,350	2,500
Advertising	<u>3,172</u>	<u>2,933</u>
Subtotal	<u>89,081</u>	<u>85,212</u>
Total	<u>170,898</u>	<u>160,892</u>

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:

	30 June 2021	31 December 2020
Current tax expense	10,724	1,849
Deferred tax (benefit)/expense	<u>1,283</u>	<u>(1,077)</u>
Total	<u>12,007</u>	<u>772</u>

A reconciliation of the deferred tax liability is as follows:

	30 June 2021	31 December 2020
Balance as at 1 January	(3,062)	(5,875)
Deferred tax (expense)/ benefit	(1,283)	1,077
Tax effect of fair value adjustment of FVOCI securities and ICES recognised in comprehensive income	<u>692</u>	<u>1,736</u>
Closing balance	<u>(3,653)</u>	<u>(3,062)</u>

¹ Special tax of financial institutions was paid by OTP Bank in the amount of HUF 13.1 and 11.6 billion for the six month period ended 30 June 2021 and for the year ended 31 December 2020, 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.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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

A breakdown of the deferred tax liability is as follows:

	30 June 2021	31 December 2020
Unused tax allowance	-	1,321
Provision for termination benefits and jubilee	118	-
Expenses related to termination of employment	277	-
Amounts unenforceable by tax law	-	<u>247</u>
Deferred tax asset	<u>395</u>	<u>1,568</u>
Fair value adjustment of held for trading and securities at fair value through other comprehensive income	(3,593)	(4,199)
Difference in depreciation and amortization	(261)	(329)
Unused tax allowance	(90)	-
Amounts unenforceable by tax law	<u>(104)</u>	<u>(102)</u>
Deferred tax liabilities	<u>(4,048)</u>	<u>(4,630)</u>
Net deferred tax assets/(liabilities)	<u>(3,653)</u>	<u>(3,062)</u>

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

	30 June 2021	31 December 2020
Profit before income tax	139,340	93,246
Income tax at statutory tax rate (9%)	12,541	8,392

Income tax adjustments due to permanent differences are as follows:

Change due to accounting policy (Visa)	-	69
Share-based payment	152	305
Use of tax losses	-	(167)
Deferred tax asset due to unused tax allowance	1,322	(1,039)
Amounts unenforceable by tax law	(126)	(38)
Use of tax allowance in the current year	(1,766)	(2,023)
Dividend income	(7,339)	(5,488)
Correction due to local taxes classified as income taxes	6,465	-
Transaction with own shares	(96)	-
Other	854	<u>761</u>
Income tax	<u>12,007</u>	<u>772</u>
Effective tax rate	8.6%	0.8%

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NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 34: LEASE (in HUF mn)

The Bank as a lessee:

Amounts recognised in profit and loss	30 June 2021	31 December 2020
Interest expense on lease liabilities	257	257
Expense relating to short-term leases	1,063	2,128
Expense relating to variable lease payments not included in the measurement of lease liabilities	572	1,084

Leasing liabilities by maturities:

	30 June 2021	31 December 2020
Within one year	4,124	4,423
Over one year	7,878	9,683
Total	<u>12,002</u>	<u>14,106</u>

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 2020	17,790	37	17,827
Additions due to new contracts	3,707	-	3,707
Derecognition due to matured contracts	(18)	-	(18)
Change due to revaluation and modification	927	-	927
Balance as at 31 December 2020	<u>22,406</u>	<u>37</u>	<u>22,443</u>
Additions due to new contracts	298	-	298
Derecognition due to matured contracts	(92)	-	(92)
Change due to revaluation and modification	232	-	232
Balance as at 30 June 2021	<u>22,844</u>	<u>37</u>	<u>22,881</u>
Depreciation			
Balance as at 1 January 2020	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	<u>8,952</u>	<u>12</u>	<u>8,964</u>
Depreciation charge	2,460	3	2,463
Derecognition due to matured contracts	(67)	-	(67)
Balance as at 30 June 2021	<u>11,345</u>	<u>15</u>	<u>11,360</u>
Net carrying amount			
Balance as at 31 December 2020	<u>13,454</u>	<u>25</u>	<u>13,479</u>
Balance as at 30 June 2021	<u>11,499</u>	<u>22</u>	<u>11,521</u>

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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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.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

35.1. Credit risk [continued]

35.1.1. Analysis by loan types [continued]

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

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

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

The impairment parameters should be backtested at least annually.

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

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NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

35.1. Credit risk [continued]

35.1.1. Analysis by loan types [continued]

Gross carrying amount and accumulated loss allowance of financial assets at amortized cost and fair value through other comprehensive income by IFRS 9 stages as at 30 June 2021:

Assets measured at amortised cost and FVOCI as at 30 June 2021	Carrying amount/ Exposure	Gross carrying amount / Notional amount					Loss allowance					Write-off
		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Total	
Cash, amounts due from banks and balances with the National Bank of Hungary	392,632	392,632	-	-	-	392,632	-	-	-	-	-	-
Placements with other banks, net of allowance for placement losses	2,272,209	2,276,942	-	1,408	-	2,278,350	4,733	-	1,408	-	6,141	-
Repo receivables	47,144	47,180	-	-	-	47,180	36	-	-	-	36	-
<i>Retail consumer loans</i>	589,257	485,660	132,673	10,569	4	628,906	9,441	23,087	7,119	2	39,649	-
<i>Mortgage loans</i>	89,967	39,743	42,465	6,464	2,896	91,568	28	251	1,116	206	1,601	-
<i>Municipal loans</i>	83,949	84,130	88	123	-	84,341	329	17	46	-	392	-
<i>Corporate loans</i>	2,798,731	2,480,666	355,932	38,294	10,548	2,885,440	20,331	41,924	23,040	1,414	86,709	22,985
Loans at amortised cost	3,561,904	3,090,199	531,158	55,450	13,448	3,690,255	30,129	65,279	31,321	1,622	128,351	22,985
FVOCI securities	857,351	857,351	-	-	-	857,351	1,960	-	-	-	1,960	-
Securities at amortised cost	2,588,668	2,583,727	12,091	-	-	2,595,818	6,222	928	-	-	7,150	-
Other financial assets	180,726	141,098	43,997	694	27	185,816	1,787	2,686	597	20	5,090	-
Total as at 30 June 2021	9,900,634	9,389,129	587,246	57,552	13,475	10,047,402	44,867	68,893	33,326	1,642	148,728	22,985
Loan commitments	1,677,764	1,643,322	43,866	2,645	-	1,689,833	7,616	3,613	840	-	12,069	-
Financial guarantees	1,461,486	1,460,841	7,250	113	-	1,468,204	6,249	446	23	-	6,718	-
Factoring loan commitments	323,010	318,014	3,906	1,396	-	323,316	222	31	53	-	306	-
Bill of credit	5,860	5,864	-	-	-	5,864	4	-	-	-	4	-
Loan commitments and financial guarantees total	3,468,120	3,428,041	55,022	4,154	=	3,487,217	14,091	4,090	916	=	19,097	=

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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

35.1. Credit risk [continued]

35.1.1. Analysis by loan types [continued]

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

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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

35.1. Credit risk [continued]

35.1.1. Analysis by loan types [continued]

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

Loans at amortised cost

	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January 2020	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	<u>22,506</u>	<u>66,297</u>	<u>33,226</u>	<u>1,641</u>	<u>123,670</u>
Modification	-	(1,281)	-	-	(1,281)
Loss allowance as at 31 December 2020	<u>22,506</u>	<u>65,016</u>	<u>33,226</u>	<u>1,641</u>	<u>122,389</u>
Transfer to Stage 1	2,333	(13,613)	(363)	-	(11,643)
Transfer to Stage 2	(1,709)	17,274	(955)	-	14,610
Transfer to Stage 3	(62)	(1,227)	3,602	-	2,313
Net remeasurement of loss allowance	1,484	305	(279)	15	1,525
New financial assets originated or purchased	12,324	1,885	1,191	1	15,401
Financial assets derecognised (other than write-offs)	(6,747)	(4,361)	(4,249)	(15)	(15,372)
Unwind of discount	8	201	62	-	271
Write-offs	(8)	(201)	(914)	(20)	(1,143)
Loss allowance as at 30 June 2021	<u>30,129</u>	<u>65,279</u>	<u>31,321</u>	<u>1,622</u>	<u>128,351</u>

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

35.1. Credit risk [continued]

35.1.1. Analysis by loan types [continued]

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

Loan commitments and financial guarantees

	Stage 1	Stage 2	Stage 3	Total
Provision as at 1 January 2020	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	<u>(2,383)</u>	<u>(73)</u>	<u>(118)</u>	<u>(2,574)</u>
Provision as at 31 December 2020	<u>10,717</u>	<u>5,820</u>	<u>953</u>	<u>17,490</u>
Transfer to Stage 1	220	(2,809)	(60)	(2,649)
Transfer to Stage 2	(160)	1,830	(53)	1,617
Transfer to Stage 3	(3)	(33)	244	208
Net remeasurement of loss allowance	1,033	(411)	(104)	518
New financial assets originated or purchased	3,175	194	21	3,390
Decrease	<u>(891)</u>	<u>(501)</u>	<u>(85)</u>	<u>(1,477)</u>
Loss allowance as at 30 June 2021	<u>14,091</u>	<u>4,090</u>	<u>916</u>	<u>19,097</u>

Placements with other banks, net of allowance for placement losses

	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2020	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)	<u>(2,070)</u>	=	=	<u>(2,070)</u>
Loss allowance as at 31 December 2020	<u>4,356</u>	<u>2</u>	<u>1,461</u>	<u>5,819</u>
Net remeasurement of loss allowance	(425)	-	(53)	(478)
New financial assets originated or purchased	2,951	-	-	2,951
Financial assets derecognised (other than write-offs)	<u>(2,149)</u>	<u>(2)</u>	=	<u>(2,151)</u>
Loss allowance as at 30 June 2021	<u>4,733</u>	<u>=</u>	<u>1,408</u>	<u>6,141</u>

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

35.1. Credit risk [continued]

35.1.1. Analysis by loan types [continued]

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

Repo Receivables

	Stage 1	Total
Loss allowance as at 1 January 2020	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	<u>292</u>	<u>292</u>
New financial assets originated or purchased	83	83
Financial assets derecognised (other than write-offs)	(339)	(339)
Loss allowance as at 30 June 2021	<u>36</u>	<u>36</u>

Securities at amortised cost

	Stage 1	Stage 2	Total
Loss allowance as at 1 January 2020	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	<u>3,288</u>	-	<u>3,288</u>
Modification	-	1,281	1,281
Loss allowance as at 31 December 2020	<u>3,288</u>	<u>1,281</u>	<u>4,569</u>
Net remeasurement of loss allowance	1,995	(353)	1,642
New financial assets originated or purchased	957	-	957
Financial assets derecognised (other than write-offs)	(18)	-	(18)
Loss allowance as at 30 June 2021	<u>6,222</u>	<u>928</u>	<u>7,150</u>

FVOCI Securities

	Stage 1	Total
Loss allowance as at 1 January 2020	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	<u>1,714</u>	<u>1,714</u>
Net remeasurement of loss allowance	183	183
New financial assets originated or purchased	219	219
Financial assets derecognised (other than write-offs)	(156)	(156)
Loss allowance as at 30 June 2021	<u>1,960</u>	<u>1,960</u>

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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

35.1. Credit risk [continued]

35.1.1. Analysis by loan types [continued]

Loan portfolio by countries

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

Country	30 June 2021		31 December 2020	
	Gross loan and placements with other banks portfolio	Loss allowance	Gross loan and placements with other banks portfolio	Loss allowance
Hungary	4,598,636	(101,921)	3,797,729	(99,295)
Malta	666,851	(4,308)	759,425	(3,985)
Serbia	138,447	(1,984)	126,431	(5,151)
Croatia	135,916	(1,320)	126,886	(917)
Bulgaria	106,729	(11,936)	102,067	(9,158)
Slovakia	71,849	(209)	73,808	(207)
Montenegro	43,584	(4,024)	66,319	(686)
Other	<u>253,773</u>	<u>(8,826)</u>	<u>214,124</u>	<u>(10,382)</u>
Loans, placements with other banks and repo receivables at amortised cost total	<u>6,015,785</u>	<u>(134,528)</u>	<u>5,266,789</u>	<u>(129,781)</u>
Hungary	582,200	-	480,933	-
Other	4	-	4	-
Loans at fair value total	<u>582,204</u>	<u>-</u>	<u>480,937</u>	<u>-</u>
Loans, placements with other banks and repo receivables total	<u>6,597,989</u>	<u>(134,528)</u>	<u>5,747,726</u>	<u>(129,781)</u>

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

35.1. Credit risk [continued]

35.1.2. Collaterals

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

Types of collateral	30 June 2021	31 December 2020
Mortgages	1,509,342	1,450,951
Guarantees and warranties	1,361,300	1,074,420
Deposit	223,178	191,268
<i>from this: Cash</i>	68,920	62,469
<i>Securities</i>	154,258	128,799
Other	462	563
Total	<u>3,094,282</u>	<u>2,717,202</u>

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	30 June 2021	31 December 2020
Mortgage	684,834	687,688
Guarantees and warranties	1,064,894	836,874
Deposit	114,850	94,397
<i>from this: Cash</i>	15,924	8,204
<i>Securities</i>	98,926	86,193
Other	423	423
Total	<u>1,865,001</u>	<u>1,619,382</u>

The coverage level of loan portfolio to the extent of the exposures increased from 31,86% to 31,25% as at 30 June 2021, while the coverage to the total collateral value decreased from 53,46% to 51,84%.

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

For the six month period ended 30 June 2021	Gross carrying amount	Loss allowance	Carrying amount	Collateral value
Retail consumer loans	10,569	(7,119)	3,450	17
Mortgage loans	6,464	(1,116)	5,348	33,272
Municipal loans	123	(46)	77	140
Corporate loans	<u>38,294</u>	<u>(23,040)</u>	<u>15,254</u>	<u>27,765</u>
Total	<u>55,450</u>	<u>(31,321)</u>	<u>24,129</u>	<u>61,194</u>

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

35.1. Credit risk [continued]

35.1.3. Restructured loans

	30 June 2021		31 December 2020	
	Gross portfolio	Loss allowance	Gross portfolio	Loss allowance
Consumer loans	114,705	(18,067)	5,399	(2,575)
Mortgage loans	39,163	(224)	2,156	(68)
Corporate loans	156,096	(24,076)	27,963	(8,283)
SME loans	<u>51,721</u>	<u>(5,972)</u>	6,295	(1,278)
Municipal loans	=	=	41	(16)
Total	<u>361,686</u>	<u>(48,340)</u>	<u>41,854</u>	<u>(12,220)</u>

Restructured portfolio definition

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

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

35.1. Credit risk [continued]

Financial instruments by rating categories¹

Held-for-trading securities as at 30 June 2021

	A1	A2	A3	B1	Ba1	Ba2	Baa1	Baa2	Baa3	N/A	Total
Other non-interest bearing securities	-	-	-	-	-	-	-	-	-	1,378	1,378
Government bonds	-	-	-	-	-	2,668	-	-	31,450	-	34,118
Mortgage bonds	-	-	-	-	-	-	-	-	-	109	109
Hungarian government discounted Treasury Bills	-	-	-	-	-	-	-	-	792	-	792
Shares	4	57	37	5	5	2	13	23	159	432	737
Other bonds	=	=	<u>487</u>	=	=	=	=	=	<u>856</u>	<u>567</u>	<u>1,910</u>
Total	<u>4</u>	<u>57</u>	<u>524</u>	<u>5</u>	<u>5</u>	<u>2,670</u>	<u>13</u>	<u>23</u>	<u>33,257</u>	<u>2,486</u>	<u>39,044</u>

Held-for-trading securities as at 31 December 2020

	A2	A3	B1	Ba2	Ba3	Baa1	Baa2	Baa3	N/A	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
Shares	36	33	5	7	-	45	7	36	257	426
Other bonds	=	<u>495</u>	=	=	=	=	=	<u>998</u>	<u>582</u>	<u>2,075</u>
Total	<u>36</u>	<u>528</u>	<u>5</u>	<u>7</u>	<u>465</u>	<u>45</u>	<u>7</u>	<u>7,833</u>	<u>2,803</u>	<u>11,729</u>

Securities mandatorily measured at fair value through profit or loss as at 30 June 2021

	N/A	Total
Government bonds	24,744	24,744
Mortgage bonds	<u>5,551</u>	<u>8,431</u>
Total	<u>30,295</u>	<u>33,175</u>

Securities mandatorily measured at fair value through profit or loss as at 30 December 2020

	N/A	Total
Government bonds	23,818	23,818
Mortgage bonds	5,342	5,342
Shares	<u>2,776</u>	<u>2,776</u>
Total	<u>31,936</u>	<u>31,936</u>

¹ Moody's ratings

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

35.1. Credit risk [continued]

Financial instruments by rating categories¹

FVOCI securities as at 30 June 2021

	A1	A2	A3	Ba1	Ba2	Baa1	Baa2	Baa3	N/A	Total
Mortgage bonds	-	61,665	-	-	-	-	206,531	-	20,866	289,062
Government bonds	677	2,379	-	14,422	9,027	4,890	-	446,097	-	477,492
Hungarian Treasury Bills	-	-	-	-	-	-	-	9,784	-	9,784
Non-trading equity instruments	-	-	-	-	-	-	-	-	12,502	15,825
Other bonds	=	=	<u>4,703</u>	<u>3,793</u>	=	=	<u>1,545</u>	<u>35,815</u>	<u>19,332</u>	<u>65,188</u>
Total	<u>677</u>	<u>64,044</u>	<u>4,703</u>	<u>18,215</u>	<u>9,027</u>	<u>4,890</u>	<u>208,076</u>	<u>491,696</u>	<u>52,700</u>	<u>857,351</u>

FVOCI securities as at 31 December 2020

	A2	A3	Ba1	Ba3	Baa2	Baa3	N/A	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-trading equity instruments	-	-	-	-	-	-	15,731	15,731
Other bonds	=	<u>4,815</u>	<u>3,958</u>	=	<u>1,620</u>	<u>37,961</u>	<u>16,782</u>	<u>65,136</u>
Total	<u>63,803</u>	<u>12,206</u>	<u>8,582</u>	<u>15,055</u>	<u>252,293</u>	<u>509,081</u>	<u>50,930</u>	<u>911,950</u>

Securities at amortised cost as at 30 June 2021

	Ba2	Baa3	N/A	Total
Government bonds	1,132	2,412,459	-	2,480,236
Mortgage bonds	-	17,822	89,367	108,432
Total	1,132	2,430,281	89,367	2,588,668

Securities at amortised cost as at 31 December 2020

	Ba2	Baa3	N/A	Total
Government bonds	2,816	1,941,855	-	1,944,671
Mortgage bonds	-	<u>14,579</u>	<u>48,442</u>	<u>63,021</u>
Total	<u>2,816</u>	<u>1,956,434</u>	<u>48,442</u>	<u>2,007,692</u>

¹ Moody's ratings

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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

35.1. Credit risk [continued]

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

Country	30 June 2021		31 December 2020	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Hungary	2,477,924	(5,618)	1,986,362	(3,194)
United States of America	32,263	(332)	1,069	(4)
Portugal	21,617	(409)	-	-
Spain	21,490	(65)	-	-
Croatia	10,016	(387)	-	-
Russia	9,041	(291)	2,757	(3)
Luxembourg	-	-	20,792	(87)
Other	23,467	(48)	=	=
Securities at amortised cost total	<u>2,595,818</u>	<u>(7,150)</u>	<u>2,010,980</u>	<u>(3,288)</u>
Hungary	730,557	-	761,472	-
Russia	64,103	-	29,697	-
Croatia	14,422	-	-	-
Serbia	9,027	-	-	-
Romania	7,119	-	-	-
Spain	4,890	-	-	-
Luxembourg	-	-	85,006	-
Other	11,408	=	20,044	=
FVOCI securities total	<u>841,526</u>	=	<u>896,219</u>	=
Austria	3,323	-	3,122	-
United States of America	11,974	-	12,079	-
Other	528	=	530	=
Non-trading equity instruments designated to measure at fair value through other comprehensive income	<u>15,825</u>	=	<u>15,731</u>	=
Hungary	34,106	-	8,613	-
Serbia	2,668	-	465	-
Russia	1,265	-	808	-
Luxembourg	599	-	771	-
Germany	378	-	410	-
Other	28	-	662	-
Held for trading securities total	<u>39,044</u>	=	<u>11,729</u>	=
Hungary	18,418	-	18,470	-
Luxembourg	11,325	-	10,428	-
United States of America	2,880	-	2,776	-
Portugal	552	=	262	=
Securities mandatorily measured at fair value through profit or loss	<u>33,175</u>	=	<u>31,936</u>	=
Securities total	<u>3,525,388</u>	<u>(7,150)</u>	<u>2,966,595</u>	<u>(3,288)</u>

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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

35.2. Maturity analysis of assets and liabilities and liquidity risk

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

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

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

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

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

Due to the balance sheet adjustment process (deleveraging) experienced in the last few years, the liquidity reserves of the Bank increased significantly while the liquidity risk exposure has decreased considerably. Currently the (over)coverage of risk liquidity risk exposure by high quality liquid assets is at all-time record highs. There were no material changes in the liquidity risk management process for the six month period ended 30 June 2021.

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.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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

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

As at 30 June 2021	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	392,632	-	-	-	-	392,632
Placements with other banks, net of allowance for placement losses	1,146,593	779,882	323,257	29,027	-	2,278,759
Repo receivables	47,180	-	-	-	-	47,180
Financial assets at fair value through profit or loss	478	2,199	21,504	18,447	21,262	63,890
Securities at fair value through other comprehensive income	23,676	96,018	356,860	329,699	153,770	960,023
Loans at amortised cost	1,075,551	795,552	1,251,350	672,444	-	3,794,897
Loans mandatorily measured at fair value through profit or loss	11,768	13,435	103,515	475,359	-	604,077
Securities at amortised cost	27,661	125,856	1,596,951	808,282	-	2,558,750
Investment properties	-	-	-	-	1,912	1,912
Investments in subsidiaries, associates and other investments	-	-	-	-	1,586,180	1,586,180
Other financial assets	<u>181,415</u>	<u>4,401</u>	-	-	-	<u>185,816</u>
TOTAL ASSETS	<u>2,906,954</u>	<u>1,817,343</u>	<u>3,653,437</u>	<u>2,333,258</u>	<u>1,763,124</u>	<u>12,474,116</u>
Amounts due to banks and deposits from the National Bank of Hungary and other banks	363,304	111,113	625,875	100,569	-	1,200,861
Deposits from customers	8,187,291	147,371	31,748	13,560	-	8,379,970
Repo liabilities	209,623	-	105,637	-	-	315,260
Liabilities from issued securities	6,444	12,235	10,813	2,065	-	31,557
Subordinated bonds and loans	5,318	-	-	291,053	-	296,371
Financial liabilities at fair value through profit or loss	1,669	1,362	5,916	14,582	-	23,529
Leasing liabilities	1,267	2,163	7,368	1,204	-	<u>12,002</u>
Other financial liabilities	<u>187,735</u>	<u>6,207</u>	<u>784</u>	-	-	<u>194,726</u>
TOTAL LIABILITIES	<u>8,962,651</u>	<u>280,451</u>	<u>788,141</u>	<u>423,033</u>	-	<u>10,454,276</u>
NET POSITION¹	<u>(6,055,697)</u>	<u>1,536,892</u>	<u>2,865,296</u>	<u>1,910,225</u>	<u>1,763,124</u>	<u>2,019,840</u>
Receivables from derivative financial instruments classified as held for trading	35,018	16,701	18,597	7,314	-	77,630
Liabilities from derivative financial instruments classified as held for trading	<u>(24,336)</u>	<u>(12,491)</u>	<u>(7,611)</u>	<u>(426)</u>	-	<u>(44,864)</u>
Net position of derivative financial instruments classified as held for trading	<u>10,682</u>	<u>4,210</u>	<u>10,986</u>	<u>6,888</u>	=	<u>32,766</u>
Receivables from derivative financial instruments designated as hedge accounting	858	(1,934)	2,907	(44)	-	1,787
Liabilities from derivative financial instruments designated as hedge accounting	<u>1,052</u>	<u>(2,192)</u>	<u>(1,097)</u>	<u>(649)</u>	-	<u>(2,886)</u>
Net position of derivative financial instruments designated as hedging accounting	<u>1,910</u>	<u>(4,126)</u>	<u>1,810</u>	<u>(693)</u>	=	<u>(1,099)</u>
Net position of derivative financial instruments total	<u>12,592</u>	<u>84</u>	<u>12,796</u>	<u>6,195</u>	=	<u>31,667</u>
Commitments to extend credit	1,689,832	-	-	-	-	1,689,832
Confirmed letters of credit	5,864	-	-	-	-	5,864
Factoring loan commitment	323,316	-	-	-	-	323,316
Bank guarantees	<u>81,595</u>	<u>223,395</u>	<u>202,553</u>	<u>961,809</u>	-	<u>1,469,352</u>
Off-balance sheet commitments	<u>2,100,607</u>	<u>223,395</u>	<u>202,553</u>	<u>961,809</u>	=	<u>3,488,364</u>

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

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

As at 31 December 2020	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash, amounts due from banks and balances with the National Bank of Hungary	579,120	-	-	-	-	579,120
Placements with other banks, net of allowance for placement losses	578,907	656,143	273,834	33,027	-	1,541,911
Repo receivables	183,656	-	-	-	-	183,656
Financial assets at fair value through profit or loss	1,401	1,151	3,576	9,042	22,121	37,291
Securities at fair value through other comprehensive income	14,453	111,117	402,797	305,507	15,731	849,605
Loans at amortised cost	1,134,542	728,410	1,132,083	645,980	-	3,641,015
Loans mandatorily measured at fair value through profit or loss	14,850	11,674	85,000	383,775	-	495,299
Securities at amortised cost	19,735	37,950	1,354,479	559,171	-	1,971,335
Investment properties	-	-	-	-	1,936	1,936
Investments in subsidiaries, associates and other investments	-	-	-	-	1,548,972	1,548,972
Other financial assets	<u>133,832</u>	<u>1,277</u>	-	-	-	<u>135,109</u>
TOTAL ASSETS	<u>2,660,496</u>	<u>1,547,722</u>	<u>3,251,769</u>	<u>1,936,502</u>	<u>1,588,760</u>	<u>10,985,249</u>
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	<u>161,652</u>	<u>4,877</u>	<u>1,417</u>	-	-	<u>167,946</u>
TOTAL LIABILITIES	<u>8,038,125</u>	<u>216,244</u>	<u>662,532</u>	<u>408,035</u>	-	<u>9,324,936</u>
NET POSITION¹	<u>(5,377,629)</u>	<u>1,331,478</u>	<u>2,589,237</u>	<u>1,528,467</u>	<u>1,588,760</u>	<u>1,660,313</u>
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	<u>(88,685)</u>	<u>(3,774,109)</u>	<u>(490,468)</u>	<u>(226,529)</u>	-	<u>(4,579,791)</u>
Net position of derivative financial instruments classified as held for trading	<u>72,225</u>	<u>(617,505)</u>	<u>62,219</u>	<u>44,028</u>	=	<u>(439,033)</u>
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	<u>(40,485)</u>	<u>(114,512)</u>	<u>(472,245)</u>	<u>(88,720)</u>	-	<u>(715,962)</u>
Net position of derivative financial instruments designated as hedging accounting	<u>(40,302)</u>	<u>(107,226)</u>	<u>(303,333)</u>	<u>84,389</u>	=	<u>(366,472)</u>
Net position of derivative financial instruments total	<u>31,923</u>	<u>(724,731)</u>	<u>(241,114)</u>	<u>128,417</u>	=	<u>(805,505)</u>
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	<u>115,485</u>	<u>136,569</u>	<u>305,714</u>	<u>861,775</u>	-	<u>1,419,543</u>
Off-balance sheet commitments	<u>1,866,853</u>	<u>136,569</u>	<u>305,714</u>	<u>861,775</u>	=	<u>3,170,911</u>

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

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

35.3. Net foreign currency position and foreign currency risk

As at 30 June 2021

	USD	EUR	CHF	Others	Total
Assets	178,661	1,917,927	15,175	218,982	2,330,745
Liabilities	(366,203)	(1,925,881)	(40,777)	(87,963)	(2,420,824)
Derivative financial instruments	<u>182,708</u>	<u>192,513</u>	<u>26,031</u>	<u>(126,294)</u>	<u>274,958</u>
Net position	<u>(4,834)</u>	<u>184,559</u>	<u>429</u>	<u>4,725</u>	<u>184,879</u>

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	<u>116,987</u>	<u>(350,237)</u>	<u>18,614</u>	<u>(146,208)</u>	<u>(360,844)</u>
Net position	<u>(5)</u>	<u>(44,084)</u>	<u>422</u>	<u>323</u>	<u>(43,344)</u>

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.

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

35.4. Interest rate risk management [continued]

As at 30 June 2021	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest -bearing		Total		Total
	ASSETS	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	
Cash, amounts due from banks and balances with the National Bank of Hungary	54,355	127,406	-	-	-	-	-	-	-	-	- 178,910	31,961	233,265	159,367	392,632
fixed interest	54,355	127,406	-	-	-	-	-	-	-	-	-	-	54,355	127,406	181,761
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	- 178,910	31,961	178,910	31,961	210,871
Placements with other banks	1,451,338	151,700	73,081	77,569	203,596	108,846	25,354	26,952	134,531	-	- 22,636	2,747	1,910,536	367,814	2,278,350
fixed interest	811,643	97,951	62,196	76,096	24,070	100,105	25,354	26,952	134,531	-	-	-	1,057,794	301,104	1,358,898
variable interest	639,695	53,749	10,885	1,473	179,526	8,741	-	-	-	-	-	-	830,106	63,963	894,069
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	- 22,636	2,747	22,636	2,747	25,383
Repo receivables	47,144	-	-	-	-	-	-	-	-	-	-	-	47,144	-	47,144
fixed interest	47,144	-	-	-	-	-	-	-	-	-	-	-	47,144	-	47,144
Securities held for trading	-	-	1,016	510	8	61	485	-	30,128	4,721	1,633	482	33,270	5,774	39,044
fixed interest	-	-	-	-	8	61	485	-	30,128	4,721	-	-	30,621	4,782	35,403
variable interest	-	-	1,016	510	-	-	-	-	-	-	-	-	1,016	510	1,526
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	- 1,633	482	1,633	482	2,115
Securities mandatorily measured at fair value through profit or loss	-	5,551	-	-	-	-	-	-	-	-	- 18,418	9,206	18,418	14,757	33,175
variable interest	-	5,551	-	-	-	-	-	-	-	-	-	-	-	5,551	5,551
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	- 18,418	9,206	18,418	9,206	27,624
Securities at fair value through other comprehensive income	63,365	-	1,038	-	94,383	8,255	21,588	-	503,915	148,982	528	15,297	684,817	172,534	857,351
fixed interest	202	-	562	-	85,897	8,255	6,166	-	503,403	148,982	-	-	596,230	157,237	753,467
variable interest	63,163	-	476	-	8,486	-	15,422	-	512	-	-	-	88,059	-	88,059
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	- 528	15,297	528	15,297	15,825

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NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

35.4. Interest rate risk management [continued]

As at 30 June 2021	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 [continued]															
Loans measured at amortised cost	141,633	8,879	535,599	5,500	381,990	3,961	241,183	682	822,651	2,598	10,940	1,406,288	2,133,996	1,427,908	3,561,904
fixed interest	13,524	171	30,440	8	152,367	569	217,795	682	809,676	2,598	-	-	1,223,802	4,028	1,227,830
variable interest	128,109	8,708	505,159	5,492	229,623	3,392	23,388	-	12,975	-	-	-	899,254	17,592	916,846
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	10,940	1,406,288	10,940	1,406,288	1,417,228
Loans mandatorily measured at fair value through profit or loss	40,081	-	45	-	1,978	-	750	-	539,350	-	-	-	582,204	-	582,204
variable interest	40,081	-	45	-	1,978	-	750	-	539,350	-	-	-	582,204	-	582,204
Securities at amortised cost	-	4,811	-	7,277	126,679	1,007	237,451	7	2,063,422	148,014	-	-	2,427,552	161,116	2,588,668
fixed interest	-	-	-	-	126,679	1,007	237,451	7	2,063,422	148,014	-	-	2,427,552	149,028	2,576,580
variable interest	-	4,811	-	7,277	-	-	-	-	-	-	-	-	-	12,088	12,088
Other financial assets	-	-	-	-	-	-	-	-	-	-	156,440	24,285	156,440	24,285	180,725
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	156,440	24,285	156,440	24,285	180,725
Derivative financial instruments	1,718,642	298,467	970,719	396,935	787,719	436,421	9,862	3,473	55,619	126,184	535,500	340,376	4,078,061	1,601,856	5,679,917
fixed interest	1,699,229	200,216	776,869	217,575	785,610	377,527	9,772	3,473	55,619	126,184	-	-	3,327,099	924,975	4,252,074
variable interest	19,413	98,251	193,850	179,360	2,109	58,894	90	-	-	-	-	-	215,462	336,505	551,967
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	535,500	340,376	535,500	340,376	875,876

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NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

35.4. Interest rate risk management [continued]

As at 30 June 2021	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	
LIABILITIES															
Amounts due to banks and deposits with the National Bank of Hungary and other banks	108,556	191,463	66,936	87,505	114,881	40,333	123,082	-	489,363	-	1,099	624	903,917	319,925	1,223,842
fixed interest	83,764	134,275	66,936	67,958	114,881	36,259	123,082	-	489,363	-	-	-	878,026	238,492	1,116,518
variable interest	24,792	57,188	-	19,547	-	4,074	-	-	-	-	-	-	24,792	80,809	105,601
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	1,099	624	1,099	624	1,723
Financial liabilities designated to measure at fair value through profit or loss	23,529	-	-	-	-	-	-	-	-	-	-	-	23,529	-	23,529
fixed interest	57	-	-	-	-	-	-	-	-	-	-	-	57	-	57
variable interest	23,472	-	-	-	-	-	-	-	-	-	-	-	23,472	-	23,472
Repo liabilities	209,623	105,637	-	-	-	-	-	-	-	-	-	-	209,623	105,637	315,260
fixed interest	209,623	-	-	-	-	-	-	-	-	-	-	-	209,623	-	209,623
variable interest	-	105,637	-	-	-	-	-	-	-	-	-	-	-	105,637	105,637
Deposits from customers	6,392,985	1,068,689	219,615	60,889	135,359	349,144	775	130,585	-	-	14,537	7,392	6,763,271	1,616,699	8,379,970
fixed interest	490,045	42,629	219,615	60,889	135,359	349,144	775	130,585	-	-	-	-	845,794	583,247	1,429,041
variable interest	5,902,940	1,026,060	-	-	-	-	-	-	-	-	-	-	5,902,940	1,026,060	6,929,000
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	14,537	7,392	14,537	7,392	21,929
Liabilities from issued securities	11,089	-	7,204	-	4,708	-	1,662	-	6,340	-	-	-	31,003	-	31,003
fixed interest	211	-	-	-	4,123	-	1,662	-	6,340	-	-	-	12,336	-	12,336
variable interest	10,878	-	7,204	-	585	-	-	-	-	-	-	-	18,667	-	18,667
Subordinated bonds and loans	-	179,915	-	115,677	-	-	-	-	-	-	-	-	-	295,592	295,592
variable interest	-	179,915	-	115,677	-	-	-	-	-	-	-	-	-	295,592	295,592
Leasing liabilities	208	332	267	460	1,039	1,124	1,356	1,004	5,111	1,101	-	-	7,982	4,020	12,002
fixed interest	107	24	69	41	531	98	705	48	2,387	116	-	-	3,798	326	4,124
variable interest	101	308	198	419	508	1,026	651	956	2,725	985	-	-	4,183	3,694	7,878
Other financial liabilities	-	-	-	-	-	-	-	-	-	-	156,033	37,514	156,033	37,514	193,547
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	156,033	37,514	156,033	37,514	193,547
Derivative financial instruments	1,647,931	365,180	896,549	462,963	637,442	578,988	8,124	5,291	65,441	102,568	570,018	300,486	3,825,505	1,815,476	5,640,981
fixed interest	1,536,473	353,249	573,854	428,684	635,233	519,975	8,034	5,291	65,441	102,208	-	-	2,819,035	1,409,407	4,228,442
variable interest	111,458	11,931	322,695	34,279	2,209	59,013	90	-	-	360	-	-	436,452	105,583	542,035
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	570,018	300,486	570,018	300,486	870,504
NET POSITION	(4,877,363)	(1,314,402)	390,927	(239,703)	702,924	(411,038)	401,674	(105,766)	3,583,361	326,830	183,319	1,484,625	384,841	(259,453)	125,388

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

35.4. Interest rate risk management [continued]

As at 31 December 2020	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest -bearing		Total		Total
	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

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

35.4. Interest rate risk management [continued]

As at 31 December 2020	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest - bearing		Total		Total
	ASSETS [continued]	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	
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

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NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

35.4. Interest rate risk management [continued]

As at 31 December 2020	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest-bearing		Total		Total
	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	
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)

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

35.5. Market risk

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

35.5.1. Market risk sensitivity analysis

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

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

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

Historical VaR (99%, one-day) by risk type	Average	
	2021Q2	2020
Foreign exchange	1,101	1,507
Interest rate	75	77
Equity instruments	74	141
Diversification	-	-
Total VaR exposure	<u>1,250</u>	<u>1,725</u>

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

35.5.2. Foreign currency sensitivity analysis

The following table shows the result of the foreign currency sensitivity analysis. 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.

Numbers below indicate the expected daily profit or loss of the portfolio beside the given confidence level.

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

35.5. Market risk [continued]

35.5.2. Foreign currency sensitivity analysis [continued]

Probability	Effects to the P&L in 3 months period	
	30 June 2021	31 December 2020
	In HUF billion	In HUF billion
1%	(2.0)	(5.9)
5%	(1.4)	(4.1)
25%	(0.5)	(1.7)
50%	-	(0.2)
25%	0.5	1.2
5%	1.6	3.2
1%	1.9	4.6

Notes:

(1) Historical VaR simulation is based on the empirical distribution of the historical exchange rate movements between 30 June 2021 and 31 December 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 is prepared by assuming only the advertising 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.
- Deposits with an interest rate lower than 0.3% even at high market rates were assumed to be unchanged for 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 100 bps over the next year (probable scenario)
2. HUF base rate and BUBOR decreases gradually by 50 bps over the next year (alternative scenario)

The net interest income in a one year period after 1 July 2021 would change by HUF +2,517 million (probable scenario) and HUF 3,109 million (alternative scenario) as a result of these simulation. The same simulation indicated HUF 2,421 million (probable scenario) and HUF 5,122 million (alternative scenario) decrease in the Net interest income in a one year period after 1 July 2020. This effect is counterbalanced by capital gains/losses HUF (2,530) million (for probable scenario), HUF 1,309 million (for alternative scenario) as at 30 June 2021 and (HUF +2,387 million for probable scenario, HUF 4,755 million for alternative scenario as at 30 June 2020) 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	2021 Q2		2020	
	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	(1,248)	259	(1,991)	389
EUR (0.1%) parallel shift	(729)	-	(676)	-
USD (0.1%) parallel shift	(187)	-	(165)	-
Total	<u>(2,164)</u>	<u>259</u>	<u>(2,832)</u>	<u>389</u>

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

35.5. Market risk [continued]

35.5.4. Equity price sensitivity analysis

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

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

Description	2021 Q2	2020
VaR (99%, one day, million HUF)	74	141
Stress test (million HUF)	(186)	(233)

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 2021 as well as in 2020.

The Bank`s capital adequacy calculation is in line with IFRS and based on Basel III as at 30 June 2021 and 31 December 2020. 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).

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NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 35: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

35.6. Capital management [continued]

Capital adequacy [continued]¹

The calculation of the Capital Adequacy ratio as at 30 June 2021 and 31 December 2020 is as follows:

	30 June 2021	31 December 2020
	Basel III	Basel III
Core capital (Tier 1)	1,651,574	1,598,295
Primary core capital (CET1)	1,651,574	1,598,295
Supplementary capital (Tier 2)	288,554	295,795
Regulatory capital	<u>1,940,128</u>	<u>1,894,090</u>
Credit risk capital requirement	556,462	526,283
Market risk capital requirement	26,003	11,550
Operational risk capital requirement	27,643	27,597
Total eligible regulatory capital	<u>610,108</u>	<u>565,430</u>
Surplus capital	<u>1,330,020</u>	<u>1,328,660</u>
CET 1 ratio	21.66%	22.61%
Capital adequacy ratio	<u>25.44%</u>	<u>26.80%</u>

Basel III:

Common equity Tier 1 capital (CET1):

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

Tier 2 capital:

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

¹ In its circular of 8 January 2021 the NBH instructed the Hungarian credit institutions to refrain from paying dividends or making irrevocable commitments to pay dividends until 30 September 2021 after the 2019 and 2020 financials years or at the expense of earnings made in earlier years, and also, to refrain from share buybacks crediting investors until 30 September 2021 (share buybacks under the remuneration policy are not part of such limitation). The NBH announced on 12 August 2021 that it has reviewed its management circular. According to one of the amendments, the central bank extended the deadline concerning restrictions on dividend payment and treasury share purchases until the end of 2021. Credit institutions might be exempted from the dividend payment ban only if they meet certain strict conditions. OTP Bank's management is committed to distribute dividends which will include HUF 119 billion dividend amount after 2019 and 2020; the payment of the said amount was suspended at the request of the regulator, but was deducted from the regulatory capital. In the first half year of 2021 the Bank deducted HUF 42 billion dividend, but it can't be considered as an indication from the management for the dividend after the 2021 fiscal year; it was determined in accordance with the Commission Delegated Regulation (EU) No. 241/2014. Article 2. (7) Paragraph.

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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 30 June 2021

Date of reclassification	Reason	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%	15

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 30 June 2021. The Bank has previously held retail government bonds in the portfolio measured at fair value through other comprehensive income. During 2018 the Bank changed the business model of the retail government bonds to manage all on the basis of a single business model aimed at collecting the future contractual cash flows and/or selling them.

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

Financial assets transferred but not derecognised

	30 June 2021		31 December 2020	
	Transferred assets	Associated liabilities	Transferred assets	Associated liabilities
	Carrying amount			
Financial assets at fair value through other comprehensive income				
Debt securities	<u>23,087</u>	<u>23,540</u>	=	=
Total:	<u>23,087</u>	<u>23,540</u>	=	=
Financial assets at amortised cost				
Debt securities	<u>309,846</u>	<u>291,721</u>	<u>125,244</u>	<u>109,612</u>
Total:	<u>309,846</u>	<u>291,721</u>	<u>125,244</u>	<u>109,612</u>
Total:	<u>332,933</u>	<u>315,261</u>	<u>125,244</u>	<u>109,612</u>

As at 30 June 2021 and 31 December 2020, the Bank had obligation from repurchase agreements about HUF 292 billion and HUF 110 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.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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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

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

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 37: OFF-BALANCE SHEET ITEMS (in HUF mn) [continued]

Guarantees, payment undertakings arising from banking activities

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

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

Contingent liabilities related to OTP Mortgage Bank Ltd.

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

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

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

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

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

During implementation of the Remuneration Policy of the Group it became apparent that in case of certain foreign subsidiaries it is not possible to ensure the originally determined share-based payment because of legal reasons – incompatible with relevant EU-directives –, therefore a decision was made to cancel the share-based payment in affected countries, and virtual share based payment – cash payment fixed to share price - was made from 2017. In case of foreign subsidiaries virtual share based payment was made uniformly from 2021 (in case of payments related to 2021).

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 Board¹.

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 6,000 discount at the assessment date, and earnings for the shares at the payment date is maximum HUF 12,000.

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

¹ Until the end of 2014 Board of Directors

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 38: SHARE-BASED PAYMENT AND EMPLOYEE BENEFIT (in HUF mn) [continued]

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

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

The parameters for the share-based payment relating to ongoing years 2016-2020 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	
	for the year 2016			for the year 2017			for the year 2018		
2017	7,200	2,500	9,200	-	-	-	-	-	-
2018	7,200	3,000	9,200	8,064	3,000	10,064	-	-	-
2019	7,200	3,500	9,200	8,064	3,500	10,064	10,413	4,000	12,413
2020	7,200	4,000	9,200	8,064	4,000	10,064	10,413	4,000	12,413
2021	-	-	-	8,064	4,000	10,064	10,413	4,000	12,413
2022	-	-	-	8,064	4,000	10,064	10,913	4,000	12,413
2023	-	-	-	-	-	-	10,913	4,000	12,413
2024	-	-	-	-	-	-	10,913	4,000	12,413
2025	-	-	-	-	-	-	10,913	4,000	12,413

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	
	for the year 2019			for the year 2020		
2019	9,553	4,000	11,553	-	-	-
2020	9,553	4,000	11,553	12,644	9,000	16,644
2021	9,553	4,000	11,553	12,644	8,000	16,644
2022	9,553	4,000	11,553	13,644	8,000	16,644
2023	9,553	4,000	11,553	13,644	8,000	16,644
2024	9,553	4,000	11,553	13,644	8,000	16,644
2025	9,553	4,000	11,553	13,644	8,000	16,644
2026	-	-	-	13,644	8,000	16,644

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 38: SHARE-BASED PAYMENT AND EMPLOYEE BENEFIT (in HUF mn) [continued]

Based on parameters accepted by Supervisory Board, relating to the year 2016 effective pieces are follows As at 30 June 2021:

	Approved pieces of shares	Exercised until 30 June 2021	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable at 30 June 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 30 June 2021:

	Approved pieces of shares	Exercised until 30 June 2021	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable at 30 June 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	99,668	11,992	-	1,903
Remuneration exchanged to share applying in 2020	11,584	11,584	11,897	-	-
Share-purchasing period starting in 2021	109,460	34,931	16,533	-	74,529
Remuneration exchanged to share applying in 2021	11,531	11,531	16,477	-	-
Share-purchasing period starting in 2022	-	-	-	-	42,820
Remuneration exchanged to share applying in 2022	-	-	-	-	3,003

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 38: SHARE-BASED PAYMENT AND EMPLOYEE BENEFIT (in HUF mn) [continued]

Based on parameters accepted by Supervisory Board, relating to the year 2018 effective pieces are follows As at 30 June 2021:

	Approved pieces of shares	Exercised until 30 June 2021	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable at 30 June 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	146,686	14,230	-	3,544
Remuneration exchanged to share applying in 2020	33,024	33,024	11,897	-	-
Share-purchasing period starting in 2021	73,799	39,722	16,644	-	34,077
Remuneration exchanged to share applying in 2021	14,618	14,618	16,468	-	-
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 30 June 2021:

	Approved pieces of shares	Exercised until 30 June 2021	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable at 30 June 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	201,273	94,024	16,625	-	107,249
Remuneration exchanged to share applying in 2020	30,834	22,402	16,507	-	8,432
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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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

Based on parameters accepted by Supervisory Board, relating to the year 2020 effective pieces are follows As at 30 June 2021:

	Approved pieces of shares	Exercised until 30 June 2021	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable at 30 June 2020
Share-purchasing period started in 2019	40,802	-	-	-	40,802
Remuneration exchanged to share provided in 2019	11,759	10,234	16,447	-	1,525
Share-purchasing period starting in 2020	-	-	-	-	82,826
Remuneration exchanged to share applying in 2020	-	-	-	-	19,390
Share-purchasing period starting in 2021	-	-	-	-	47,826
Remuneration exchanged to share applying in 2021	-	-	-	-	9,292
Share-purchasing period starting in 2022	-	-	-	-	51,002
Remuneration exchanged to share applying in 2022	-	-	-	-	9,518
Share-purchasing period starting in 2023	-	-	-	-	13,080
Remuneration exchanged to share applying in 2023	-	-	-	-	3,443
Remuneration exchanged to share applying in 2024	-	-	-	-	680
Remuneration exchanged to share applying in 2025	-	-	-	-	680

Effective pieces relating to the periods starting in 2022-2027 settled during valuation of performance of year 2017-2020, 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 2021 based on performance assessment accounted as equity-settled share based transactions HUF 1,691 million was recognized as expense for the six month period ended 30 June 2021.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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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

	30 June 2021		31 December 2020	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
OTP Mortgage Bank Ltd.	677,697	(1,564)	585,732	(1,356)
OTP Financing Malta Company Ltd. (Malta)	635,619	(4,232)	726,619	(3,903)
Merkantil Bank Ltd.	413,646	(2,020)	341,436	(2,161)
OTP banka dioničko društvo (Croatia)	132,719	-	114,385	-
OTP banka Srbija akcionarsko društvo Novi Sad (Serbia)	96,314	(860)	-	-
OTP Employee Stock Ownership Program (OTP ESOP)	94,372	-	53,580	-
OTP Real Estate Leasing Ltd.	59,146	(786)	48,555	(505)
LLC MFO OTP Finance (Russia)	27,135	(360)	-	-
OTP Holding Malta Ltd.	31,232	(76)	32,805	(82)
OTP Bank Albania (Albania)	28,035	-	20,539	-
Crnogorska komercijalna banka a.d. (Montenegro)	25,252	(78)	50,635	(351)
ZA-Invest Béta Llc.	13,828	(367)	14,951	(337)
Air-Invest Llc.	1,150	(1,150)	1,150	(1,150)
OTP Bank Romania S.A. (Romania)	1,552	(1,408)	1,544	(1,461)
Other	<u>22,084</u>	<u>(1,301)</u>	<u>93,954</u>	<u>(998)</u>
Total	<u>2,259,781</u>	<u>(14,202)</u>	<u>2,085,885</u>	<u>(12,304)</u>

39.2. Deposits from related parties

	30 June 2021	31 December 2020
OTP Funds Servicing and Consulting Ltd.	169,200	126,867
OTP Bank JSC (Ukraine)	104,426	402
JSC "OTP Bank" (Russia)	46,937	79,685
Crnogorska komercijalna banka a.d. (Montenegro)	26,073	1,988
Merkantil Bank Ltd.	25,476	29,866
Bank Center Llc.	21,379	21,938
Inga Kettó Llc.	20,889	18,404
OTP Building Society Ltd.	17,072	25,982
OTP Mortgage Bank Ltd.	13,600	4,692
OTP Employee Stock Ownership Program (OTP ESOP)	13,221	6,284
OTP Factoring Ltd.	4,421	16,112
DSK Bank EAD (Bulgaria)	8,354	1,125
OTP Holding Ltd. / OTP Financing Ciprus Co. Ltd. (Ciprus)	7,589	7,937
Balansz Private Open-end Investment Fund	5,843	5,662
OTP Real Estate Investment Fund Management Ltd.	2,787	4,411
OTP banka Hrvatska d.d. (Croatia)	2,701	1,736
OTP Bank Romania S.A. (Romania)	1,411	331
Air-Invest Llc.	823	6,904
NAGISZ Ltd.	6,396	2,315
Other	<u>57,048</u>	<u>38,009</u>
Total	<u>555,646</u>	<u>400,650</u>

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 39: RELATED PARTY TRANSACTIONS (in HUF mn) [continued]

39.3. Interests received by the Bank¹

	30 June 2021	30 June 2020
OTP Financing Malta Company Ltd. (Malta)	3,503	6,256
Merkantil Bank Ltd.	2,905	2,545
OTP Mortgage Bank Ltd.	2,394	1,779
OTP Real Estate Leasing Ltd.	601	314
Other	<u>699</u>	<u>514</u>
Total	<u>10,102</u>	<u>11,408</u>

39.4. Interests paid by the Bank¹

	30 June 2021	30 June 2020
JSC "OTP Bank" (Russia)	1,419	2,995
Merkantil Bank Ltd.	156	141
OTP Funds Servicing and Consulting Ltd.	112	112
Bank Center Llc.	80	45
Inga Kettó Llc.	62	-
OTP Financial Point Ltd.	-	46
DSK Bank EAD (Bulgaria)	9	95
OTP banka Hrvatska d.d. (Croatia)	8	93
Other	<u>194</u>	<u>401</u>
Total	<u>2,040</u>	<u>3,928</u>

39.5. Commissions received by the Bank

	30 June 2021	30 June 2020
From OTP Building Society Ltd. (agency fee in relation to finalised customer contracts)	918	1,187
From OTP Real Estate Investment Fund Management Ltd. in relation to trading activity	2,005	1,585
From OTP Fund Management Ltd. in relation to trading activity	2,499	1,509
OTP Mobile Service Llc.	1,870	1,187
OTP Funds Servicing and Consulting Ltd.	326	241
From OTP banka Srbija akcionarsko drustvo Novi Sad/ OTP Banka Srbija AD.Beograd Ljubljana in relation to loans, deposits and money transfer	193	116
From SKB Banka d.d. Ljubljana in relation to loans, deposits and money transfer	148	152
Other	<u>783</u>	<u>650</u>
Total	<u>8,742</u>	<u>6,627</u>

39.6. Commissions paid by the Bank

	30 June 2021	30 June 2020
OTP Faktoring Ltd. related to commission fee	59	69
OTP Financial Point Ltd.	512	97
OTP Mobile Ltd.	157	-
Total	<u>894</u>	<u>166</u>

¹ Derivatives and interest on securities are not included.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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

39.7. Transactions related to OTP Mortgage Bank Ltd.:

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

39.8. Transactions related to OTP Factoring Ltd.:

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

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

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

	30 June 2021	30 June 2020
Securities issued by OTP Banka Slovensko a.s. (Slovakia) held by OTP Bank (nominal value in HUF million)	-	16,045

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:

	30 June 2021	30 June 2020
Short-term employee benefits	1,383	1,198
Share-based payment	1,689	1,490
Long-term employee benefits (on the basis of IAS 19)	<u>105</u>	<u>141</u>
Total	<u>3,177</u>	<u>2,829</u>
	30 June 2021	31 December 2020
Loans provided to companies owned by the Management (in the normal course of business)	83,019	87,791
Commitments to extend credit and bank guarantees	56,004	36,738

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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

39.10. Related party transactions with key management [continued]

Outstanding balances and of banking products provided to key management as at 30 June 2021

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
Amex Blue/Gold/Platina	141	13	2	126	29,58%-30,66%	-	6.876-21.606 HUF	Income received to bank account
Mastercard	43	9	-	34	26,94%-31,86%	-	4.482-18.728 HUF	Income received to bank account
Arany/Bonus/Bonusgold								
Visa Infinite	36	8	5	23	29,82%	-	21.606 HUF	Income received to bank account
Credit cards total	79	17	5	57				
Overdraft loans	232	48	4	180	5,9%-31,62%	0%-1,08%	-	Income received to bank account
Lombard loans	55,531	54,035	-	1,496	1,29%-3,41%	-	-	Government bond, Shares in investment funds, Shares
Personal loans	7	-	-	7	11,99%-17,99%	-	-	Income received to bank account
Baby expecting loans	101	9	-	92	0,00%	-	-	Income received to bank account and state guarantee
Mortgage loan	34	-	-	34	3,19%-3,64%	0%-1%	-	Property

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 Arany	87	12	2	73	26,37%-31,77%	-	12.038-20.596 HUF	Income received to bank account
Mastercard Bonus Gold	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
	75	9	-	66	0	-	-	Income received to bank account and state guarantee
	34	-	-	34	3,19%-3,56%	0	-	Property

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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

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

	30 June 2021	30 June 2020
Members of Board of Directors	1,442	969
Members of Supervisory Board	<u>74</u>	<u>57</u>
Total	<u>1,516</u>	<u>1,026</u>

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.

	30 June 2021	31 December 2020
Loans managed by the Bank as a trustee	27,184	28,055

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

NOTE 41: CONCENTRATION OF ASSETS AND LIABILITIES

	30 June 2021	31 December 2020
In the percentage of the total assets		
Receivables from, or securities issued by the Hungarian Government or the NBH	25.16%	22.69%
Securities issued by the OTP Mortgage Bank Ltd.	1.66%	2.24%
Loans at amortised cost	5.43%	6.48%

There were no other significant concentrations of the assets or liabilities of the Bank as at 30 June 2021 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 676 billion and HUF 722 billion as at 30 June 2021 and 31 December 2020 respectively, before taking into account collateral or other credit enhancements.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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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.

	30 June 2021	31 December 2020
Net profit for the year attributable to ordinary shareholders (in HUF mn)	127,333	92,474
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	276,197,770	277,301,936
Basic Earnings per share (in HUF)	<u>461</u>	<u>333</u>
Separate net profit for the year attributable to ordinary shareholders (in HUF mn)	127,333	92,474
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	276,212,853	277,310,069
Diluted Earnings per share (in HUF)	<u>461</u>	<u>333</u>

	30 June 2021	31 December 2020
Weighted average number of ordinary shares	280,000,010	280,000,010
Average number of Treasury shares	(3,802,240)	(2,698,074)
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS	276,197,770	277,301,936
Dilutive effect of options issued in accordance with the Remuneration Policy / Management Option Program and convertible into ordinary shares	15,083	8,133
The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS	276,212,853	277,310,069

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.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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

Six month period ended 30 June 2021	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	7,999	-	-	-
Placements with other banks, net of allowance for placement losses	7,823	-	418	-
Repo receivables	90	-	(256)	-
Loans	80,222	13,759	9,810	-
Securities at amortised cost	<u>27,499</u>	<u>714</u>	<u>2,651</u>	-
Financial assets measured at amortised cost total	<u>123,633</u>	<u>14,473</u>	<u>12,623</u>	-
Financial assets measured at fair value				
Securities held for trading	94	2,155	-	-
Securities at fair value through other comprehensive income	11,063	(68) ¹	260	(11,065)
Loans mandatorily measured at fair value through profit or loss	10,897	2,163	7,518	-
Financial assets measured at fair value total	<u>22,054</u>	<u>4,250</u>	<u>7,778</u>	<u>(11,065)</u>
Financial liabilities measured at amortised cost				
Amounts due to banks and deposits from the National Bank of Hungary and other banks	(5,040)	-	-	-
Repo liabilities	(1,045)	-	-	-
Deposits from customers	(1,785)	115,176	-	-
Leasing liabilities	(111)	-	-	-
Liabilities from issued securities	(746)	-	-	-
Subordinated bonds and loans	<u>(4,006)</u>	-	-	-
Financial liabilities measured at amortised cost total	<u>(12,733)</u>	<u>115,176</u>	-	-
Financial liabilities designated to measure at fair value through profit or loss	(250)	(381)	-	-
Derivative financial instruments²	<u>273</u>	<u>1,910</u>	-	-
Total	<u>132,977</u>	<u>135,428</u>	<u>20,401</u>	<u>(11,065)</u>

¹ For the year ended 30 Jun 2021 HUF (68) million net non-interest loss on securities at fair value through other comprehensive income was transferred from other comprehensive income to profit or loss.

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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

Year ended 31 December 2021	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	<u>48,654</u>	<u>360</u>	<u>1,845</u>	-
Financial assets measured at amortised cost total	<u>207,372</u>	<u>23,658</u>	<u>59,802</u>	-
Financial assets measured at fair value				
Securities held for trading	368	2,251	-	-
Securities at fair value through other comprehensive income	29,095	6,073 ¹	3	(17,734)
Loans mandatorily measured at fair value through profit or loss	<u>15,094</u>	<u>2,125</u>	-	-
Financial assets measured at fair value total	<u>44,557</u>	<u>10,449</u>	<u>3</u>	<u>(17,734)</u>
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	<u>(8,327)</u>	-	-	-
Financial liabilities measured at amortised cost total	<u>(24,492)</u>	<u>216,512</u>	<u>-</u>	<u>-</u>
Financial liabilities designated to measure at fair value through profit or loss				
	(307)	1,270	-	-
Derivative financial instruments²	<u>(5,053)</u>	<u>5,818</u>	<u>-</u>	<u>-</u>
Total	<u>222,077</u>	<u>257,707</u>	<u>59,805</u>	<u>(17,734)</u>

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

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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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.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 44: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

a) *Fair value of financial assets and liabilities*

	30 June 2021		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash, amounts due from banks and balances with the National Bank of Hungary	392,632	392,632	579,120	579,120
Placements with other banks, net of allowance for placement losses	2,272,209	2,278,569	1,535,884	1,550,747
Repo receivables	47,144	47,176	183,364	183,664
Financial assets at fair value through profit or loss	181,675	181,675	160,483	160,483
<i>Held for trading securities</i>	<i>39,044</i>	<i>39,044</i>	<i>11,729</i>	<i>11,729</i>
<i>Held for trading derivative financial instruments</i>	<i>109,456</i>	<i>109,456</i>	<i>116,818</i>	<i>116,818</i>
<i>Securities mandatorily measured at fair value through profit or loss</i>	<i>33,175</i>	<i>33,175</i>	<i>31,936</i>	<i>31,936</i>
Securities at fair value through other comprehensive income	857,351	857,351	911,950	911,950
Loans at amortised cost	3,561,904	3,825,076	3,417,760	3,710,048
Loans mandatorily measured at fair value through profit or loss	582,204	582,204	480,937	480,937
Securities held-to-maturity	2,588,668	2,618,160	2,007,692	2,085,881
Derivative financial assets designated as hedging accounting	12,883	12,883	6,817	6,817
Other financial assets	<u>180,726</u>	<u>180,726</u>	<u>127,179</u>	<u>127,179</u>
FINANCIAL ASSETS TOTAL	<u>10,677,396</u>	<u>10,976,452</u>	<u>9,411,186</u>	<u>9,796,826</u>
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	1,223,842	1,173,221	766,977	754,573
Deposits from customers	8,379,970	8,379,669	7,895,735	7,895,211
Repo receivables	315,260	317,483	109,612	111,548
Leasing liabilities	12,002	12,002	14,106	14,105
Liabilities from issued securities	31,003	30,539	28,435	31,588
Derivative financial liabilities designated as hedging accounting	144	144	3,104	3,104
Financial liabilities at fair value through profit or loss	23,529	23,529	25,902	25,902
Financial liabilities from OTP-MOL transaction	83,259	83,259	99,987	99,987
Subordinated bonds and loans	295,592	296,070	304,243	295,218
Other financial liabilities	<u>193,546</u>	<u>193,546</u>	<u>167,540</u>	<u>167,540</u>
FINANCIAL LIABILITIES TOTAL	<u>10,558,147</u>	<u>10,509,462</u>	<u>9,415,641</u>	<u>9,398,776</u>

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).

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 44: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

b) Derivative financial instruments [continued]

Fair value of derivative financial instruments¹

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

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

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.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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

b) Derivative financial instruments [continued]¹

Fair value of derivative financial instruments [continued]

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

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.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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

c) Hedge accounting

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

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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

c) Hedge accounting [continued]

Amount, timing and uncertainty of future cash flows - hedging instruments as at 30 June 2021

30 June 2021

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	-	-	62,000	(133,383)	173,810	102,427
		Average Interest Rate (%)	-	-	1.30%	1.30%	1.35%	
		EUR						
		Notional	-	-	6	111	-	117
		Average Interest Rate (%)	-	-	0.12%	0.24%	-	
		USD						
		Notional	-	21	-	119	-	140
		Average Interest Rate (%)	-	2.00%	-	2.54%	-	
Fair Value Hedge	FX & IR risk	JPY						
		Névérték	-	-	-	4,500	-	4,500
		Átlagos kamatláb (%)	-	-	-	0.22%	-	
Fair Value Hedge	FX & IR risk	Cross currency interest rate swap						
		EUR/HUF						
		Notional	-	-	2	12	13	27
Fair Value Hedge	FX risk	Average Interest Rate (%)	(1.59%)	(1.62%)	(1.67%)	(1.68%)	(1.81%)	
		Average FX Rate	310.91	310.98	310.40	310.07	307.98	
		Cross currency interest rate swap						
		EUR/HUF						
		Notional	(1)	9	32	586	-	626
		Average FX Rate	363.15	353.81	358.37	355.93	-	
		RON/HUF						
		Notional	-	-	-	1,550	-	1,550
		Average FX Rate	-	-	-	72.60	-	
		RUB/HUF						
Notional	-	-	2,000	-	-	2,000		
Average FX Rate	-	-	4.49	-	-			
Fair Value Hedge	Other	Interest rate swap						
		HUF						
Cash flow Hedge	Interest rate risk	Notional	2,572	(59)	8,059	4,485	-	15,057
		Interest rate swap						
		HUF						
Cash flow Hedge	Interest rate risk	Notional	-	-	-	12,194	28,027	40,221
		Average FX Rate	-	-	-	1.77	2.46	

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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

c) Hedge accounting [continued]

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

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 hedge	Interest rate risk	Interest rate swap						
		HUF						
		Notional	-	-	-	12,194	28,027	40,221
Average FX Rate	-	-	-	1.77	2.46			

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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

c) Hedge accounting [continued]

Derivative financial instruments designated as hedge accounting as follows:

Type of instrument	Type of risk	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument for the six month period ended 30 June 2021					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 six month period ended 30 June 2021
			Before netting		Netting	After netting			
			Assets	Liabilities		Assets	Liabilities		
Fair value hedge									
Interest rate swap	Interest rate risk	482,727	4,789	(1,925)	6,522	(1,733)	4,597	Derivative assets (liabilities) held for risk management	(4,832)
Cross-currency swap	FX & IR risk	8,556	-	(1,243)	-	-	(1,243)	Derivative assets (liabilities) held for risk management	6
Cross-currency swap	FX risk	355,997	6,746	(607)	-	6,746	(607)	Derivative assets (liabilities) held for risk management	(2,994)
Interest rate swap	Other	16,087	1,499	1,918	-	1,499	1,918	Derivative assets (liabilities) held for risk management	3
Cash flow hedge									
Interest rate swap	Interest rate risk	133,379	(151)	1,713	2,588	(2,739)	4,301	Derivative assets (liabilities) held for risk management	(92)

30 June 2021	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	<i>Interest rate risk</i>	26,796	-	-	386	Loans
- Loans	<i>Interest rate risk</i>	-	142,158	-	(190)	Amounts due to banks and deposits from the National Bank of Hungary and other banks
- Government bonds	<i>Interest rate risk</i>	-	-	-	-	Securities at amortised cost
- Government bonds	<i>Interest rate risk</i>	295,376	-	(67)	-	Securities at fair value through other comprehensive income
- Government bonds	<i>Interest rate risk</i>	-	-	-	-	Financial assets at fair value through profit or loss
- Other securities	<i>Interest rate risk</i>	45,855	-	-	43	Securities at fair value through other comprehensive income
- Loans	<i>FX & IR risk</i>	9,646	-	-	11	Loans
- Loans	<i>FX risk</i>	409,954	-	-	10,971	Loans
- Government bonds	<i>FX risk</i>	12,133	-	-	12	Securities at fair value through other comprehensive income
- Other securities	<i>Other risk</i>	-	(18,488)	-	(3,242)	Liabilities from issued securities
Fair value hedges total		799,760	123,670		11,356	(3,432)
Cash flow hedges						
- Loans	<i>Interest rate risk</i>	40,221	-	-	69	Loans

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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

c) Hedge accounting [continued]

Derivative financial instruments designated as hedge accounting as follows:

Type of instrument	Type of risk	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument for the year ended 31 December 2020					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
			Before netting Assets	Liabilities	Netting	After netting 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	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
		Carrying amount of the hedged item		Liabilities		
		Assets	Liabilities	Assets	Liabilities	
Fair value hedges						
- Loans	<i>Interest rate risk</i>	35,256	(100,299)	507	(151)	Loans
- Government bonds	<i>Interest rate risk</i>	177,888	-	884	-	Securities at amortised cost
- Government bonds	<i>Interest rate risk</i>	91,950	-	1,154	-	Securities at fair value through other comprehensive income
- Government bonds	<i>Interest rate risk</i>	-	-	-	-	Financial assets at fair value through profit or loss
- Other securities	<i>Interest rate risk</i>	47,560	-	793	-	Securities at fair value through other comprehensive income
- Loans	<i>FX & IR risk</i>	10,378	-	9	-	Loans
- Loans	<i>FX risk</i>	303,572	-	10,855	-	Loans
- Other securities	<i>Other risk</i>	-	(15,032)	-	(3,144)	Liabilities from issued securities
Fair value hedges total		<u>666,604</u>	<u>(115,331)</u>	<u>14,202</u>	<u>(3,295)</u>	
Cash flow hedges						
- Loans	<i>Interest rate risk</i>	40,221	-	58	-	Loans

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 44: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Hedge accounting [continued]

30 June 2021

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	2,829	(92)	Interest Income from Placements with other banks, net of allowance for placement losses

31 December 31

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

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:

	30 June 2021	Total	Level 1	Level 2	Level 3
Loans at fair value through other comprehensive income	582,204	582,204	-	-	582,204
Financial assets at fair value through profit or loss	181,675	181,675	68,506	110,289	2,880
<i>from this: securities held for trading</i>	<i>39,044</i>	<i>39,044</i>	<i>37,583</i>	<i>1,461</i>	<i>-</i>
<i>from this: positive FVA of derivative financial instruments designated as held for trading</i>	<i>109,456</i>	<i>109,456</i>	<i>628</i>	<i>108,828</i>	<i>-</i>
<i>from this: securities mandatorily measured at fair value through profit or loss</i>	<i>33,175</i>	<i>33,175</i>	<i>30,295</i>	<i>-</i>	<i>2,880</i>
Securities at fair value through other comprehensive income	857,351	857,351	404,597	452,754	-
Positive fair value of derivative financial instruments designated as hedge accounting	<u>12,883</u>	<u>12,883</u>	<u>-</u>	<u>12,883</u>	<u>-</u>
Financial assets measured at fair value total	<u>1,634,113</u>	<u>1,634,113</u>	<u>473,103</u>	<u>575,926</u>	<u>585,084</u>
Financial liabilities at fair value through profit or loss	23,529	23,529	-	-	23,529
Negative fair value of derivative financial instruments classified as held for trading	83,259	83,259	2,441	80,818	-
Short position	29,230	29,230	29,230	-	-
Negative fair value of derivative financial instruments designated as hedge accounting	<u>144</u>	<u>144</u>	<u>-</u>	<u>144</u>	<u>-</u>
Financial liabilities measured at fair value total	<u>136,162</u>	<u>136,162</u>	<u>31,671</u>	<u>80,962</u>	<u>23,529</u>

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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

d) Fair value classes [continued]

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
<i>from this: securities held for trading</i>	<i>11,729</i>	<i>10,453</i>	<i>1,276</i>	-
<i>from this: positive FVA of derivative financial instruments designated as held for trading</i>	<i>116,818</i>	<i>378</i>	<i>116,440</i>	-
<i>from this: securities mandatorily measured at fair value through profit or loss</i>	<i>31,936</i>	<i>23,812</i>	<i>5,348</i>	<i>2,776</i>
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	<u>6,817</u>	=	<u>6,817</u>	=
Financial assets measured at fair value total	<u>1,560,187</u>	<u>461,209</u>	<u>615,265</u>	<u>483,713</u>
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	<u>3,104</u>	=	<u>3,104</u>	=
Financial liabilities measured at fair value total	<u>138,124</u>	<u>10,394</u>	<u>101,828</u>	<u>25,902</u>

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 data 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%

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NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
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NOTE 44: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

d) Fair value classes [continued]

The effect of unobservable inputs on fair value measurement

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

	30 June 2021		Effect on profit and loss	
	Fair values		Favourable	Unfavourable
VISA C shares	<u>3,277</u>	<u>2,483</u>	<u>397</u>	<u>(397)</u>
Total:	<u>3,277</u>	<u>2,483</u>	<u>397</u>	<u>(397)</u>

	31 December 2020		Effect on profit and loss	
	Fair values		Favourable	Unfavourable
VISA C shares	<u>1,514</u>	<u>1,154</u>	<u>180</u>	<u>(180)</u>
Total:	<u>1,514</u>	<u>1,154</u>	<u>180</u>	<u>(180)</u>

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 30 June 2021 and 31 December 2020 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 six month period ended 30 June 2021

	Opening balance	Issuance/ Disbursement	FVA	Settlement	Closing balance
Loans at fair value through other comprehensive income	480,937	121,866	(11,531)	(9,068)	582,204
Securities mandatorily measured at fair value through profit or loss	2,776	-	104	-	2,880
Financial liabilities at fair value through profit or loss	<u>(25,902)</u>	<u>72</u>	<u>(1,454)</u>	<u>3,755</u>	<u>(23,529)</u>
Total	457,811	121,938	(12,881)	(5,313)	561,555

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

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

d) Fair value classes [continued]

Reconciliation of the opening and closing balances of Level 3 instruments for the year ended 31 December 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	<u>(28,861)</u>	=	<u>1,270</u>	=	<u>1,689</u>	<u>(25,902)</u>
Total	<u>214,412</u>	<u>257,055</u>	<u>(309)</u>	=	<u>(13,347)</u>	<u>457,811</u>

NOTE 45: SIGNIFICANT EVENTS DURING THE SIX MONTH PERIOD ENDED 30 JUNE 2021

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

See details about the event above in Note 11.

NOTE 46: SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

1) Discontinuance of international arbitration proceedings

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

2) Termination of ICES bond

On 14 September 2021, the Board of Directors of OTP Bank decided – with the prior permission NBH – to terminate the subordinated swap agreement concluded between the Bank and Opus on 19 October 2006, as well as on the repurchase by the Bank of the approximately 14.5 million OTP ordinary shares held by Opus, serving as a collateral behind the so-called ICES bonds issued by Opus. As a consequence of the termination, on the same day (on 14 September 2021) Opus has decided upon the redemption of the ICES bonds as of 29 October 2021 as record date.

The reason for the ICES transaction was that due to the amendments of the legislation of the European Union, as of 1 January 2022 the ICES bonds can be considered neither within the consolidated regulatory capital, nor for the fulfilment of the MREL requirements. Furthermore, the spread of the ICES bonds are much higher than that of an MREL eligible senior instrument the Bank could issue at present.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

NOTE 46: SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

3) Resolutions made at OTP Bank's Extraordinary General Meeting

The Extraordinary General Meeting hold on 15 October, 2021 resolved that, subject to defined conditions, OTP Bank Plc. shall sell its treasury shares on the stock exchange up to the maximum amount of 210 billion Hungarian Forint – as outlined in the formula stated in the advisory opinion of Deloitte Business and Management Consulting Ltd. dated 21st September 2021 – on a purchase price, which is 5.5% lower than the volume weighted average price one day before the closing of the transaction (“Purchase Price”) to those two Special Employee Stock Ownership Program organizations being established by OTP Bank Plc. employees (“OTP SECOP I.” and “OTP SECOP II.”) whose establishment was initiated by the employees of OTP Bank Plc. in accordance with article 24/M of Act XLIV. of 1992 on Employee Co-Ownership Program (“ECOP Act”) until the date of the resolution of the Extraordinary General Meeting decided on 15 October, 2021.

The Extraordinary General Meeting decided that OTP Bank Plc. – under defined conditions and in a specified manner - shall provide (financial) support („First SECOP support”) to cover financing and operating costs and expenditures once a year, without any repayment obligation, in the amount of HUF 2.5–2.5 billion each time, for OTP SECOP I. and OTP SECOP II., which were initiated by the employees of OTP Bank Plc. under Article 24/M of ECOP Act until the date of this General Meeting Decision, in case until no later than the day of this General Meeting of OTP Bank Plc. approving the annual report for the 2021 business year, OTP ordinary shares worth at least HUF 100–100 billion each will become the property of OTP SECOP I. and OTP SECOP II. at the value calculated based upon purchase price.

The Extraordinary General Meeting decided that if additional SECOP organisations („Additional SECOP”) will be initiated by the employees of OTP Bank Plc. under the ECOP Act, those will be given – regardless of how their asset is managed – one-off support on a yearly basis („Additional SECOP Support”), under defined conditions, defined extent and in specified manner.

4) Capital increase at OTP Bank Srbija

Serbian Court of Registration registered a capital increase at OTP banka Srbija a.d. Novi Sad, the Serbian subsidiary of OTP Bank. Accordingly, the registered capital of the Serbian subsidiary of OTP Bank was increased to RSD 56,830,752,260 from RSD 55,330,780,140.

5) Potential acquisition of Uzbek Ipoteka Bank

OTP Bank signed a non-binding Memorandum of Agreement regarding the potential acquisition of the majority stake of Ipoteka Bank and its subsidiaries with the Ministry of Finance of the Republic of Uzbekistan. Ipoteka Bank is the fifth largest bank in Uzbekistan, with a market share of 8.5% based on total assets at the end of July 2021, with more than 1.2 million retail customers and a large corporate clientele.