



## **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 2020

# OTP BANK PLC.

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**OTP BANK PLC.**  
**SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020 (UNAUDITED)**  
(in HUF mn)

	Note	30 June 2020	31 December 2019	30 June 2019
Cash, amounts due from banks and balances with the National Bank of Hungary	4.	469,992	289,686	420,324
Placements with other banks, net of allowance for placement losses	5.	1,476,344	1,560,142	1,295,251
Repo receivables	6.	11,922	45,539	35,474
Financial assets at fair value through profit or loss	7.	226,159	172,229	138,184
Financial assets at fair value through other comprehensive income	8.	983,207	1,485,977	1,548,907
Loans at amortised cost	9.	3,546,813	3,285,338	2,889,563
Loans mandatorily at fair value through profit or loss	9.	28,543	29,731	30,463
Investments in subsidiaries, associates and other investments	10.	1,547,443	1,542,538	1,201,535
Securities at amortised cost	11.	1,643,025	1,447,224	1,439,115
Property and equipment	12.	75,395	77,754	71,870
Intangible assets	12.	54,402	53,282	40,129
Right-of-use assets	12.	14,888	13,607	14,691
Investment properties	13.	2,356	2,381	2,400
Derivative financial assets designated as fair value hedge	14.	22,529	16,677	12,630
Other assets	15.	<u>168,179</u>	<u>116,699</u>	<u>129,725</u>
<b>TOTAL ASSETS</b>		<b><u>10,271,197</u></b>	<b><u>10,138,804</u></b>	<b><u>9,270,261</u></b>
Amounts due to banks and deposits from the National Bank of Hungary and other banks	16.	732,436	738,054	576,345
Repo liabilities	17.	131,672	462,621	745,706
Deposits from customers	18.	6,933,116	6,573,550	5,821,071
Leasing liabilities	33.	15,401	13,660	14,468
Liabilities from issued securities	19.	41,723	43,284	44,055
Financial liabilities at fair value through profit or loss	20.	27,192	28,861	29,924
Derivative financial liabilities designated as held for trading	21.	154,832	83,088	71,134
Derivative financial liabilities designated as hedge accounting relationships	22.	11,522	10,023	11,135
Deferred tax liabilities	32.	3,206	5,875	2,771
Other liabilities	23.	263,254	246,676	283,355
Subordinated bonds and loans	24.	<u>302,991</u>	<u>279,394</u>	<u>110,605</u>
<b>TOTAL LIABILITIES</b>		<b><u>8,617,345</u></b>	<b><u>8,485,086</u></b>	<b><u>7,710,569</u></b>
Share capital	25.	28,000	28,000	28,000
Retained earnings and reserves	26.	1,647,635	1,628,354	1,535,512
Treasury shares	27.	<u>(21,783)</u>	<u>(2,636)</u>	<u>(3,820)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b><u>1,653,852</u></b>	<b><u>1,653,718</u></b>	<b><u>1,559,692</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b><u>10,271,197</u></b>	<b><u>10,138,804</u></b>	<b><u>9,270,261</u></b>

**OTP BANK PLC.**  
**SEPARATE STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2020 (UNAUDITED) (in HUF mm)**

	Note	Six month period ended 30 June 2020	Six month period ended 30 June 2019	Year ended 31 December 2019
Interest income calculated using the effective interest method	28.	125,239	115,458	239,395
Income similar to interest income	28.	35,215	40,388	83,111
<b>Total Interest Income</b>		<b>160,454</b>	<b>155,846</b>	<b>322,506</b>
<b>Total Interest Expense</b>	<b>28.</b>	<b>(54,505)</b>	<b>(54,565)</b>	<b>(119,384)</b>
<b>NET INTEREST INCOME</b>		<b><u>105,949</u></b>	<b><u>101,281</u></b>	<b><u>203,122</u></b>
Loss allowance on loan, placement and repo receivables losses	5., 6., 9., 29.	(43,366)	(9,123)	(33,728)
Release of loss allowance on securities at fair value through other comprehensive income and on securities at amortised cost	8., 11., 29.	396	295	401
Provision for loan commitments and financial guarantees given	23., 29.	<u>(7,194)</u>	<u>(2,072)</u>	<u>(5,794)</u>
<b>Risk cost total</b>		<b><u>(50,164)</u></b>	<b><u>(10,900)</u></b>	<b><u>(39,121)</u></b>
<b>NET INTEREST INCOME AFTER RISK COST</b>		<b><u>55,785</u></b>	<b><u>90,381</u></b>	<b><u>164,001</u></b>
Income from fees and commissions	30.	117,471	114,237	248,954
Expenses from fees and commissions	30.	<u>(17,386)</u>	<u>(14,899)</u>	<u>(35,591)</u>
<b>Net profit from fees and commissions</b>		<b><u>100,085</u></b>	<b><u>99,338</u></b>	<b><u>213,363</u></b>
Foreign exchange gains		(4,147)	689	3,288
Gains on securities, net		5,199	5,319	8,188
Gains on financial instruments at fair value through profit or loss		2,518	543	1,890
Gains on derivative instruments, net		3,272	1,246	4,715
Dividend income	10.	60,946	78,859	78,887
Other operating income	31.	2,748	2,712	7,505
Net other operating income / (expenses)	31.	<u>(26,429)</u>	<u>(16,262)</u>	<u>26,515</u>
<b>Net operating income</b>		<b><u>44,107</u></b>	<b><u>73,106</u></b>	<b><u>130,988</u></b>
Personnel expenses	31.	(57,979)	(54,174)	(115,035)
Depreciation and amortization	31.	(17,701)	(13,988)	(29,925)
Other administrative expenses	31.	<u>(85,212)</u>	<u>(82,115)</u>	<u>(160,198)</u>
<b>Other administrative expenses</b>		<b><u>(160,892)</u></b>	<b><u>(150,277)</u></b>	<b><u>(305,158)</u></b>
<b>PROFIT BEFORE INCOME TAX</b>		<b>39,085</b>	<b>112,548</b>	<b>203,194</b>
Income tax expense	32.	<u>396</u>	<u>(4,641)</u>	<u>(9,840)</u>
<b>NET PROFIT FOR THE PERIOD</b>		<b><u>39,481</u></b>	<b><u>107,907</u></b>	<b><u>193,354</u></b>
Earnings per share (in HUF)				
Basic	41.	<u>142</u>	<u>386</u>	<u>691</u>
Diluted	41.	<u>142</u>	<u>386</u>	<u>691</u>

**OTP BANK PLC.**  
**SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD**  
**ENDED 30 JUNE 2020 (UNAUDITED) (in HUF mn)**

	Note	Six month period ended 30 June 2020	Six month period ended 30 June 2019	Year ended 31 December 2019
<b>NET PROFIT FOR THE PERIOD</b>		<b><u>39,481</u></b>	<b><u>107,907</u></b>	<b><u>193,354</u></b>
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Fair value adjustment of debt instruments at fair value through other comprehensive income		(15,134)	9,816	16,732
Gains on separated currency spread of financial instruments designated as hedging instrument		984	697	367
Gains on derivative financial instruments designated as cash flow hedge		418	1,153	2,086
Deferred tax (9%) related to items that may be reclassified subsequently to profit or loss	32.	1,232	(950)	(1,553)
<b>Items that will not be reclassified to profit or loss:</b>				
Fair value adjustment of equity instruments at fair value through other comprehensive income		(3,366)	3,126	3,867
Deferred tax (9%) related to equity instruments at fair value through other comprehensive income	32.	<u>372</u>	<u>(281)</u>	<u>(348)</u>
<b>Total</b>		<b><u>(15,494)</u></b>	<b><u>13,561</u></b>	<b><u>21,151</u></b>
<b>NET COMPREHENSIVE INCOME</b>		<b><u>23,987</u></b>	<b><u>121,468</u></b>	<b><u>214,505</u></b>

OTP BANK PLC.

SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020 (UNAUDITED) (in HUF mn)

	Note	Share Capital	Capital reserve	Share-based payment reserve	Retained earnings	Other comprehensive income	Other reserves	Put option reserve	Treasury Shares	Total
<b>Balance as at 1 January 2019</b>		<b>28,000</b>	<b>52</b>	<b>35,632</b>	<b>1,383,043</b>	<b>44,859</b>	<b>76,788</b>	<b>(55,468)</b>	<b>(1,964)</b>	<b>1,510,942</b>
Net profit for the year		-	-	-	107,907	-	-	-	-	107,907
Other comprehensive income		-	-	-	-	13,561	-	-	-	13,561
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>107,907</b>	<b>13,561</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>121,468</b>
Transfer to general reserve		-	-	-	(10,791)	-	10,791	-	-	-
Share-based payment	37.	-	-	1,603	-	-	-	-	-	1,603
Payments to ICES holders		-	-	-	969	-	-	-	-	969
Sale of treasury shares	27.	-	-	-	-	-	-	-	31,311	31,311
Acquisition of treasury shares	27.	-	-	-	-	-	-	-	(33,167)	(33,167)
Loss on sale of treasury shares	27.	-	-	-	(12,114)	-	-	-	-	(12,114)
Dividend for the year 2018		-	-	-	(61,320)	-	-	-	-	(61,320)
<b>Other transactions with owners</b>		<b>-</b>	<b>-</b>	<b>1,603</b>	<b>(83,256)</b>	<b>-</b>	<b>10,791</b>	<b>-</b>	<b>(1,856)</b>	<b>(72,718)</b>
<b>Balance as at 30 June 2019</b>		<b><u>28,000</u></b>	<b><u>52</u></b>	<b><u>37,235</u></b>	<b><u>1,407,694</u></b>	<b><u>58,420</u></b>	<b><u>87,579</u></b>	<b><u>(55,468)</u></b>	<b><u>(3,820)</u></b>	<b><u>1,559,692</u></b>
<b>Balance as at 1 January 2020</b>		<b>28,000</b>	<b>52</b>	<b>39,179</b>	<b>1,482,466</b>	<b>66,010</b>	<b>96,115</b>	<b>(55,468)</b>	<b>(2,636)</b>	<b>1,653,718</b>
Change due to revision in presentation of Visa shares		-	-	-	770	(770)	-	-	-	-
<b>Balance as at 1 January 2020 (revised)</b>		<b>28,000</b>	<b>52</b>	<b>39,179</b>	<b>1,483,236</b>	<b>65,240</b>	<b>96,115</b>	<b>(55,468)</b>	<b>(2,636)</b>	<b>1,653,718</b>
Net profit for the year		-	-	-	39,481	-	-	-	-	39,481
Other comprehensive income		-	-	-	-	(15,494)	-	-	-	(15,494)
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>39,481</b>	<b>(15,494)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,987</b>
Transfer to general reserve		-	-	-	(3,956)	-	3,956	-	-	-
Share-based payment	37.	-	-	1,744	-	-	-	-	-	1,744
Payments to ICES holders		-	-	-	(2,438)	-	-	-	-	(2,438)
Sale of treasury shares	27.	-	-	-	-	-	-	-	37,728	37,728
Acquisition of treasury shares	27.	-	-	-	-	-	-	-	(56,875)	(56,875)
Loss on sale of treasury shares	27.	-	-	-	(4,012)	-	-	-	-	(4,012)
Dividend for the year 2019		-	-	-	-	-	-	-	-	-
<b>Other transactions with owners</b>		<b>-</b>	<b>-</b>	<b>1,744</b>	<b>(10,406)</b>	<b>-</b>	<b>3,956</b>	<b>-</b>	<b>(19,147)</b>	<b>(23,853)</b>
<b>Balance as at 30 June 2020</b>		<b><u>28,000</u></b>	<b><u>52</u></b>	<b><u>40,923</u></b>	<b><u>1,512,311</u></b>	<b><u>49,746</u></b>	<b><u>100,071</u></b>	<b><u>(55,468)</u></b>	<b><u>(21,783)</u></b>	<b><u>1,653,852</u></b>

**OTP BANK PLC.**  
**SEPARATE STATEMENT OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2020 (UNAUDITED) (in HUF mm)**

	Note	Six month period ended 30 June 2020	Six month period ended 30 June 2019	Year ended 31 December 2019
<b>OPERATING ACTIVITIES</b>				
<b>Profit before income tax</b>		<b>39,085</b>	<b>112,548</b>	<b>203,194</b>
Net accrued interest		(22,916)	(4,089)	6,760
Depreciation and amortization	12.	17,726	1,393	29,925
Loss allowance on loan and placement losses	29.	43,366	1,819	33,728
Release of loss allowance on securities at fair value through other comprehensive income	29.	(477)	(258)	(176)
Impairment loss / (Reversal of impairment loss) on investments in subsidiaries	10.	9,913	656	(38,807)
Loss allowance / (Release of loss allowance) on securities at amortised cost	11.	81	9,727	(225)
Loss allowance / (Release of loss allowance) on other assets	15.	497	(37)	(186)
Provision on off-balance sheet commitments and contingent liabilities	23.	18,474	174	5,411
Share-based payment	37.	1,744	1,603	3,547
Unrealised gains on fair value adjustment of financial instruments mandatorily measured at fair value through profit or loss or held for trading financial instruments		(953)	2,638	(1,379)
Unrealised losses on fair value adjustment of derivative financial instruments		2,325	10,503	6,777
Interest expense from leasing liabilities	33., 42.	(67)	(123)	(244)
<i>Net changes in assets and liabilities in operating activities</i>				
Change in held for trading securities	7.	17,039	(6,689)	(23,247)
Change in financial instruments mandatorily measured at fair value through profit or loss	7.	(4,920)	(200)	(984)
Changes in derivative financial instruments at fair value through profit or loss	7.	(77)	(466)	483
Net increase in loans	9.	(285,905)	(311,421)	(743,665)
Increase in other assets, excluding advances for investments and before provisions for losses	15.	(51,977)	20,038	(7,312)
Net increase in deposits from customers	18.	359,708	286,690	832,785
(Decrease) / Increase in other liabilities	23.	(2,560)	30,047	495
Net increase in the compulsory reserve established by the National Bank of Hungary	4.	(4,728)	(3,937)	(7,558)
Dividend income	10.	(60,912)	(5,725)	(72,972)
Income tax paid		-	(217)	(628)
<b>Net cash provided by operating activities</b>		<b><u>74,466</u></b>	<b><u>144,674</u></b>	<b><u>225,722</u></b>

**OTP BANK PLC.**  
**SEPARATE STATEMENT OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2020 (UNAUDITED) (in HUF mn) [continued]**

	Note	Six month period ended 30 June 2020	Six month period ended 30 June 2019	Year ended 31 December 2019
<b>INVESTING ACTIVITIES</b>				
Net decrease / (increase) in placements with other banks before allowance for placement losses	5.	119,411	(244,610)	(518,327)
Purchase of securities at fair value through other comprehensive income	8.	(710,009)	(662,154)	(1,078,031)
Proceeds from sale of securities at fair value through other comprehensive income	8.	1,194,005	583,102	1,068,081
Change in derivative financial instruments designated as hedge accounting		(634)	422	-
Increase in investments in subsidiaries	10.	(14,818)	(24,618)	(326,158)
Dividend income	10.	60,912	(34,811)	72,972
Increase in securities at amortised cost	11.	(193,754)	(120,551)	(146,771)
Redemption of securities at amortised cost	11.	4,929	105,767	127,671
Additions to property, equipment and intangible assets	12.	(16,085)	(4,488)	(48,381)
Proceeds from disposal of property, equipment and intangible assets	12.	1,969	3,442	1,969
Net increase in investment properties	13.	-	(67)	(48)
Net increase in advances for investments included in other assets	15.	-	11	-
<b>Net cash provided by / (used in) investing activities</b>		<b><u>445,926</u></b>	<b><u>(398,555)</u></b>	<b><u>(847,023)</u></b>
<b>FINANCING ACTIVITIES</b>				
Net (decrease) / increase in amounts due to banks and deposits from the National Bank of Hungary and other banks	16.	(335,324)	390,946	461,774
Decrease in financial liabilities designated as fair value through profit or loss	20.	(1,298)	(2,965)	(3,331)
Leasing payments		(1,819)	(1,794)	(3,927)
Cash received from issuance of securities	19.	(7,333)	8,438	10,201
Cash used for redemption of issued securities	19.	5,721	(11,056)	(13,584)
Increase in subordinated bonds and loans	24.	21,711	149	166,704
Decrease in subordinated bonds and loans	24.	(875)	-	-
Payments to ICES holders	26.	(2,437)	969	(1,334)
Increase of Treasury shares	27.	(56,875)	(6,800)	(34,185)
Decrease of Treasury shares	27.	33,716	(7,170)	21,563
Dividend paid	26.	(1)	(61,304)	(61,307)
<b>Net cash (used in) / provided by financing activities</b>		<b><u>(344,814)</u></b>	<b><u>309,413</u></b>	<b><u>542,574</u></b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>175,578</b>	<b>55,532</b>	<b>(78,727)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b><u>224,631</u></b>	<b><u>303,358</u></b>	<b><u>303,358</u></b>
<b>Cash and cash equivalents at the end of the period</b>	4.	<b><u>400,209</u></b>	<b><u>358,890</u></b>	<b><u>224,631</u></b>



**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2020 (UNAUDITED)**

**NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS**

**1.1. General information**

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

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

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

Responsible person for the control and management of accounting services: Zoltán Tuboly (Budapest), Managing Director of Accounting and Financial Directorate, Registration Number: 177289, IFRS qualified chartered accountant.

Due to Hungarian legislation audit services are statutory for OTP Bank. Disclosure information about the auditor: Deloitte Auditing and Consulting Ltd. (000083), 1068 Budapest Dózsa György Street 84/C. Registered under 01-09-071057 by Budapest-Capital Regional Court, as registry court. Statutory registered auditor: Tamás Horváth, registration number: 003449.

Audit service fee agreed by the Annual General Meeting of the Bank for the year ended 2020 is an amount of HUF 70 million + VAT.

All other fees charged by the Auditor for non-audit services during the financial year are disclosed in the consolidated financial statements of the Bank.

In 1995, the shares of the Bank were introduced on the Budapest and the Luxembourg Stock Exchanges and were also traded on the SEAQ board on the London Stock Exchange and PORTAL in the USA.

The structure of the Share capital by shareholders (%):

	<b>30 June 2020</b>	<b>31 December 2019</b>
Domestic and foreign private and institutional investors	98%	99%
Employees	1%	1%
Treasury shares	<u>1%</u>	<u>-</u>
<b>Total</b>	<b><u>100%</u></b>	<b><u>100%</u></b>

The Bank's Registered Capital consists of 280.000.010 pieces of ordinary shares with the nominal value of HUF 100 each, representing the same rights to the shareholders.

The Bank provides a full range of commercial banking services through a nationwide network of 364 branches in Hungary.

Number of the employees of the Bank:

	<b>30 June 2020</b>	<b>31 December 2019</b>
Number of employees	9,666	9,318
Average number of employees	9,621	8,981

**1.2. Basis of accounting**

These Separate Financial Statements were prepared based on the assumption of the Management that the Bank will remain in business for the foreseeable future. The Bank will not be forced to halt operations and liquidate its assets in the near term at what may be very low fire-sale prices.

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

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

The separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2020 (UNAUDITED)**

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

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

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

- **Amendments to References to the Conceptual Framework in IFRS Standards** – adopted by EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** - Definition of Material – adopted by EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement”, IFRS 7 “Financial Instruments: Disclosures” – Interest rate Benchmark Reform** – adopted by EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 3 “Business Combinations”** – adopted by EU on 21 April 2020 (effective for annual periods beginning on or after 1 January 2020).

The adoption of these amendments to the existing standards has not led to any material changes in these Separate Financial Statements.

**1.2.2. New and revised Standards and Interpretations issued by IASB and adopted by the EU but not yet effective**

At the date of authorisation of these financial statements, there are no new standards, amendments to the existing standards nor interpretations which are issued by IASB and adopted by the EU and which are not yet effective.

**1.2.3. Standards and Interpretations issued by IASB but not yet adopted by the EU**

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at date of publication of these financial statements:

- **IFRS 17 “Insurance Contracts”** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IAS 1 “Presentation of Financial Statements”** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

The Bank anticipates that the adoption of these new standards, amendments to the existing standards and new interpretations will have no material impact on the financial statements of the Bank in the period of initial application.

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2020 (UNAUDITED)**

**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 currently being 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. As the ultimate parent, OTP Bank is preparing consolidated financial statements of OTP Group.

**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**  
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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]**

**2.5. Securities at amortised cost**

The Bank measures at amortised cost those securities, which are held for 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 amortisation of any discount or premium on the acquisition of a security at amortised cost is aggregated with other investment income receivables over the term of the investment so that the revenue recognized in each period represents a constant yield on the investment. Securities at amortised cost are accounted for on a trade date basis.

Such securities comprise mainly securities issued by the Hungarian Government bonds and corporate bonds.

**2.6. Financial assets at fair value through profit or loss**

**2.6.1. Securities held for trading**

Investments in securities are accounted for on a trade date basis and are initially measured at fair value. Securities held for trading are measured at subsequent reporting dates at fair value. Unrealised gains and losses on held for trading securities are recognized in profit or loss and are included in the separate statement of profit or loss for the period. The Bank holds held for trading securities within the business model to obtain short-term gains. Consequently realised and unrealised gains and losses are recognized in the net operating income. The Bank applies FIFO<sup>1</sup> 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.

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<sup>1</sup> First In First Out

**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]**

**2.6.2. 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**  
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**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. The Bank does not offset any financial assets and financial liabilities.

**2.9. Embedded derivatives**

Sometimes, a derivative may be a component of a combined or hybrid 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**  
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**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.

Investments in securities are accounted for on a trade date basis and are initially measured at fair value. Securities at fair value through other comprehensive income are measured at subsequent reporting dates at fair value. Unrealised gains and losses on FVOCI financial instruments are recognized in other comprehensive income, except for interest and foreign exchange gains/losses on monetary items, unless such FVOCI security is part of an effective hedge. Such gains and losses will be reported when realised in profit or loss for the applicable period. The Bank applies FIFO<sup>1</sup> inventory valuation method for FVOCI securities.

The loss allowance is calculated based on discounted cash flow methodology for debt instruments using the expected future cash flow and original effective interest rate if there is objective evidence of loss allowance based on significant or prolonged decrease on fair value.

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.

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.

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<sup>1</sup> First In First Out

**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]**

**2.11. 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.

The amount of loss allowance is the difference between the gross carrying amount and the recoverable amount, being the present value of the expected cash flows, including amounts recoverable from guarantees and collaterals, discounted at the original effective interest rate.

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.



**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]**

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

**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**  
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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]**

**2.12. Loss allowance [continued]**

**Classification into risk classes**

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

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

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

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

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

- the payment delay exceeds 30 days,
- it is classified as performing forborne,
- based on individual decision, its currency suffered a significant "shock" since the disbursement of the loan,
- the transaction/client rating exceeds a predefined value or falls into a determined range, or compared to the historic value it deteriorates to a predefined degree,
- in the case household mortgage loans, the loan-to-value ratio ("LTV") exceeds a predefined rate,
- default on another loan of the retail client, if no cross-default exists,
- in case of corporate and municipal clients:
  - financial difficulty (capital requirements, liquidity, impairment of asset quality),
  - significant decrease of activity and liquidity in the market of the asset,
  - client's rating reflects higher risk, but better than default,
  - collateral value drops significantly, from which the client pays the loan,
  - more than 50% decrease in owner's equity due to net losses,
  - client under dissolution,
  - negative information from Central Credit Information System: the payment delay exceeds 30 days

**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]**

**2.13. Loss allowance [continued]**

**Classification into risk classes [continued]**

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

- default,
- non-performing forbore 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.

**2.14. 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**  
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**NOTE 2:       SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]**

**2.15.   Sale and repurchase agreements, security lending**

Where debt or equity securities are sold under a commitment to repurchase them at a pre-determined price, they remain on the 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.

**2.16.   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	15-33.3%
Property rights	16.7%
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.

**2.17.   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.

**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 %

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**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 30). These fees are related to deposits, cash withdrawal, security trading, bank card, etc.

**2.24.   Dividend income**

Dividend income refers to any distribution of entity's earnings to shareholders from stocks or mutual funds that is owned by the Bank. The Bank recognizes dividend income in the separate financial statements when its right to receive the payment is established.

**2.25.   Income tax**

The annual taxation charge is based on the tax payable under Hungarian fiscal law, adjusted for deferred taxation. Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences between the tax bases of assets and liabilities and their carrying value for financial reporting purposes, measured at the tax rates that are expected to apply when the asset is realised or the liability is settled.

Deferred tax assets are recognized by the Bank for the amounts of income tax that are recoverable in future periods in respect of deductible temporary differences as well as the carry forward of unused tax losses and the carryforward of unused tax credits.

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.

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**NOTE 2:           SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]**

**2.26.   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.).

**2.27.   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.

**2.28.   Separate statement of cash flows**

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.

**2.29.   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.

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]**

**2.30. Comparative figures**

These separate financial statements are prepared in accordance with the same accounting policies in all respects as the Financial Statements prepared in accordance with IFRS as adopted by the EU for the year ended 31 December 2019, however certain balances have been reclassified in order to facilitate a better understanding of the costs associated with the core operations of the Bank. Additional disclosures have been made throughout the separate financial statements where relevant. In the Separate Statement of Profit or Loss for the year 2019 and for the six month period ended 30 June 2020 Risk cost elements classification has been changed, but this did not result in any change to Net Profit for the Period.

Previous classification	Revised classification	30 June 2020	2019 Adjusted	Reclassification	2019 Original	30 June 2019 Adjusted	Reclassification	30 June 2019 Original
<b>Interest income</b>	<b>Interest income</b>	<b>160,454</b>	<b>322,506</b>	-	<b>322,506</b>	<b>155,846</b>	-	<b>155,846</b>
<b>Interest expense</b>	<b>Interest expense</b>	<b>(54,505)</b>	<b>(119,384)</b>	-	<b>(119,384)</b>	<b>(54,565)</b>	-	<b>(54,565)</b>
Loss allowance on loan, placement and repo receivables losses	Loss allowance on loan, placement and repo receivables losses	(43,366)	(33,728)	-	(33,728)	(9,123)	-	(9,123)
	Release of loss allowance on securities at fair value through other comprehensive income and on securities at amortised cost	396	401	-	401	295	295	-
	Provision for loan commitments and financial guarantees given	(7,194)	(5,794)	-	(5,794)	(2,072)	(2,072)	-
<b>Loss allowance on loan and placement losses</b>	<b>Risk cost total</b>	<b>(50,164)</b>	<b>(39,121)</b>	-	<b>(39,121)</b>	<b>(10,900)</b>	<b>(1,777)</b>	<b>(9,123)</b>
<b>NET INTEREST INCOME</b>	<b>NET INTEREST INCOME</b>	<b><u>55,785</u></b>	<b><u>164,001</u></b>	<b><u>-</u></b>	<b><u>164,001</u></b>	<b><u>90,381</u></b>	<b><u>(1,777)</u></b>	<b><u>92,158</u></b>
<b>Income from fees and commissions</b>	<b>Income from fees and commissions</b>	<b>117,471</b>	<b>248,954</b>	<b>9,959</b>	<b>238,995</b>	<b>114,237</b>	<b>4,678</b>	<b>109,559</b>
<b>NET PROFIT FROM FEES AND COMMISSIONS</b>	<b>NET PROFIT FROM FEES AND COMMISSIONS</b>	<b><u>100,085</u></b>	<b><u>213,363</u></b>	<b><u>9,959</u></b>	<b><u>203,404</u></b>	<b><u>99,338</u></b>	<b><u>4,678</u></b>	<b><u>94,660</u></b>
Foreign exchange gains, net	Foreign exchange gains, net	(4,147)	3,288	(9,959)	13,247	689	(4,678)	5,367
Net other operating expenses	Net other operating income / (expenses)	(26,429)	26,515	-	26,515	(16,262)	1,777	(18,039)
<b>NET OPERATING INCOME</b>	<b>NET OPERATING INCOME</b>	<b><u>44,107</u></b>	<b><u>130,988</u></b>	<b><u>(9,959)</u></b>	<b><u>140,947</u></b>	<b><u>73,106</u></b>	<b><u>(2,901)</u></b>	<b><u>76,007</u></b>



**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 Group 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 34.1.1.)

**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 23.)

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: CASH, AMOUNTS DUE FROM BANKS AND BALANCES WITH THE NATIONAL BANK OF HUNGARY (in HUF mn)**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Cash on hand:		
In HUF	133,524	180,259
In foreign currency	<u>21,938</u>	<u>16,385</u>
	<b><u>155,462</u></b>	<b><u>196,644</u></b>
Amounts due from banks and balances with National Bank of Hungary:		
Within one year:		
In HUF	176,509	39,871
In foreign currency	<u>138,021</u>	<u>53,171</u>
	<b><u>314,530</u></b>	<b><u>93,042</u></b>
<b>Subtotal</b>	<b><u>469,992</u></b>	<b><u>289,686</u></b>
Average amount of compulsory reserve	69,783	65,055
<b>Total</b>	<b><u>400,209</u></b>	<b><u>224,631</u></b>
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 5: PLACEMENTS WITH OTHER BANKS, NET OF ALLOWANCE FOR PLACEMENT LOSSES (in HUF mn)**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Within one year:		
In HUF	841,509	732,283
In foreign currency	<u>328,091</u>	<u>476,314</u>
	<b><u>1,169,600</u></b>	<b><u>1,208,597</u></b>
Over one year		
In HUF	277,967	325,308
In foreign currency	<u>32,166</u>	<u>29,829</u>
	<b><u>310,133</u></b>	<b><u>355,137</u></b>
<b>Total placements</b>	<b><u>1,479,733</u></b>	<b><u>1,563,734</u></b>
Loss allowance	<u>(3,389)</u>	<u>(3,592)</u>
<b>Total</b>	<b><u>1,476,344</u></b>	<b><u>1,560,142</u></b>

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**NOTE 5: 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:

	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>Balance as at 1 January</b>	<b>3,592</b>	<b>2,047</b>
Loss allowance	4,545	5,068
Release of loss allowance	<u>(4,748)</u>	<u>(3,523)</u>
<b>Closing balance</b>	<b><u>3,389</u></b>	<b><u>3,592</u></b>

Interest conditions of placements with other banks (%):

	<b>30 June 2020</b>	<b>31 December 2019</b>
Placements with other banks in HUF	0%-3.84%	0%-3.84%
Placements with other banks in foreign currency	(0.76%)-3.81%	(0.76%)-3.81%
Average interest of placements with other banks	0.71%	0.56%

**NOTE 6: REPO RECEIVABLES (in HUF mn)**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Within one year:		
In HUF	11,929	45,545
<b>Total gross amount</b>	<b><u>11,929</u></b>	<b><u>45,545</u></b>
Loss allowance	<u>(7)</u>	<u>(6)</u>
<b>Total repo receivables</b>	<b><u>11,922</u></b>	<b><u>45,539</u></b>

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

	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>Balance as at 1 January</b>	<b>6</b>	<b>12</b>
Loss allowance	33	6
Release of loss allowance	<u>(32)</u>	<u>(12)</u>
<b>Closing balance</b>	<b><u>7</u></b>	<b><u>6</u></b>

Interest conditions of repo receivables (%):

	<b>30 June 2020</b>	<b>31 December 2019</b>
Repo receivables in HUF	(0.2%) – (0.1%)	(0.1%)-0.2%
Average interest of repo receivables	0.15%	0.32%

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**NOTE 7: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)**

	<b>30 June 2020</b>	<b>31 December 2019</b>
<i>Securities held for trading:</i>		
Government bonds	15,515	18,269
Hungarian government discounted Treasury Bills	8,288	12
Other non-interest bearing securities	1,819	7,516
Corporate shares and investments	739	369
Other bonds	<u>2,486</u>	<u>20,089</u>
<b>Subtotal</b>	<b><u>28,847</u></b>	<b><u>46,255</u></b>
<i>Securities mandatorily measured at fair value through profit or loss:</i>		
Shares in investment funds	17,473	17,100
Bonds	5,180	5,180
Shares	<u>5,188</u>	<u>-</u>
<b>Subtotal</b>	<b><u>27,841</u></b>	<b><u>22,280</u></b>
<i>Held for trading derivative financial instruments:</i>		
Foreign currency swaps	69,214	38,213
Interest rate swaps	62,983	52,516
CCIRS and mark-to-market CCIRS <sup>1</sup> swaps	5,444	1,216
Other derivative transactions <sup>2</sup>	<u>31,830</u>	<u>11,749</u>
<b>Subtotal</b>	<b><u>169,471</u></b>	<b><u>103,694</u></b>
<b>Total</b>	<b><u>226,159</u></b>	<b><u>172,229</u></b>
Interest conditions and the remaining maturities of securities held for trading are as follows:		
	<b>30 June 2020</b>	<b>31 December 2019</b>
Within one year:		
variable interest	78	2
fixed interest	<u>12,020</u>	<u>12,323</u>
	<b><u>12,098</u></b>	<b><u>12,325</u></b>
Over one year:		
variable interest	1,181	1,030
fixed interest	<u>13,010</u>	<u>25,014</u>
	<b><u>14,191</u></b>	<b><u>26,044</u></b>
Non-interest bearing securities	<u>2,558</u>	<u>7,886</u>
<b>Total</b>	<b><u>28,847</u></b>	<b><u>46,255</u></b>
Securities held for trading denominated in HUF	68%	55%
Securities held for trading denominated in foreign currency	<u>32%</u>	<u>45%</u>
<b>Securities held for trading total</b>	<b><u>100%</u></b>	<b><u>100%</u></b>
Government bonds denominated in HUF	51%	87%
Government bonds denominated in foreign currency	<u>49%</u>	<u>13%</u>
<b>Government securities total</b>	<b><u>100%</u></b>	<b><u>100%</u></b>
Interest rates on securities held for trading in HUF	0.5%-7.5%	0.16%-7.5%
Interest rates on securities held for trading in foreign currency	0.5%-6.63%	0.01%-8.25%
Average interest on securities held for trading	0.46%	0.67%

<sup>1</sup> CCIRS: Cross Currency Interest Rate Swap (See Note 2.6.2.)

<sup>2</sup> 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**  
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**NOTE 7: 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:

	<b>30 June 2020</b>	<b>31 December 2019</b>
Within one year:		
variable interest	28	25
Over one year:		
variable interest	<u>5,151</u>	<u>5,155</u>
<b>Subtotal</b>	<b><u>5,151</u></b>	<b><u>5,155</u></b>
Non-interest bearing securities	<u>22,662</u>	<u>17,100</u>
<b>Total</b>	<b><u>27,841</u></b>	<b><u>22,280</u></b>
Securities mandatorily measured at fair value through profit or loss denominated in HUF	63%	77%
Securities mandatorily measured at fair value through profit or loss denominated in foreign currency	<u>37%</u>	<u>23%</u>
<b>Securities mandatorily measured at fair value through profit or loss total</b>	<b><u>100%</u></b>	<b><u>100%</u></b>
Interest rates on securities mandatorily measured at fair value through profit or loss	2.77%	2.60%
Average interest on securities mandatorily measured at fair value through profit or loss	2.77%	2.60%

**NOTE 8: SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**  
**(in HUF mn)**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Government bonds	519,151	826,054
Mortgage bonds	331,982	220,004
Interest bearing treasury bills	35,742	339,397
Other securities	79,619	78,202
- <u>listed securities</u>	<u>41,023</u>	<u>39,601</u>
<i>in HUF</i>	2,976	2,999
<i>in foreign currency</i>	38,047	36,602
- <u>non-listed securities</u>	<u>38,596</u>	<u>38,601</u>
<i>in HUF</i>	17,373	18,516
<i>in foreign currency</i>	21,223	20,085
<b>Subtotal</b>	<b><u>966,494</u></b>	<b><u>1,463,657</u></b>
<i>Non-trading equity instruments designated to measure at fair value through other comprehensive income</i>		
- <u>non-listed securities</u>	<u>16,713</u>	<u>22,320</u>
<i>in HUF</i>	528	528
<i>in foreign currency</i>	16,185	21,792
<b>Subtotal</b>	<b><u>16,713</u></b>	<b><u>22,320</u></b>
<b>Securities at fair value through other comprehensive income total</b>	<b><u>983,207</u></b>	<b><u>1,485,977</u></b>

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**NOTE 8: SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**  
**(in HUF mn) [continued]**

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

	<b>30 June 2020</b>	<b>31 December 2019</b>
Within one year:		
variable interest	7,257	6,709
fixed interest	<u>82,357</u>	<u>609,207</u>
	<b><u>89,614</u></b>	<b><u>615,916</u></b>
Over one year:		
variable interest	119,350	84,935
fixed interest	<u>757,530</u>	<u>762,806</u>
	<b><u>876,880</u></b>	<b><u>847,741</u></b>
Non-interest bearing securities	<u>16,713</u>	<u>22,320</u>
<b>Total</b>	<b><u>983,207</u></b>	<b><u>1,485,977</u></b>
	<b>30 June 2020</b>	<b>31 December 2019</b>
FVOCI securities denominated in HUF	87%	83%
FVOCI securities denominated in foreign currency	<u>13%</u>	<u>17%</u>
<b>FVOCI securities total</b>	<b><u>100%</u></b>	<b><u>100%</u></b>
Interest rates on FVOCI securities denominated in HUF	0.5%-11%	0.16%-11%
Interest rates on FVOCI securities denominated in foreign currency	0.49%-7.25%	0.49%-7.25%
Average interest on FVOCI securities	2.47%	2.32%

Certain fixed-rate mortgage bonds and other securities are hedged against interest rate risk. (See Note 34.4.)

	<b>30 June 2020</b>	<b>31 December 2019</b>
Net gain reclassified from other comprehensive income to statement of profit or loss	1,175	229
Fair value of the hedged securities:		
Government bonds	464,544	1,465,143
Other bonds	<u>-</u>	<u>-</u>
	<b><u>464,544</u></b>	<b><u>1,465,143</u></b>

During the six month period ended 30 June 2020 the Bank didn't sell any of equity instruments designated to measure at fair value through other comprehensive income. During 2019 the Bank sold shares in Kisvállalkozásfejlesztési Zrt, net gain on the transaction was not significant.

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**NOTE 9: LOANS (in HUF mn)**

**Loans measured at fair value through profit or loss**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Gross loans	29,133	30,858
Fair value adjustment	<u>(590)</u>	<u>(1,127)</u>
<b>Loans measured at fair value through profit or loss total</b>	<b><u>28,543</u></b>	<b><u>29,731</u></b>

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**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Within one year	1,683,978	1,632,245
Over one year	<u>1,981,714</u>	<u>1,733,010</u>
<b>Gross loans total</b>	<b><u>3,665,692</u></b>	<b><u>3,365,255</u></b>
Loss allowance	<u>(118,879)</u>	<u>(79,917)</u>
<b>Loans measured at amortised cost, net of allowance for loan losses total</b>	<b><u>3,546,813</u></b>	<b><u>3,285,338</u></b>

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

	<b>30 June 2020</b>	<b>31 December 2019</b>
In HUF	58%	57%
In foreign currency	<u>42%</u>	<u>43%</u>
<b>Total</b>	<b><u>100%</u></b>	<b><u>100%</u></b>

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

	<b>30 June 2020</b>	<b>31 December 2019</b>
Loans denominated in HUF	1.5% - 10.08%	1.5%-10.08%
Average interest on loans denominated in HUF	1.97%	2.20%

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

	<b>30 June 2020</b>	<b>31 December 2019</b>
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	(0,45%)-13%	(0.45%)-13%
Average interest on loans denominated in HUF	6.27%	6.30%
Average interest on loans denominated in foreign currency	1.95%	2.09%

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**NOTE 9: LOANS (in HUF mn) [continued]**

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

	<b>30 June 2020</b>		<b>31 December 2019</b>	
<b>Retail loans</b>	<b>985,743</b>	<b>27%</b>	<b>843,585</b>	<b>25%</b>
Retail consumer loans	870,993	24%	720,471	21%
Retail mortgage backed loans <sup>1</sup>	114,750	3%	123,114	4%
<b>Corporate loans</b>	<b>2,679,949</b>	<b>72%</b>	<b>2,521,670</b>	<b>74%</b>
Loans to corporates	2,581,927	69%	2,433,080	71%
Municipality loans	<u>98,022</u>	<u>3%</u>	<u>88,590</u>	<u>3%</u>
<b>Loans at amortised cost total</b>	<b>3,665,692</b>	<b>99%</b>	<b>3,365,255</b>	<b>99%</b>
<b>Loans at fair value total</b>	<b><u>28,543</u></b>	<b><u>1%</u></b>	<b><u>29,731</u></b>	<b><u>1%</u></b>
<b>Gross loans total</b>	<b><u>3,694,235</u></b>	<b><u>100%</u></b>	<b><u>3,394,986</u></b>	<b><u>100%</u></b>

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

	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>Balance as at 1 January</b>	<b>79,917</b>	<b>66,241</b>
Movements related to forced loans	-	1,621
Loss allowance	119,717	134,583
Release of loss allowance	(74,985)	(117,001)
Use of loss allowance	(3,867)	-
Partial write-off	<u>(1,903)</u>	<u>(5,527)</u>
<b>Closing balance</b>	<b><u>118,879</u></b>	<b><u>79,917</u></b>

Forced loans have been recognised in “Other asset” line before, however it is reclassified to “Loans at amortised cost” line to be in harmony with further reporting documents provided by the Bank (Budapest Stock Exchange reports and Management reports). The above mentioned loans are interest bearing loans in the ECL measurement category of Stage 2, and cash flows are solely payments of principal and interest.

Loss allowance on loans at amortised cost and placements with other banks is summarized as below:

	<b>30 June 2020</b>	<b>31 December 2019</b>
Loss allowance on placements with other banks	(203)	1,545
Loss allowance on loans at amortised cost	<u>43,569</u>	<u>32,184</u>
<b>Total</b>	<b><u>43,366</u></b>	<b><u>33,729</u></b>

The Bank sells non-performing loans without recourse at estimated fair value to a wholly owned subsidiary, OTP Factoring Ltd. (See Note 38)

<sup>1</sup> incl. housing loans



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**NOTE 10: INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS (in HUF mn)**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Investments in subsidiaries		
Controlling interest	1,976,839	1,962,010
Other investments	<u>8,287</u>	<u>8,298</u>
<b>Subtotal</b>	<b><u>1,985,126</u></b>	<b><u>1,970,308</u></b>
Impairment loss	<u>(437,683)</u>	<u>(427,770)</u>
<b>Total</b>	<b><u>1,547,443</u></b>	<b><u>1,542,538</u></b>

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:

	<b>30 June 2020</b>		<b>31 December 2019</b>	
	<b>% Held (direct/indirect)</b>	<b>Gross book value</b>	<b>% Held (direct/indirect)</b>	<b>Gross book value</b>
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 a.d. (Serbia)	100%	131,164	100%	131,164
OTP Bank Romania S.A. (Romania)	100%	133,987	100%	133,987
OTP Leasing Srbija d.o.o. Beograd (Serbia)	100%	127,140	100%	127,140
SKB Banka d.d. Ljubljana (Slovenia)	99.66%	107,689	99.66%	107,372
JSC "OTP Bank" (Russia)	97.91%	74,335	97.91%	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
Balanz Private Open-end Investment Fund	100%	29,150	100%	29,150
OTP Banka Slovensko a.s. (Slovakia)	99.44%	29,134	99.44%	29,134
Bank Center No. 1. Ltd.	100%	26,063	100%	26,063
OTP Factoring Ltd.	100%	25,411	100%	25,411
Mobiasbanca - OTP Group S.A. (Moldavia)	98.26%	24,159	98.26%	24,159
Merkantil Bank Ltd.	100%	23,663	100%	23,663
Air-Invest Llc.	100%	36,748	100%	21,748
Inga Kettó Ltd.	100%	17,892	100%	17,892
OTP Life Annuity Ltd.	100%	15,300	100%	15,300
OTP Real Estate Ltd.	100%	10,023	100%	10,023
OTP Bank Albania (Albania)	100%	11,865	100%	11,865
Monicomp Ltd.	100%	9,234	100%	9,234
Other		<u>36,940</u>		<u>37,428</u>
<b>Total</b>		<b><u>1,976,839</u></b>		<b><u>1,962,010</u></b>

**OTP BANK PLC.**  
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**NOTE 10: 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:

	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>Balance as at 1 January</b>	<b>427,770</b>	<b>536,075</b>
Impairment loss for the period	9,913	12,503
Reversal of impairment loss	-	(51,310)
Use of impairment loss	-	<u>(69,498)</u>
<b>Closing balance</b>	<b><u>437,683</u></b>	<b><u>427,770</u></b>

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:**

	<b>30 June 2020</b>	<b>31 December 2019</b>
OTP Bank JSC (Ukraine)	207,397	207,397
OTP Mortgage Bank Ltd.	65,096	65,096
OTP banka Srbija a.d. (Serbia)	53,383	53,383
Crnogorska komercijalna banka a.d. (Montenegro)	23,324	23,324
OTP Bank Romania S.A. (Romania)	38,416	28,575
OTP Banka Slovensko a.s. (Slovakia)	12,649	12,649
Air-Invest Ltd.	10,491	10,491
OTP Life Annuity Ltd.	10,969	10,969
R.E. Four d.o.o. (Serbia)	3,763	3,763
OTP Real Estate Ltd.	5,557	5,557
OTP Buildings s.r.o (Romania)	<u>3,327</u>	<u>3,327</u>
<b>Total</b>	<b><u>434,372</u></b>	<b><u>424,531</u></b>

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

	<b>30 June 2020</b>	<b>31 December 2019</b>
OTP Factoring Ltd.	45,463	14,665
OTP Holding Malta Ltd.	4,823	-
OTP Funds Servicing and Consulting Ltd.	1,894	-
OTP Card Factory Ltd.	25	-
OTP Real Estate Investment Fund Management Ltd.	4,000	1,500
Inga Kettő Ltd.	-	4,500
OTP Building Society Ltd.	-	3,000
OTP Mortgage Bank Ltd.	-	27,500
OTP banka Hrvatska d.d. (Croatia)	-	21,170
Other	<u>4,707</u>	<u>637</u>
<b>Subtotal</b>	<b><u>60,912</u></b>	<b><u>72,972</u></b>
Dividend from shares held-for-trading	6	5,728
Dividend from shares measured at fair value through other comprehensive income	<u>28</u>	<u>187</u>
<b>Total</b>	<b><u>60,946</u></b>	<b><u>78,887</u></b>

**OTP BANK PLC.**  
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**NOTE 10: INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS (in HUF mn) [continued]**

**Significant associates and joint ventures**

The main figures of the Bank's indirectly owned associates and joint ventures at cost<sup>1</sup>:

**As at 30 June 2020**

	<b>D-ÉG Thermoset Ltd.<sup>2</sup></b>	<b>Szallas.hu Ltd.</b>	<b>Company for Cash Services Llc.</b>	<b>Total</b>
Assets	3,883	5,142	2,696	<b>11,721</b>
Liabilities	4,629	2,296	184	<b>7,109</b>
Shareholders' equity	(746)	2,846	2,512	<b>4,612</b>
Total income	2,386	1,000	696	<b>4,082</b>
<i>% Held</i>	<i>0.10%</i>	<i>50%</i>	<i>25%</i>	

**As at 31 December 2019**

	<b>D-ÉG Thermoset Ltd.<sup>3</sup></b>	<b>Szallas.hu Ltd.</b>	<b>Company for Cash Services Llc.</b>	<b>Total</b>
Assets	3,883	4,939	2,736	<b>11,558</b>
Liabilities	4,629	1,429	186	<b>6,244</b>
Shareholders' equity	(746)	3,510	2,550	<b>5,314</b>
Total income	2,386	3,405	1,315	<b>7,106</b>
<i>% Held</i>	<i>0.1%</i>	<i>50%</i>	<i>25%</i>	

OTP Bank has signed with KBC Bank NV an agreement to sell its 99.44% stake in OTP Banka Slovensko a.s., the Slovakian subsidiary of OTP Bank.

<sup>1</sup> Based on unaudited financial statements.

<sup>2</sup> Main figures of D-ÉG Thermoset Ltd. based on the latest unaudited financial statements as at 31 October 2017.

<sup>3</sup> Main figures of D-ÉG Thermoset Ltd. based on the latest unaudited financial statements as at 31 October 2017.

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**NOTE 11: SECURITIES AT AMORTISED COST (in HUF mn)**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Government bonds	1,620,200	1,436,455
Other corporate bonds	<u>24,349</u>	<u>12,212</u>
<b>Subtotal</b>	<b><u>1,644,549</u></b>	<b><u>1,448,667</u></b>
Loss allowance	<u>(1,524)</u>	<u>(1,443)</u>
<b>Total</b>	<b><u>1,643,025</u></b>	<b><u>1,447,224</u></b>

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

	<b>30 June 2020</b>	<b>31 December 2019</b>
Within one year: fixed interest	<u>81,994</u> <b><u>81,994</u></b>	<u>102,296</u> <b><u>102,296</u></b>
Over one year: fixed interest	<u>1,562,555</u> <b><u>1,562,555</u></b>	<u>1,346,371</u> <b><u>1,346,371</u></b>
<b>Total</b>	<b><u>1,644,549</u></b>	<b><u>1,448,667</u></b>

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

	<b>30 June 2020</b>	<b>31 December 2019</b>
Securities at amortised cost denominated in HUF	99%	100%
Securities at amortised cost denominated in foreign currency	<u>1%</u>	<u>-</u>
<b>Securities at amortised cost total</b>	<b><u>100%</u></b>	<b><u>100%</u></b>
Interest rates on securities at amortised cost	0.5%-7.5%	0.5%-7.5%
Average interest on securities at amortised cost denominated in HUF	3.05%	3.31%

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

	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>Balance as at 1 January</b>	<b>1,443</b>	<b>1,668</b>
Loss allowance	2,009	338
Release of loss allowance	<u>(1,928)</u>	<u>(563)</u>
<b>Closing balance</b>	<b><u>1,524</u></b>	<b><u>1,443</u></b>

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**NOTE 12: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn)**

For the six month period ended 30 June 2020

<u>Cost</u>	<u>Intangible assets</u>	<u>Property</u>	<u>Office equipment and vehicles</u>	<u>Construction in progress</u>	<u>Right of use assets</u>	<u>Total</u>
Balance as at 1 January	139,026	69,380	87,361	10,523	17,827	324,117
Additions	10,735	1,215	4,785	3,706	3,627	24,068
Disposals	(70)	(362)	(3,325)	(5,928)	-	(9,685)
Balance as at 30 June	<u>149,691</u>	<u>70,233</u>	<u>88,821</u>	<u>8,301</u>	<u>21,454</u>	<u>338,500</u>

**Depreciation and Amortization**

Balance as at 1 January	85,744	22,948	66,562	-	4,220	179,474
Charge for the year	9,545	1,501	4,309	-	2,346	17,701
Disposals	-	(112)	(3,248)	-	-	(3,360)
Balance as at 30 June	<u>95,289</u>	<u>24,337</u>	<u>67,623</u>	<u>-</u>	<u>6,566</u>	<u>193,815</u>

**Net book value**

Balance as at 1 January	<u>53,282</u>	<u>46,432</u>	<u>20,799</u>	<u>10,523</u>	<u>13,607</u>	<u>144,643</u>
Balance as at 30 June	<u>54,402</u>	<u>45,896</u>	<u>21,198</u>	<u>8,301</u>	<u>14,888</u>	<u>144,685</u>

For the year ended 31 December 2019

<u>Cost</u>	<u>Intangible assets</u>	<u>Property</u>	<u>Office equipment and vehicles</u>	<u>Construction in progress</u>	<u>Right of use assets</u>	<u>Total</u>
Balance as at 1 January	115,272	66,925	80,961	7,010	16,296	286,464
Additions	28,104	5,993	10,771	20,375	1,638	66,881
Disposals	(4,350)	(3,538)	(4,371)	(16,862)	(107)	(29,228)
Balance as at 31 December	<u>139,026</u>	<u>69,380</u>	<u>87,361</u>	<u>10,523</u>	<u>17,827</u>	<u>324,117</u>

**Depreciation and Amortization**

Balance as at 1 January	75,389	21,718	62,736	-	-	159,843
Charge for the year	14,682	2,867	8,152	-	4,224	29,925
Disposals	(4,327)	(1,637)	(4,326)	-	(4)	(10,294)
Balance as at 31 December	<u>85,744</u>	<u>22,948</u>	<u>66,562</u>	<u>-</u>	<u>4,220</u>	<u>179,474</u>

**Net book value**

Balance as at 1 January	<u>39,883</u>	<u>45,207</u>	<u>18,225</u>	<u>7,010</u>	<u>16,296</u>	<u>126,621</u>
Balance as at 31 December	<u>53,282</u>	<u>46,432</u>	<u>20,799</u>	<u>10,523</u>	<u>13,607</u>	<u>144,643</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**  
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**NOTE 13: INVESTMENT PROPERTIES (in HUF mn)**

For the six month period ended 30 June 2020 and for the year ended 2019

<u>Cost</u>	30 June 2020	31 December 2019
Balance as at 1 January	3,061	2,964
Additions resulting from subsequent expenditure	-	97
<b>Closing balance</b>	<b><u>3,061</u></b>	<b><u>3,061</u></b>
 <b><u>Depreciation and Amortization</u></b>		
Balance as at 1 January	680	631
Charge for the year	25	49
<b>Closing balance</b>	<b><u>705</u></b>	<b><u>680</u></b>
 <b><u>Net book value</u></b>		
Balance as at 1 January	<u>2,381</u>	<u>2,333</u>
<b>Closing balance</b>	<b><u>2,356</u></b>	<b><u>2,381</u></b>

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

<b>Incomes and expenses</b>	30 June 2020	31 December 2019
Rental income	3	6
Depreciation	25	48

**NOTE 14: 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 2020	31 December 2019
Interest rate swaps designated as fair value hedge	1,400	3,758
CCIRS designated as fair value hedge	10,973	3,705
Interest rate swaps designated as cash flow hedge	10,156	9,214
<b>Total</b>	<b><u>22,529</u></b>	<b><u>16,677</u></b>

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**NOTE 15: OTHER ASSETS<sup>1</sup> (in HUF mn)**

	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>Other financial assets</b>		
Receivables from OTP Employee Stock Ownership Program (OTP ESOP)	57,616	33,722
Receivables from card operations	15,109	9,804
Accrued day one gain of loans provided at below-market interest	10,227	10,227
Stock exchange deposit	8,475	5,708
Prepayments and accrued income	7,745	2,938
Trade receivables	3,689	17,200
Receivables from suppliers	2,988	3,520
Receivables from OTP Mortgage Bank Ltd.	1,713	3,823
Other	<u>35,510</u>	<u>8,186</u>
	<b><u>143,072</u></b>	<b><u>95,128</u></b>
Loss allowance	(5,976)	(5,646)
<b>Other financial assets total</b>	<b><u>137,096</u></b>	<b><u>89,482</u></b>
<b>Other non-financial assets</b>		
Prepayments and accrued income	8,402	6,986
Receivable related to Hungarian Government subsidies	8,013	16,793
Other	<u>15,150</u>	<u>3,902</u>
	<b><u>31,565</u></b>	<b><u>27,681</u></b>
Provision for impairment on other assets	(482)	(464)
<b>Other non-financial assets total</b>	<b><u>31,083</u></b>	<b><u>27,217</u></b>
<b>Total</b>	<b><u>168,179</u></b>	<b><u>116,699</u></b>

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

	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>Balance as at 1 January</b>	<b>5,646</b>	<b>7,362</b>
Movements related to forced loans	-	(1,621)
Charge for the period	2,041	3,383
Release of loss allowance	(1,563)	(2,391)
Use of loss allowance	<u>(148)</u>	<u>(1,087)</u>
<b>Closing balance</b>	<b><u>5,976</u></b>	<b><u>5,646</u></b>

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

	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>Balance as at 1 January</b>	<b>464</b>	<b>59</b>
Charge for the period	50	443
Release of loss allowance	<u>(32)</u>	<u>(38)</u>
<b>Closing balance</b>	<b><u>482</u></b>	<b><u>464</u></b>

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

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**NOTE 16: AMOUNTS DUE TO BANKS AND DEPOSITS FROM THE NATIONAL BANK OF HUNGARY AND OTHER BANKS (in HUF mn)**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Within one year:		
In HUF	197,221	358,641
In foreign currency	<u>191,336</u>	<u>136,922</u>
	<b><u>388,557</u></b>	<b><u>495,563</u></b>
Over one year:		
In HUF	244,775	94,823
In foreign currency	<u>99,104</u>	<u>147,668</u>
	<b><u>343,879</u></b>	<b><u>242,491</u></b>
<b>Total<sup>1</sup></b>	<b><u>732,436</u></b>	<b><u>738,054</u></b>

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

	<b>30 June 2020</b>	<b>31 December 2019</b>
Within one year:		
In HUF	0% - 20%	(0.03%)-0.9%
In foreign currency	(0.47%) - 2.25%	(0.89%)-8.49%
Over one year:		
In HUF	0% - 1.43%	0%-0.71%
In foreign currency	(0.44%) - 6.36%	(0.42%)-6.87%
Average interest on amounts due to banks in HUF	(0.83%)	1.00%
Average interest on amounts due to banks in foreign currency	(1.64%)	2.05%

**NOTE 17: REPO LIABILITIES (in HUF mn)**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Within one year:		
In HUF	<u>24,627</u>	<u>20,575</u>
	<b><u>24,627</u></b>	<b><u>20,575</u></b>
Over one year:		
In HUF	-	263,554
In foreign currency	<u>107,045</u>	<u>178,492</u>
	<b><u>107,045</u></b>	<b><u>442,046</u></b>
<b>Total</b>	<b><u>131,672</u></b>	<b><u>462,621</u></b>

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

	<b>30 June 2020</b>	<b>31 December 2019</b>
Within one year:		
In HUF	(0.45%) - 0.74%	(0.85%)-0.14%
In foreign currency	-	(1%)
Over one year:		
In HUF	-	0.39%-0.71%
In foreign currency	0% - 6.6%	(0.45%)-1.92%
Average interest on repo liabilities in HUF	0.84%	1.19%
Average interest on repo liabilities in foreign currency	0.58%	1.24%

<sup>1</sup> It contains the loans lent among the frame of Funding for Growth Scheme.



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**NOTE 18: DEPOSITS FROM CUSTOMERS (in HUF mn)**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Within one year:		
In HUF	5,703,963	5,437,453
In foreign currency	<u>1,184,700</u>	<u>1,092,329</u>
	<b><u>6,888,663</u></b>	<b><u>6,529,782</u></b>
Over one year:		
In HUF	<u>44,453</u>	<u>43,768</u>
	<b><u>44,453</u></b>	<b><u>43,768</u></b>
<b>Total</b>	<b><u>6,933,116</u></b>	<b><u>6,573,550</u></b>

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

	<b>30 June 2020</b>	<b>31 December 2019</b>
Within one year in HUF	0% - 7.96%	(3.13%)-7.96%
Over one year in HUF	(4.21%) - 4%	(5.09%)-7.96%
In foreign currency	(0.47%) - 13.26%	(0.6%)-21%
Average interest on deposits from customers in HUF	(0.06%)	0.04%
Average interest on deposits from customers in foreign currency	(0.07%)	0.21%

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

	<b>30 June 2020</b>		<b>31 December 2019</b>	
<b>Retail deposits</b>	<b>3,550,799</b>	<b>51%</b>	<b>3,204,450</b>	<b>49%</b>
Household deposits	3,550,799	51%	3,204,450	49%
<b>Corporate deposits</b>	<b>3,382,317</b>	<b>49%</b>	<b>3,369,100</b>	<b>51%</b>
Deposits corporates	2,847,964	41%	2,729,209	41%
Municipality deposits	<u>534,353</u>	<u>8%</u>	<u>639,891</u>	<u>10%</u>
<b>Total</b>	<b><u>6,933,116</u></b>	<b><u>100%</u></b>	<b><u>6,573,550</u></b>	<b><u>100%</u></b>

**NOTE 19: LIABILITIES FROM ISSUED SECURITIES (in HUF mn)**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Within one year:		
In HUF	15,888	18,340
In foreign currency	<u>3,364</u>	<u>3,753</u>
	<b><u>19,252</u></b>	<b><u>22,093</u></b>
Over one year:		
In HUF	22,471	21,191
	<b><u>22,471</u></b>	<b><u>21,191</u></b>
<b>Total</b>	<b><u>41,723</u></b>	<b><u>43,284</u></b>

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

	<b>30 June 2020</b>	<b>31 December 2019</b>
Issued securities denominated in HUF	0%-1.7%	0%-1.7%
Issued securities denominated in foreign currency	0.01%-1.11%	1.1%-1.48%
Average interest on issued securities denominated in HUF	0.99%	0.39%
Average interest on issued securities denominated in foreign currency	1.20%	1.87%

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**NOTE 19: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]**

Issued securities denominated in foreign currency as at **30 June 2020** (in HUF mn):

	Name	Date of issuance	Maturity	Currency	Nominal value in FX million	Nominal value in HUF million	Amortised cost in FX million	Amortised cost in HUF million	Interest conditions (in % actual)
1	OTP_VK1_20/5	15/08/2019	15/08/2020	USD	1.97	624	1.97	628	1.11 variable
2	OTP_VK1_20/7	07/11/2019	07/11/2020	USD	1.66	528	1.66	528	0.10 variable
3	OTP_VK1_20/8	19/12/2019	19/12/2020	USD	1.52	483	1.52	483	0.01 variable
4	OTP_VK1_21/1	20/02/2020	20/02/2021	USD	1.40	445	1.41	447	1.10 variable
5	OTP_VK1_21/2	02/04/2020	02/04/2021	USD	1.28	406	1.28	407	1.10 variable
6	OTP_VK1_21/3	14/05/2020	14/05/2021	USD	1.18	376	1.18	376	1.00 variable
7	OTP_VK1_21/4	18/06/2020	18/06/2021	USD	0.74	236	0.74	236	0.75 variable
8	OTP_VK1_20/6	26/09/2019	26/09/2020	USD	<u>0.72</u>	<u>229</u>	<u>0.72</u>	<u>229</u>	0.38 variable
	<b>Total issued securities</b>				<b><u>10.47</u></b>	<b><u>3,327</u></b>	<b><u>10.48</u></b>	<b><u>3,334</u></b>	

**Term Note Program in the value of HUF 200 billion for the year of 2020/2021**

On 21 April 2020 the Bank initiated term note program in the value of HUF 200 billion with the intention of issuing registered dematerialized bonds in public. The NBH approved on 9 July 2020 the prospectus of Term Note Program and the disclosure as at 10 July 2020. The prospectus is valid for 12 months following the disclosure.

The Issuer can initiate to introduce the bonds issued under the program to the Hungarian and to other stock exchanges without any obligations.

**Term Note Program in the value of HUF 200 billion for the year of 2019/2020**

On 25 June 2019 the Bank initiated term note program in the value of HUF 200 billion with the intention of issuing registered dematerialized bonds in public. The NBH approved on 28 June 2019 the prospectus of Term Note Program and the disclosure as at 16 August 2019. The prospectus is valid for 12 months following the disclosure.

The Issuer can initiate to introduce the bonds issued under the program to the Hungarian, Slovakian, Romanian, Bulgarian and Croatian Stock Exchange without any obligations.

**Hedge accounting**

Certain structured bonds are hedged by interest rate swaps which may transfer to a transferee a fixed interest rate and enter into an interest rate swap with the transferee to receive a fixed interest rate and pay a variable interest rate and amount of the structure if any based on a notional amount which is equal to the notional amount of the hedged bond. In certain cases amount of the structure is hedged by options which give the owner the right to get amount of the structure which is equal to the structure of the hedged bond. 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

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**NOTE 19: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]**

Issued securities denominated in HUF as at **30 June 2020** (in HUF mn)

	Name	Date of issuance	Maturity	Nominal value in HUF million	Amortised cost in HUF million	Interest conditions (in % actual)	Hedged
1	OTP_DK_21/I	15/12/2018	31/05/2021	3,520	3,474	discount	
2	OTP_DK_22/II	29/05/2020	31/05/2022	3,175	3,118	discount	
3	OTPRF2021B	20/10/2011	25/10/2021	2,725	2,840	indexed	hedged
4	OTPRF2021A	05/07/2011	13/07/2021	2,455	2,783	indexed	hedged
5	OTPRF2020C	11/11/2010	05/11/2020	2,757	2,669	indexed	hedged
6	OTPX2020F	10/10/2014	16/10/2020	2,602	2,530	indexed	0.20 hedged
7	OTPRF2020A	12/07/2010	20/07/2020	2,274	2,359	indexed	hedged
8	OTPX2020G	15/12/2014	21/12/2020	2,280	2,208	indexed	0.30 hedged
9	OTPRF2022A	22/03/2012	23/03/2022	1,937	1,852	indexed	1.70 hedged
10	OTPRF2020B	12/07/2010	20/07/2020	1,270	1,410	indexed	hedged
11	OTP_DK_23/II	29/05/2020	31/05/2023	997	965	discount	
12	OTP_DK_22/I	15/12/2018	31/05/2022	993	956	discount	
13	OTPRF2022B	22/03/2012	23/03/2022	779	745	indexed	1.70 hedged
14	OTPRF2023A	22/03/2013	24/03/2023	748	719	indexed	1.70 hedged
15	OTPRF2022E	29/10/2012	31/10/2022	711	689	indexed	1.70 hedged
16	OTP_DK_23/I	15/12/2018	31/05/2023	717	671	discount	
17	OTPRF2022F	28/12/2012	28/12/2022	581	570	indexed	1.70 hedged
18	OTP_DK_24/II	29/05/2020	31/05/2024	592	562	discount	
19	OTP_DK_25/II	29/05/2020	31/05/2025	592	551	discount	
20	OTPRF2021C	21/12/2011	30/12/2021	495	522	indexed	hedged
21	OTPX2022B	18/07/2012	18/07/2022	172	409	indexed	1.70 hedged
22	OTP_DK_24/I	30/05/2019	31/05/2024	426	385	discount	
23	OTPRF2021D	21/12/2011	30/12/2021	349	365	indexed	hedged
24	OTP_DK_26/I	29/05/2020	31/05/2026	392	358	discount	
25	OTPX2021B	17/06/2011	21/06/2021	245	345	indexed	hedged
26	OTPX2023A	22/03/2013	24/03/2023	324	329	indexed	1.70 hedged
27	OTPX2021D	21/12/2011	27/12/2021	259	310	indexed	hedged
28	OTPX2020B	28/06/2010	09/07/2020	267	291	indexed	hedged
29	OTPX2024B	10/10/2014	16/10/2024	295	288	indexed	0.70 hedged
30	OTPX2022D	28/12/2012	27/12/2022	265	287	indexed	1.70 hedged
31	OTPRF2022D	28/06/2012	28/06/2022	247	246	indexed	1.70 hedged
32	OTPX2021A	01/04/2011	01/04/2021	183	244	indexed	hedged
33	OTPX2024A	18/06/2014	21/06/2024	241	239	indexed	1.30 hedged
34	OTPX2024C	15/12/2014	20/12/2024	242	236	indexed	0.60 hedged
35	OTPX2022C	29/10/2012	28/10/2022	201	223	indexed	1.70 hedged
36	OTPX2022A	22/03/2012	23/03/2022	201	217	indexed	hedged
37	OTPX2023B	28/06/2013	26/06/2023	198	215	indexed	0.60 hedged
38	OTPX2021C	19/09/2011	24/09/2021	231	200	indexed	hedged
39	OTPRF2022C	28/06/2012	28/06/2022	180	189	indexed	1.70 hedged
40	OTPX2020C	11/11/2010	05/11/2020	151	185	indexed	hedged
41	OTPX2020D	16/12/2010	18/12/2020	161	173	indexed	hedged
42	OTP_DK_25/I	30/05/2019	31/05/2025	104	90	discount	
43	OTP_DK_27/I	29/05/2020	31/05/2027	95	85	discount	
44	OTPRF2021E	21/12/2011	30/12/2021	71	71	indexed	hedged
45	Egyéb			216	216		
	<b>Subtotal issued securities in HUF</b>			<b>37,916</b>	<b>38,389</b>		
	<b>Total issued securities</b>			<b>41,243</b>	<b>41,723</b>		

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**NOTE 20: FINANCIAL LIABILITIES DESIGNATED AS FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Within one year:		
In HUF	<u>2,534</u>	<u>2,679</u>
	<b><u>2,534</u></b>	<b><u>2,679</u></b>
Over one year:		
In HUF	<u>24,658</u>	<u>26,182</u>
	<b><u>24,658</u></b>	<b><u>26,182</u></b>
<b>Total</b>	<b><u>27,192</u></b>	<b><u>28,861</u></b>

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

	<b>30 June 2020</b>	<b>31 December 2019</b>
Within one year:		
In HUF	0.65% - 2.65%	0.01%-2.59%
Over one year:		
In HUF	0% - 2.65%	0.01%-2.59%
Average interest on amounts due to banks in HUF	1.29%	1.34%

A reconciliation of the carrying amount of financial liabilities designated as fair value through profit or loss is as follows:

	<b>30 June 2020</b>	<b>31 December 2019</b>
Contractual amount	26,267	27,561
Fair value adjustment due to market risk	<u>925</u>	<u>1,300</u>
<b>Gross carrying amount</b>	<b><u>27,192</u></b>	<b><u>28,861</u></b>

**NOTE 21: HELD FOR TRADING DERIVATIVE FINANCIAL LIABILITIES (in HUF mn)**

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

	<b>30 June 2020</b>	<b>31 December 2019</b>
IRS	58,971	42,841
Foreign currency swaps	67,074	29,084
CCIRS and mark-to-market CCIRS	6,502	1,037
Other derivative contracts <sup>1</sup>	<u>22,285</u>	<u>10,126</u>
<b>Total</b>	<b><u>154,832</u></b>	<b><u>83,088</u></b>

**NOTE 22: 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:

	<b>30 June 2020</b>	<b>31 December 2019</b>
IRS designated as fair value hedge	9,393	8,265
IRS designated as cash flow hedge	-	-
CCIRS designated as fair value hedge	<u>2,129</u>	<u>1,758</u>
<b>Total</b>	<b><u>11,522</u></b>	<b><u>10,023</u></b>

<sup>1</sup> incl.: FX, equity, commodity and index futures; FX forward; commodity and equity swap; FRA; FX option

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**NOTE 23: OTHER LIABILITIES<sup>1</sup> (in HUF mn)**

	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>Other financial liabilities</b>		
Liabilities from investment services	93,168	101,417
Accounts payable	7,102	20,742
Accrued expenses	18,181	16,517
Provision on off-balance sheet commitments, contingent liabilities	21,482	14,288
Liabilities from customer's credit card payments	29,824	10,753
Accrued day one gain of loan liabilities at below-market interest	10,159	10,177
Liabilities due to short positions	7,474	7,040
Other	<u>11,904</u>	<u>10,157</u>
<b>Other financial liabilities total</b>	<b><u>199,294</u></b>	<b><u>191,091</u></b>
<b>Other non-financial liabilities</b>		
Technical accounts	22,839	34,025
Current income tax payable	20,893	12,529
Social contribution	3,341	4,130
Provision on off-balance sheet commitments, contingent liabilities	13,788	2,508
Other	<u>3,099</u>	<u>2,393</u>
<b>Other non-financial liabilities total</b>	<b><u>63,960</u></b>	<b><u>55,585</u></b>
<b>Other liabilities total</b>	<b><u>263,254</u></b>	<b><u>246,676</u></b>

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

	<b>30 June 2020</b>	<b>31 December 2019</b>
Provision for losses on other off-balance sheet commitments and contingent liabilities	21,482	14,288
<b>Provisions in accordance with IFRS 9</b>	<b><u>21,482</u></b>	<b><u>14,288</u></b>
Provision for litigation	583	663
Provision for retirement pension and severance pay	459	1,000
Provision on other liabilities	<u>12,746</u>	<u>845</u>
<b>Provisions in accordance with IAS 37</b>	<b><u>13,788</u></b>	<b><u>2,508</u></b>
<b>Total</b>	<b><u>35,270</u></b>	<b><u>16,796</u></b>

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

	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>Opening balance</b>	<b>14,288</b>	<b>8,494</b>
Provision for the period	29,307	29,517
Release of provision	<u>(22,113)</u>	<u>(23,723)</u>
<b>Closing balance</b>	<b><u>21,482</u></b>	<b><u>14,288</u></b>

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

	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>Opening balance</b>	<b>2,508</b>	<b>2,891</b>
Provision for the period	13,136	1,252
Release of provision	(1,315)	(130)
Use of provision	<u>(541)</u>	<u>(1,505)</u>
<b>Closing balance</b>	<b><u>13,788</u></b>	<b><u>2,508</u></b>

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

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**NOTE 24: SUBORDINATED BONDS AND LOANS (in HUF mn)**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Within one year:		
In foreign currency	5,456	2,695
Over one year:		
In foreign currency	<u>297,535</u>	<u>276,699</u>
<b>Total</b>	<b><u>302,991</u></b>	<b><u>279,394</u></b>

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

	<b>30 June 2020</b>	<b>31 December 2019</b>
Subordinated bonds and loans denominated in foreign currency	2.74%-2.88%	2.6% - 2.875%
Average interest on subordinated bonds and loans denominated in foreign currency	2.80%	2.73%

Subordinated loans and bonds are detailed as follows as at 30 June 2020:

<b>Type</b>	<b>Nominal value</b>	<b>Date of issuance</b>	<b>Date of maturity</b>	<b>Issue price</b>	<b>Interest conditions</b>	<b>Interest rate</b>
Subordinated bond	EUR 337.1 million	07/11/2006	Perpetual	99.375%	Three-month EURIBOR + 3%, variable after year 10 (payable quarterly)	2.742%
Subordinated bond	EUR 499.9 million	15/07/2019	15/07/2029	99.738%	Fixed 2.875% annual in the first 5 years and callable after 5 years, variable after year 5 (payable annually) calculated as a sum of the initial margin (320 basis point) and the 5 year mid-swap rate prevailing at the end of the 5 year.	2.875%

**NOTE 25: SHARE CAPITAL (in HUF mn)**

	<b>30 June 2020</b>	<b>31 December 2019</b>
<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.

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**NOTE 26:      **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.

Until 1 January 2021 – taking into consideration the regulations of the NBH - no dividend is expected to be proposed by the Management of OTP Bank.

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.

**Retained earnings**

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

**Put option reserve**

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.

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**NOTE 26: 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 2020:

30 June 2020 Closing	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
<b>Components of Shareholder's equity in accordance with IFRS</b>	<b>28,000</b>	<b>52</b>	<b>40,923</b>	<b>1,662,128</b>	<b>(55,468)</b>	<b>(21,783)</b>	-	-	-	<b>1,653,852</b>
Unused portion of reserve for developments	-	-	-	(1,473)	-	-	-	1,473	-	-
Other comprehensive income	-	-	-	(46,293)	-	-	46,293	-	-	-
Option reserve	-	(55,468)	-	-	55,468	-	-	-	-	-
Treasury shares	-	(21,783)	-	-	-	21,783	-	-	-	-
Share based payments	-	40,923	(40,923)	-	-	-	-	-	-	-
Net profit for the year	-	-	-	(39,481)	-	-	-	-	39,481	-
General reserve	-	-	-	(100,071)	-	-	-	100,071	-	-
<b>Components of Shareholder's equity in accordance with paragraph 114/B of Act on Accounting</b>	<b><u>28,000</u></b>	<b><u>(36,276)</u></b>	<b><u>-</u></b>	<b><u>1,474,810</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>46,293</u></b>	<b><u>101,544</u></b>	<b><u>39,481</u></b>	<b><u>1,653,852</u></b>



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**NOTE 26: RETAINED EARNINGS AND RESERVES (in HUF mn) [continued]**

The equity correlation table of the Bank based on paragraph 114/B of Act on Accounting as at 1 January 2020:

1 January 2020 Closing	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
<b>Components of Shareholder's equity in accordance with IFRS</b>	<b>28,000</b>	<b>52</b>	<b>39,179</b>	<b>1,644,591</b>	<b>(55,468)</b>	<b>(2,636)</b>	-	-	-	<b>1,653,718</b>
Unused portion of reserve for developments	-	-	-	(1,473)	-	-	-	1,473	-	-
Other comprehensive income	-	-	-	(62,975)	-	-	62,975	-	-	-
Portion of supplementary payment recognised as an asset	-	-	-	(310)	-	-	-	-	-	<b>(310)</b>
Option reserve	-	(55,468)	-	-	55,468	-	-	-	-	-
Treasury shares	-	(2,636)	-	-	-	2,636	-	-	-	-
Share based payments	-	39,179	(39,179)	-	-	-	-	-	-	-
Net profit for the year	-	-	-	(193,354)	-	-	-	-	193,354	-
General reserve	-	-	-	(96,115)	-	-	-	96,115	-	-
<b>Components of Shareholder's equity in accordance with paragraph 114/B of Act on Accounting</b>	<b><u>28,000</u></b>	<b><u>(18,873)</u></b>	<b><u>-</u></b>	<b><u>1,290,364</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>62,975</u></b>	<b><u>97,588</u></b>	<b><u>193,354</u></b>	<b><u>1,653,408</u></b>

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**NOTE 26:      RETAINED EARNINGS AND RESERVES (in HUF mn) [continued]**

	<b>30 June 2020</b>	<b>1 January 2019</b>
Retained earnings	1,474,810	1,290,364
Net profit for the year	<u>39,481</u>	<u>193,354</u>
<b>Untied retained earnings</b>	<b><u>1,514,291</u></b>	<b><u>1,483,718</u></b>

**NOTE 27:      TREASURY SHARES (in HUF mn)**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Nominal value (ordinary shares)	202	32
Carrying value at acquisition cost	21,783	2,636

The changes in the carrying value of treasury shares are due to repurchase and sale transactions on market authorised by the General Assembly.

**Change in number of shares:**

	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>Number of shares as at 1 January</b>	<b>320,165</b>	<b>169,852</b>
Additions	5,630,654	2,979,754
Disposals	<u>(3,930,390)</u>	<u>(2,829,441)</u>
<b>Number of shares at the end of the period</b>	<b><u>2,020,429</u></b>	<b><u>320,165</u></b>

Change in carrying value:

	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>Balance as at 1 January</b>	<b>2,636</b>	<b>1,964</b>
Additions	56,875	34,185
Disposals	<u>(37,728)</u>	<u>(33,513)</u>
<b>Closing balance</b>	<b><u>21,783</u></b>	<b><u>2,636</u></b>

	<b>30 June 2020</b>	<b>31 December 2019</b>
Nominal value of treasury shares at OTP group members	1,979	1,746

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**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**NOTE 28: INTEREST INCOME AND EXPENSES (in HUF mn)**

	<b>30 June 2020</b>	<b>30 June 2019</b>	<b>31 December 2019</b>
<b>Interest income accounted for using the effective interest rate method from / on</b>			
Loans at amortised cost and fair value through profit or loss	77,753	66,524	140,899
FVOCI securities	17,453	19,393	40,332
Securities at amortised cost	23,130	24,601	47,119
Placements with other banks	5,419	3,691	8,034
Financial liabilities	742	668	1,720
Amounts due from banks and balances with National Bank of Hungary	721	572	1,196
Repo receivables	<u>21</u>	<u>9</u>	<u>95</u>
<b>Subtotal</b>	<b><u>125,239</u></b>	<b><u>115,458</u></b>	<b><u>239,395</u></b>
<b>Income similar to interest income</b>			
Swap and forward deals related to Placements with other banks	30,710	33,079	65,090
Swap and forward deals related to Loans at amortised cost	7,242	10,516	24,114
Swap and forward deals related to FVOCI securities	(2,740)	(3,210)	(6,099)
Investment properties	<u>3</u>	<u>3</u>	<u>6</u>
<b>Subtotal</b>	<b><u>35,215</u></b>	<b><u>40,388</u></b>	<b><u>83,111</u></b>
<b>Interest income total</b>	<b><u>160,454</u></b>	<b><u>155,846</u></b>	<b><u>322,506</u></b>
<b>Interest expense due to / from / on</b>			
Amounts due to banks and deposits from the National Bank of Hungary and other banks	39,383	38,434	78,644
Deposits from customers	8,849	11,567	28,146
Leasing liabilities	67	63	244
Liabilities from issued securities	214	110	224
Subordinated bonds and loans	4,057	1,516	5,323
Investment properties (depreciation)	25	23	48
Financial assets	847	1,083	2,278
Repo liabilities	<u>1,063</u>	<u>1,769</u>	<u>4,477</u>
<b>Interest expenses total</b>	<b><u>54,505</u></b>	<b><u>54,565</u></b>	<b><u>119,384</u></b>

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**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**NOTE 29: RISK COST (in HUF mn)**

	<b>30 June 2020</b>	<b>30 June 2019</b>	<b>31 December 2019</b>
<b>Loss allowance of loans at amortised cost</b>			
Loss allowance	118,640	55,319	129,663
Release of loss allowance	(75,071)	(52,941)	(117,311)
Loan losses	<u>-</u>	<u>6,370</u>	<u>19,831</u>
	<b><u>43,569</u></b>	<b><u>8,748</u></b>	<b><u>32,183</u></b>
<b>Loss allowance of placements with other banks</b>			
Loss allowance	4,545	1,759	5,068
Release of loss allowance	<u>(4,748)</u>	<u>(1,384)</u>	<u>(3,523)</u>
	<b><u>(203)</u></b>	<b><u>375</u></b>	<b><u>1,545</u></b>
<b>Loss allowance of FVOCI securities</b>			
Loss allowance	751	800	1,295
Release of loss allowance	<u>(1,228)</u>	<u>(837)</u>	<u>(1,471)</u>
	<b><u>(477)</u></b>	<b><u>(37)</u></b>	<b><u>(176)</u></b>
<b>Loss allowance of securities at amortised cost</b>			
Loss allowance	2,009	162	338
Release of loss allowance	<u>(1,928)</u>	<u>(420)</u>	<u>(563)</u>
	<b><u>81</u></b>	<b><u>(258)</u></b>	<b><u>(225)</u></b>
<b>Provision on loan commitments and financial guarantees</b>			
Provision for the period	29,307	12,434	29,517
Release of provision	<u>(22,113)</u>	<u>(10,362)</u>	<u>(23,723)</u>
	<b><u>7,194</u></b>	<b><u>2,072</u></b>	<b><u>5,794</u></b>
<b>Risk cost total</b>	<b><u>50,164</u></b>	<b><u>10,900</u></b>	<b><u>39,121</u></b>

**NOTE 30: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn)**

**Income from fees and commissions:**

	<b>30 June 2020</b>	<b>30 June 2019</b>
<b>Fees and commissions related to lending</b>	<b>3,382</b>	<b>2,529</b>
Deposit and account maintenance fees and commissions	50,557	49,581
Fees and commission related to the issued bank cards	35,507	35,481
Fees and commissions related to security trading	11,793	11,657
Fees and commissions paid by OTP Mortgage Bank Ltd.	4,006	5,922
Net insurance fee income	3,317	2,800
Other	<u>8,909</u>	<u>6,267</u>
<b>Fees and commissions from contracts with customers</b>	<b><u>114,089</u></b>	<b><u>111,708</u></b>
<b>Total Income from fees and commissions:</b>	<b><u>117,471</u></b>	<b><u>114,237</u></b>

**Contract balances**

	<b>30 June 2020</b>	<b>30 June 2019</b>
Receivables, which are included in 'other assets'	7,625	10,225
Loss allowance	(103)	(51)
Liabilities which are included in 'other liabilities'	-	5

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**NOTE 30: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn) [continued]**

**Performance obligations and revenue recognition policies:**

<b>Fee type</b>	<b>Nature and timing of satisfaction of performance obligations, and the significant payment terms</b>	<b>Revenue recognition under IFRS 15</b>
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>

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**NOTE 30: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn) [continued]**

**Performance obligations and revenue recognition policies: [continued]**

<b>Fee type</b>	<b>Nature and timing of satisfaction of performance obligations, and the significant payment terms</b>	<b>Revenue recognition under IFRS 15</b>
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>

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**NOTE 30:      NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn) [continued]**

<b>Expenses from fees and commissions:</b>	<b>30 June 2020</b>	<b>30 June 2019</b>
Other fees and commissions related to issued bank cards	13,714	12,097
Fees and commissions related to lending	950	833
Fees and commissions relating to deposits	704	579
Fees and commissions related to security trading	594	248
Trust activities related to securities	566	443
Insurance fees	338	361
Postal fees	112	126
Money market transaction fees and commissions	32	23
Other	<u>376</u>	<u>189</u>
<b>Total Expenses from fees and commissions</b>	<b><u>17,386</u></b>	<b><u>14,899</u></b>
<b>Net profit from fees and commissions</b>	<b><u>100,085</u></b>	<b><u>99,338</u></b>

**NOTE 31:      OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE  
EXPENSES (in HUF mn)**

<b>Other operating income:</b>	<b>30 June 2020</b>	<b>30 June 2019</b>
Intermediary and other services	590	741
Income from lease of tangible assets	353	287
Gains on sale of receivables	231	120
Gains on derecognition of deposits	178	183
Gains on discount from advertising agency fees	171	170
Income from written off receivables	118	110
Gains on transactions related to property activities	112	97
Gains on sale of tangible assets	79	130
Other operating income from OTP Employee Stock Ownership Program (OTP ESOP)	-	683
Other	<u>916</u>	<u>191</u>
<b>Total</b>	<b><u>2,748</u></b>	<b><u>2,712</u></b>
<b>Net other operating expenses:</b>	<b>30 June 2020</b>	<b>30 June 2019</b>
(Provision) / Release of provision for off-balance sheet commitments and contingent liabilities	(11,280)	1,362
Loss allowance on investments in subsidiaries	(9,913)	(9,727)
Non-repayable assets contributed	(2,904)	(2,966)
Financial support for sport association and organization of public utility	(559)	(3,084)
Release of loss allowance on other assets	(497)	(174)
Losses on other assets	(447)	(656)
Fine imposed by Competition Authority	(18)	(45)
Other	<u>(811)</u>	<u>(972)</u>
<b>Total other operating expenses</b>	<b><u>(26,429)</u></b>	<b><u>(16,262)</u></b>

**OTP BANK PLC.**  
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**NOTE 31: OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn) [continued]**

<b>Other administrative expenses:</b>	<b>30 June</b>	<b>30 June</b>
	<b>2020</b>	<b>2020</b>
<b>Personnel expenses:</b>		
Wages	43,461	39,395
Taxes related to personnel expenses	8,290	8,618
Other personnel expenses	<u>6,228</u>	<u>6,161</u>
<b>Subtotal</b>	<b><u>57,979</u></b>	<b><u>54,174</u></b>
<b>Depreciation and amortization:</b>	<b><u>17,701</u></b>	<b><u>13,988</u></b>
<b>Other administrative expenses:</b>		
Taxes, other than income tax <sup>1</sup>	47,026	43,446
Services	20,249	20,749
Administration expenses, including rental fees	7,838	7,826
Professional fees	7,166	7,102
Advertising	<u>2,933</u>	<u>2,992</u>
<b>Subtotal</b>	<b><u>85,212</u></b>	<b><u>82,115</u></b>
<b>Total</b>	<b><u>160,892</u></b>	<b><u>150,277</u></b>

**NOTE 32: 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:

	<b>30 June</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
Current tax expense	669	4,625
Deferred tax (income) / expense	<u>(1,065)</u>	<u>5,215</u>
<b>Total</b>	<b><u>(396)</u></b>	<b><u>9,840</u></b>

A reconciliation of the deferred tax liability is as follows:

	<b>30 June</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
<b>Balance as at 1 January</b>	<b>(5,875)</b>	<b>1,241</b>
Deferred tax income / (expense) in recognised expense	1,065	(5,215)
Tax effect of fair value adjustment of FVOCI securities and ICES recognised in other comprehensive income	<u>1,604</u>	<u>(1,901)</u>
<b>Closing balance</b>	<b><u>(3,206)</u></b>	<b><u>(5,875)</u></b>

<sup>1</sup> Special tax of financial institutions was paid by OTP Bank in the amount of HUF 11.6 billion for the six month period ended 30 June 2020 and for the year ended 2019, recognized as an expense thus decreased the corporate tax base. For the year ended 31 December 2019 financial transaction duty was paid by the Bank in the amount of HUF 61 billion.



**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**NOTE 32: INCOME TAX (in HUF mn) [continued]**

A breakdown of the deferred tax liability is as follows:

	<b>30 June 2020</b>	<b>31 December 2019</b>
Unused tax allowance	-	283
Refundable tax in accordance with Acts on Customer Loans	1,372	-
Amounts unenforceable by tax law	<u>185</u>	<u>210</u>
<b>Deferred tax assets</b>	<b><u>1,557</u></b>	<b><u>493</u></b>
Fair value adjustment of held for trading and FVOCI securities	(4,331)	(5,935)
Difference in depreciation and amortization	-	(329)
Amounts unenforceable by tax law	<u>(432)</u>	<u>(104)</u>
<b>Deferred tax liabilities</b>	<b><u>(4,763)</u></b>	<b><u>(6,368)</u></b>
<b>Net deferred tax liability</b>	<b><u>(3,206)</u></b>	<b><u>(5,875)</u></b>

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

	<b>30 June 2020</b>	<b>31 December 2019</b>
Profit before income tax	39,085	203,194
Income tax at statutory tax rate (9%)	3,518	18,287
<i><u>Income tax adjustments due to permanent differences are as follows:</u></i>		
Deferred use of tax allowance	283	5,046
Tax base correction due to change in accounting policy	69	-
Share-based payment	157	319
Permanent differences from unused tax losses	(1,372)	-
Amounts unenforceable by tax law	24	(58)
Use of tax allowance in the current year		(6,975)
Dividend income	(5,485)	(7,100)
Other	<u>2,410</u>	<u>321</u>
<b>Income tax</b>	<b><u>(396)</u></b>	<b><u>9,840</u></b>
Effective tax rate	(1%)	4.8%

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**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**NOTE 33: LEASE (in HUF mn)**

**The Bank as a lessee:**

At initial application of IFRS 16 the Bank as lessee chose the modified retrospective approach (see Note 2.18.), so there are no comparative figures for 31 December 2018.

<b>Amounts recognised at initial application</b>	<b>1 January 2019</b>
Lease liability	16,150
Prepaid or accrued lease payments as at 31 December 2018	<u>145</u>
Right-of-use asset	16,295
Cumulative impact recognized as an adjustment to the equity at the date of initial application	-

Average weighted amount of the implicit interest rate/incremental borrowing rate applied as at 1 January 2019 to recognise the lease liabilities: ~1.61 %.

<b>Amounts recognised in profit and loss</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
Interest expense on lease liabilities	244	244
Expense relating to short-term leases	1,700	4,212
Expense relating to leases of low value assets	5	12
Expense relating to variable lease payments not included in the measurement of lease liabilities	501	874

Leasing liabilities by maturities:

	<b>30 June 2020</b>	<b>31 December 2019</b>
Within one year	2,160	3,826
Over one year	<u>13,241</u>	<u>9,834</u>
<b>Total</b>	<b><u>15,401</u></b>	<b><u>13,660</u></b>

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**NOTE 33: LEASE (in HUF mn) [continued]**

An analysis of movement in the carrying amount of right-of-use assets by category is as follows:

	<b>Right-of-use of real estate</b>	<b>Right-of-use of machinery and equipment</b>	<b>Total</b>
<b>Gross carrying amount</b>			
<b>Balance as at 1 January 2019</b>	16,259	37	16,296
Additions due to new contracts	786	-	786
Derecognition due to matured contracts	(107)	-	(107)
Change due to revaluation and modification	<u>852</u>	<u>-</u>	<u>852</u>
<b>Balance as at 31 December 2019</b>	<b><u>17,790</u></b>	<b><u>37</u></b>	<b><u>17,827</u></b>
Additions due to new contracts	3,334	-	3,334
Change due to revaluation and modification	<u>293</u>	<u>-</u>	<u>293</u>
<b>Balance as at 30 June 2020</b>	<b><u>21,417</u></b>	<b><u>37</u></b>	<b><u>21,454</u></b>
<b>Depreciation</b>			
<b>Balance as at 1 January</b>	-	-	-
Depreciation charge	4,218	6	4,224
Derecognition due to matured contracts	<u>(4)</u>	<u>-</u>	<u>(4)</u>
<b>Balance as at 31 December 2019</b>	<b><u>4,214</u></b>	<b><u>6</u></b>	<b><u>4,220</u></b>
Depreciation charge	<u>2,343</u>	<u>3</u>	<u>2,346</u>
<b>Balance as at 30 June 2020</b>	<b><u>6,557</u></b>	<b><u>9</u></b>	<b><u>6,566</u></b>
<b>Net carrying amount</b>			
<b>Balance as at 31 December 2019</b>	<b><u>13,576</u></b>	<b><u>31</u></b>	<b><u>13,607</u></b>
<b>Balance as at 30 June 2020</b>	<b><u>14,860</u></b>	<b><u>28</u></b>	<b><u>14,888</u></b>

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**NOTE 34: 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:

**34.1. 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.

**34.1.1. 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.

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**NOTE 34: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**34.1. Credit risk [continued]**

**34.1.1. Analysis by loan types [continued]**

**On collective basis:**

The following exposures are subject to collective assessment:

- retail exposure irrespective of the amount,
- micro and small enterprise exposures irrespective of the amount,
- all other exposure which are insignificant on a stand-alone basis and not part of the workout management,
- exposure which are not in stage 3, significant on a stand-alone basis,
- purchased or originated credit-impaired instruments which are in accordance with the conditions mentioned above.

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

The Bank's 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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**NOTE 34: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**34.1. Credit risk [continued]**

**34.1.1. 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 2020:

	Carrying amount/Exposure	Gross carrying amount / Notional amount					Loss allowance / Provision					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	469,992	469,936	56	-	-	469,992	-	-	-	-	-	-
Placements with other banks, net of allowance for placement losses	1,476,344	1,479,729	4	-	-	1,479,733	3,386	3	-	-	3,389	-
Repo Receivables	11,922	11,929	-	-	-	11,929	7	-	-	-	7	-
<i>Retail consumer loans</i>	843,074	833,028	29,271	8,689	5	870,993	14,905	7,503	5,508	3	27,919	-
<i>Mortgage loans</i>	108,485	84,754	15,245	9,639	5,112	114,750	50	693	4,334	1,188	6,265	-
<i>Municipal loans</i>	95,103	82,834	15,159	29	-	98,022	520	2,370	29	-	2,919	-
<i>Corporate loans</i>	2,500,151	2,322,162	211,108	37,681	10,976	2,581,927	23,459	33,169	22,164	2,984	81,776	33,714
Loans at amortised cost	3,546,813	3,322,778	270,783	56,038	16,093	3,665,692	38,934	43,735	32,035	4,175	118,879	33,714
FVOCI securities <sup>1</sup>	983,207	983,207	-	-	-	983,207	1,233	-	-	-	1,233	-
Securities at amortised cost	1,643,025	1,644,549	-	-	-	1,644,549	1,524	-	-	-	1,524	-
Other financial assets	<u>137,096</u>	<u>106,491</u>	<u>35,377</u>	<u>1,168</u>	<u>36</u>	<u>143,072</u>	<u>469</u>	<u>4,452</u>	<u>1,036</u>	<u>19</u>	<u>5,976</u>	<u>-</u>
<b>Total as at 30 June 2020</b>	<b><u>8,268,399</u></b>	<b><u>8,018,619</u></b>	<b><u>306,220</u></b>	<b><u>57,206</u></b>	<b><u>16,129</u></b>	<b><u>8,398,174</u></b>	<b><u>45,553</u></b>	<b><u>48,190</u></b>	<b><u>33,071</u></b>	<b><u>4,194</u></b>	<b><u>131,008</u></b>	<b><u>33,714</u></b>
Loan commitments	1,497,253	1,475,408	32,306	1,141	-	1,508,855	7,156	3,906	540	-	11,602	-
Financial guarantees	1,170,583	1,165,592	12,746	1,607	-	1,179,945	5,779	2,093	1,490	-	9,362	-
Factoring loan commitments	293,386	288,335	3,983	1,519	-	293,837	345	8	98	-	451	-
Bill of credit	<u>11,226</u>	<u>11,293</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,293</u>	<u>67</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67</u>	<u>-</u>
<b>Loan commitments and financial guarantees total</b>	<b><u>2,972,448</u></b>	<b><u>2,940,628</u></b>	<b><u>49,035</u></b>	<b><u>4,267</u></b>	<b><u>-</u></b>	<b><u>2,993,930</u></b>	<b><u>13,347</u></b>	<b><u>6,007</u></b>	<b><u>2,128</u></b>	<b><u>-</u></b>	<b><u>21,482</u></b>	<b><u>-</u></b>

<sup>1</sup> FVOCI securities are measured at fair value in the Statement of Financial Position (See Note 8). Loss allowance for FVOCI securities is recognised in the Statement of Other Comprehensive Income, which is included in the accumulated loss allowance of this table.

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**NOTE 34: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**34.1. Credit risk [continued]**

**34.1.1. Analysis by loan types [continued]**

Gross carrying amount and accumulated loss allowance of financial assets at amortized cost and fair value through other comprehensive income by IFRS 9 stages as at 31 December 2019:

	Carrying amount/Exposure	Gross carrying amount / Notional amount					Loss allowance / Provision					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	289,686	289,686	-	-	-	289,686	-	-	-	-	-	-
Placements with other banks, net of allowance for placement losses	1,560,142	1,563,732	2	-	-	1,563,734	3,590	2	-	-	3,592	-
Repo Receivables	45,539	45,545	-	-	-	45,545	6	-	-	-	6	-
<i>Retail consumer loans</i>	701,733	698,440	16,402	5,623	6	720,471	9,666	5,690	3,379	3	18,738	-
<i>Mortgage loans</i>	118,291	96,161	12,905	8,817	5,231	123,114	33	248	3,732	810	4,823	-
<i>Municipal loans</i>	86,907	83,136	122	5,332	-	88,590	435	8	1,240	-	1,683	-
<i>Corporate loans</i>	2,378,407	2,294,436	92,411	36,020	10,213	2,433,080	21,188	12,894	19,939	652	54,673	30,976
Loans at amortised cost	3,285,338	3,172,173	121,840	55,792	15,450	3,365,255	31,322	18,840	28,290	1,465	79,917	30,976
FVOCI securities <sup>1</sup>	1,485,977	1,485,977	-	-	-	1,485,977	1,702	-	-	-	1,702	-
Securities at amortised cost	1,447,224	1,448,667	-	-	-	1,448,667	1,443	-	-	-	1,443	-
Other financial assets	89,482	56,577	37,499	1,015	37	95,128	583	4,291	754	18	5,646	-
<b>Total as at 31 December 2019</b>	<b>8,203,388</b>	<b>8,062,357</b>	<b>159,341</b>	<b>56,807</b>	<b>15,487</b>	<b>8,293,992</b>	<b>38,646</b>	<b>23,133</b>	<b>29,044</b>	<b>1,483</b>	<b>92,306</b>	<b>30,976</b>
Loan commitments	1,487,112	1,485,861	8,136	511	-	1,494,508	6,577	620	199	-	7,396	-
Financial guarantees	1,079,896	1,080,423	4,276	1,813	-	1,086,512	4,784	456	1,376	-	6,616	-
Factoring loan commitments	227,871	225,703	589	1,853	-	228,145	201	1	72	-	274	-
Bill of credit	747	749	-	-	-	749	2	-	-	-	2	-
<b>Loan commitments and financial guarantees total</b>	<b>2,795,626</b>	<b>2,792,736</b>	<b>13,001</b>	<b>4,177</b>	<b>-</b>	<b>2,809,914</b>	<b>11,564</b>	<b>1,077</b>	<b>1,647</b>	<b>-</b>	<b>14,288</b>	<b>-</b>

<sup>1</sup> FVOCI securities are measured at fair value in the Statement of Financial Position (See Note 8). Loss allowance for FVOCI securities is recognised in the Statement of Other Comprehensive Income, which is included in the accumulated loss allowance of this table.

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**NOTE 34: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**34.1. Credit risk [continued]**

**34.1.1. 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**

<b>For the six month period ended 30 June 2020 and for the year ended 31 December 2019</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
<b>Loss allowance as at 1 January 2019</b>	<b><u>16,529</u></b>	<b><u>13,896</u></b>	<b><u>34,147</u></b>	<b><u>1,669</u></b>	<b><u>66,241</u></b>
Transfer to Stage 1	370	(4,069)	(182)	-	(3,881)
Transfer to Stage 2	(981)	7,019	(436)	-	5,602
Transfer to Stage 3	(91)	(1,077)	3,808	-	2,640
Net remeasurement of loss allowance	1,281	(858)	(6,159)	(152)	(5,888)
New financial assets originated or purchased	19,007	4,983	3,044	6	27,040
Financial assets that have been derecognised (other than write-offs)	(4,830)	(2,504)	(3,289)	(50)	(10,673)
Movements related to forced loans <sup>1</sup>	98	1,482	41	-	1,621
Unwind of discount	-	-	1,752	990	2,742
Write-offs	<u>(61)</u>	<u>(32)</u>	<u>(4,436)</u>	<u>(998)</u>	<u>(5,527)</u>
<b>Loss allowance as at 31 December 2019</b>	<b><u>31,322</u></b>	<b><u>18,840</u></b>	<b><u>28,290</u></b>	<b><u>1,465</u></b>	<b><u>79,917</u></b>
Transfer to Stage 1	89	(840)	(30)	-	(781)
Transfer to Stage 2	(2,059)	24,670	(1,294)	-	21,317
Transfer to Stage 3	(135)	(1,621)	4,630	-	2,874
Net remeasurement of loss allowance	2,319	1,223	1,531	2,703	7,776
New financial assets originated or purchased	14,202	2,943	1,991	29	19,165
Financial assets that have been derecognised (other than write-offs)	(6,798)	(1,437)	(2,133)	(22)	(10,390)
Unwind of discount	-	-	894	216	1,110
Write-offs	<u>(6)</u>	<u>(43)</u>	<u>(1,844)</u>	<u>(216)</u>	<u>(2,109)</u>
<b>Loss allowance as at 30 June 2020</b>	<b><u>38,934</u></b>	<b><u>43,735</u></b>	<b><u>32,035</u></b>	<b><u>4,175</u></b>	<b><u>118,879</u></b>

<sup>1</sup> For further information please see the analysis of the change in the loss allowance on loans at amortised cost in Note 9.



**OTP BANK PLC.**  
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**NOTE 34: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**34.1. Credit risk [continued]**

**34.1.1. 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**

<b>For the six month period ended 30 June 2020 and for the year ended 31 December 2019</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Loss allowance as at 1 January 2019</b>	<b><u>6,331</u></b>	<b><u>1,928</u></b>	<b><u>235</u></b>	<b><u>8,494</u></b>
Transfer to Stage 1	84	(1,029)	(15)	(960)
Transfer to Stage 2	(21)	413	(15)	377
Transfer to Stage 3	(9)	(21)	1,514	1,484
Net remeasurement of loss allowance	1,245	291	(7)	1,529
New financial assets originated or purchased	5,204	98	31	5,333
Decrease	<u>(1,270)</u>	<u>(603)</u>	<u>(96)</u>	<u>(1,969)</u>
<b>Loss allowance as at 31 December 2019</b>	<b><u>11,564</u></b>	<b><u>1,077</u></b>	<b><u>1,647</u></b>	<b><u>14,288</u></b>
Transfer to Stage 1	23	(101)	(20)	(98)
Transfer to Stage 2	(222)	3,420	(14)	3,184
Transfer to Stage 3	(5)	(8)	465	452
Net remeasurement of loss allowance	662	41	102	805
New financial assets originated or purchased	2,887	1,611	42	4,540
Decrease	<u>(1,562)</u>	<u>(33)</u>	<u>(94)</u>	<u>(1,689)</u>
<b>Loss allowance as at 30 June 2020</b>	<b><u>13,347</u></b>	<b><u>6,007</u></b>	<b><u>2,128</u></b>	<b><u>21,482</u></b>

**Placements with other banks, net of allowance for placement losses**

<b>For the six month period ended 30 June 2020 and for the year ended 31 December 2019</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Total</b>
<b>Loss allowance as at 1 January 2019</b>	<b><u>2,035</u></b>	<b><u>12</u></b>	<b><u>2,047</u></b>
Net remeasurement of loss allowance	290	-	290
New financial assets originated or purchased	2,202	2	2,204
Financial assets that have been derecognised (other than write-offs)	<u>(937)</u>	<u>(12)</u>	<u>(949)</u>
<b>Loss allowance as at 31 December 2019</b>	<b><u>3,590</u></b>	<b><u>2</u></b>	<b><u>3,592</u></b>
Net remeasurement of loss allowance	21	-	21
New financial assets originated or purchased	1,682	1	1,683
Financial assets that have been derecognised (other than write-offs)	<u>(1,907)</u>	<u>-</u>	<u>(1,907)</u>
<b>Loss allowance as at 30 June 2020</b>	<b><u>3,386</u></b>	<b><u>3</u></b>	<b><u>3,389</u></b>

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2020 (UNAUDITED)**

**NOTE 34: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**34.1. Credit risk [continued]**

**34.1.1. 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**

<b>For the six month period ended 30 June 2020 and for the year ended 31 December 2019</b>	<b>Stage 1</b>	<b>Total</b>
<b>Loss allowance as at 1 January 2019</b>	<b><u>12</u></b>	<b><u>12</u></b>
New financial assets originated or purchased	42	42
Financial assets that have been derecognised (other than write-offs)	<u>(48)</u>	<u>(48)</u>
<b>Loss allowance as at 31 December 2019</b>	<b><u>6</u></b>	<b><u>6</u></b>
New financial assets originated or purchased	33	33
Financial assets that have been derecognised (other than write-offs)	<u>(32)</u>	<u>(32)</u>
<b>Loss allowance as at 30 June 2020</b>	<b><u>7</u></b>	<b><u>7</u></b>

**Securities at amortised cost**

<b>For the six month period ended 30 June 2020 and for the year ended 31 December 2019</b>	<b>Stage 1</b>	<b>Total</b>
<b>Loss allowance as at 1 January 2019</b>	<b><u>1,668</u></b>	<b><u>1,668</u></b>
Net remeasurement of loss allowance	(149)	(149)
New financial assets originated or purchased	58	58
Financial assets that have been derecognised (other than write-offs)	<u>(134)</u>	<u>(134)</u>
<b>Loss allowance as at 31 December 2019</b>	<b><u>1,443</u></b>	<b><u>1,443</u></b>
Net remeasurement of loss allowance	(5)	(5)
New financial assets originated or purchased	122	122
Financial assets that have been derecognised (other than write-offs)	<u>(36)</u>	<u>(36)</u>
<b>Loss allowance as at 30 June 2020</b>	<b><u>1,524</u></b>	<b><u>1,524</u></b>

**FVOCI Securities**

<b>For the six month period ended 30 June 2020 and for the year ended 31 December 2019</b>	<b>Stage 1</b>	<b>Total</b>
<b>Loss allowance as at 1 January 2019</b>	<b><u>1,859</u></b>	<b><u>1,859</u></b>
Net remeasurement of loss allowance	(148)	(148)
New financial assets originated or purchased	550	550
Financial assets that have been derecognised (other than write-offs)	<u>(559)</u>	<u>(559)</u>
<b>Loss allowance as at 31 December 2019</b>	<b><u>1,702</u></b>	<b><u>1,702</u></b>
Net remeasurement of loss allowance	(22)	(22)
New financial assets originated or purchased	233	233
Financial assets that have been derecognised (other than write-offs)	<u>(680)</u>	<u>(680)</u>
<b>Loss allowance as at 30 June 2020</b>	<b><u>1,233</u></b>	<b><u>1,233</u></b>

**OTP BANK PLC.**  
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**NOTE 34: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**34.1. Credit risk [continued]**

**34.1.1. 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 2020		31 December 2019	
	Gross loan and placement with other banks portfolio	Loss allowance	Gross loan and placement with other banks portfolio	Loss allowance
Hungary	3,713,402	(100,935)	3,406,241	(67,093)
Malta	758,732	(3,788)	746,431	(4,225)
Serbia	138,544	(4,377)	255,525	(4,163)
Slovakia	116,512	(413)	114,758	(293)
Bulgaria	88,574	(6,443)	80,708	(2,798)
Montenegro	68,738	(661)	37,021	(56)
United Kingdom	40,869	(32)	24,635	(40)
Other	<u>231,983</u>	<u>(5,626)</u>	<u>309,215</u>	<u>(4,847)</u>
<b>Loans, placements with other banks and repo receivables at amortised cost total</b>	<b><u>5,157,354</u></b>	<b><u>(122,275)</u></b>	<b><u>4,974,534</u></b>	<b><u>(83,515)</u></b>
Hungary	28,543	-	29,731	-
<b>Loans at fair value total</b>	<b><u>28,543</u></b>	<b><u>-</u></b>	<b><u>29,731</u></b>	<b><u>-</u></b>
<b>Loans, placements with other banks and repo receivables total</b>	<b><u>5,185,897</u></b>	<b><u>(122,275)</u></b>	<b><u>5,004,265</u></b>	<b><u>(83,515)</u></b>

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**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**NOTE 34: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**34.1. Credit risk [continued]**

**34.1.2. 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.

<b>Types of collateral</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
Mortgages	1,346,446	1,258,217
Guarantees and warranties	776,591	609,357
Deposit	178,372	185,537
<i>from this: Cash and other deposits</i>	50,293	50,335
<i>Securities</i>	128,079	135,202
Other	654	794
<b>Total</b>	<b><u>2,302,063</u></b>	<b><u>2,053,905</u></b>

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.

<b>Types of collateral</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
Mortgage	649,124	478,265
Guarantees and warranties	579,258	492,747
Deposit	100,433	118,387
<i>from this: Cash and other deposits</i>	12,478	16,809
<i>Securities</i>	87,955	101,578
Other	-	632
<b>Total</b>	<b><u>1,328,815</u></b>	<b><u>1,090,031</u></b>

The coverage level of loan portfolio to the extent of the exposures increased from 22.11% to 25.83% as at 30 June 2020, while the coverage to the total collateral value decreased from 41.67% to 44.74%.

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

<b>For the six month period ended 30 June 2020</b>	<b>Gross carrying amount</b>	<b>Loss allowance</b>	<b>Carrying amount</b>	<b>Collateral value</b>
Mortgage loans	9,639	(4,334)	5,305	48,189
Municipal loans	29	(29)	-	-
Corporate loans	37,681	(22,164)	15,517	43,223
<b>Total</b>	<b><u>47,349</u></b>	<b><u>(26,527)</u></b>	<b><u>20,822</u></b>	<b><u>91,412</u></b>

<b>For the year ended 31 December 2019</b>	<b>Gross carrying amount</b>	<b>Loss allowance</b>	<b>Carrying amount</b>	<b>Collateral value</b>
Mortgage loans	8,817	(3,732)	5,085	44,920
Municipal loans	5,332	(1,240)	4,092	9,531
Corporate loans	36,020	(19,939)	16,081	37,456
<b>Total</b>	<b><u>50,169</u></b>	<b><u>(24,911)</u></b>	<b><u>25,258</u></b>	<b><u>91,907</u></b>

**OTP BANK PLC.**  
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**NOTE 34: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**34.1. Credit risk [continued]**

**34.1.3. Restructured loans**

	<b>30 June 2020</b>		<b>31 December 2019</b>	
	<b>Gross portfolio</b>	<b>Loss allowance</b>	<b>Gross portfolio</b>	<b>Loss allowance</b>
Consumer loans	5,284	(2,646)	5,188	(2,107)
Mortgage loans	2,310	(220)	7,934	(238)
Corporate loans <sup>1</sup>	7,051	(2,729)	7,087	(2,062)
SME loans	7,270	(1,812)	7,111	(1,332)
Municipal loans	<u>41</u>	<u>(21)</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>21,956</u></b>	<b><u>(7,428)</u></b>	<b><u>27,319</u></b>	<b><u>(5,739)</u></b>

**Restructured portfolio definition**

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

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<sup>1</sup> incl.: project and syndicated loans

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**NOTE 34: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**34.1. Credit risk [continued]**

**Financial instruments by rating categories<sup>1</sup>**

**Held-for-trading securities as at 30 June 2020**

	<b>A2</b>	<b>A3</b>	<b>B1</b>	<b>Ba2</b>	<b>Ba3</b>	<b>Baa1</b>	<b>Baa2</b>	<b>Baa3</b>	<b>Not rated</b>	<b>Total</b>
Other non-interest bearing securities	-	-	-	-	-	-	-	-	1,819	1,819
Government bonds	-	-	-	984	449	-	-	14,082	-	15,515
Hungarian government discounted Treasury Bills	-	-	-	-	-	-	-	8,288	-	8,288
Shares	52	24	4	6	-	31	7	172	443	739
Other securities	-	596	-	-	-	-	-	1,210	680	2,486
<b>Total</b>	<b>52</b>	<b>620</b>	<b>4</b>	<b>990</b>	<b>449</b>	<b>31</b>	<b>7</b>	<b>23,752</b>	<b>2,942</b>	<b>28,847</b>

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

	<b>Not rated</b>	<b>Total</b>
Government bonds	17,473	17,473
Mortgage bonds	5,180	5,180
Shares	5,188	5,188
<b>Total</b>	<b>27,841</b>	<b>27,841</b>

<sup>1</sup> Moody's ratings

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2020 (UNAUDITED)**

**NOTE 34: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**34.1. Credit risk [continued]**

**Financial instruments by rating categories<sup>1</sup>**

**FVOCI securities as at 30 June 2020**

	<b>A3</b>	<b>Ba1</b>	<b>Ba2</b>	<b>Ba3</b>	<b>Baa1</b>	<b>Baa2</b>	<b>Baa3</b>	<b>Not rated</b>	<b>Total</b>
Mortgage bonds	-	-	-	-	65,713	247,007	-	19,262	331,982
Government bonds	-	-	1,740	7,272	7,230	-	502,909	-	519,151
Hungarian government interest bearing Treasury Bills	-	-	-	-	-	-	35,742	-	35,742
Other non-interest bearing securities	-	-	-	-	-	-	-	4,471	4,471
Shares	-	-	-	-	-	-	-	12,242	12,242
Other bonds	4,789	3,573	-	-	-	1,549	36,234	33,474	79,619
<b>Total</b>	<b>4,789</b>	<b>3,573</b>	<b>1,740</b>	<b>7,272</b>	<b>72,943</b>	<b>248,556</b>	<b>574,885</b>	<b>69,449</b>	<b>983,207</b>

**Securities at amortised cost as at 30 June 2020**

	<b>Baa2</b>	<b>Baa3</b>	<b>Not rate</b>	<b>Total</b>
Government bonds	2,937	1,615,863	-	1,618,800
Other corporate bonds	-	-	24,225	24,225
<b>Total</b>	<b>2,937</b>	<b>1,615,863</b>	<b>24,225</b>	<b>1,643,025</b>

<sup>1</sup> Moody's ratings

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2020 (UNAUDITED)**

**NOTE 34: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**34.1. 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 2020		31 December 2019	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Hungary	1,644,549	(1,524)	1,448,667	(1,443)
<b>Securities at amortised cost total</b>	<b><u>1,644,549</u></b>	<b><u>(1,524)</u></b>	<b><u>1,448,667</u></b>	<b><u>(1,443)</u></b>
Hungary	856,188	-	1,341,792	-
Luxembourg	74,629	-	-	-
Slovakia	16,101	-	15,025	-
Russia	12,346	-	40,120	-
Slovenia	7,230	-	6,984	-
Romania	-	-	13,126	-
Serbia	-	-	6,902	-
Sweden	-	-	1,503	-
Croatia	-	-	1,657	-
Lithuania	-	-	6,536	-
Poland	-	-	15,636	-
Bulgaria	-	-	10,817	-
Germany	-	-	3,559	-
<b>FVOCI securities total</b>	<b><u>966,494</u></b>	<b><u>-</u></b>	<b><u>1,463,657</u></b>	<b><u>-</u></b>
Austria	11,713	-	12,412	-
Luxembourg	4,262	-	4,486	-
Hungary	530	-	530	-
Portugal	208	-	157	-
United States of America	-	-	4,735	-
<b>Non-trading equity instruments designated to measure at fair value through other comprehensive income</b>	<b><u>16,713</u></b>	<b><u>-</u></b>	<b><u>22,320</u></b>	<b><u>-</u></b>
Hungary	24,847	-	28,027	-
Luxembourg	1,868	-	10,482	-
Russia	1,268	-	7,279	-
Serbia	449	-	-	-
Germany	384	-	306	-
Ireland	31	-	-	-
Romania	-	-	8	-
Netherlands	-	-	153	-
<b>Held for trading securities total</b>	<b><u>28,847</u></b>	<b><u>-</u></b>	<b><u>46,255</u></b>	<b><u>-</u></b>
Hungary	17,473	-	17,100	-
United States of America	5,188	-	-	-
Luxembourg	5,180	-	5,180	-
<b>Securities mandatorily measured at fair value through profit or loss</b>	<b><u>27,841</u></b>	<b><u>-</u></b>	<b><u>22,280</u></b>	<b><u>-</u></b>
<b>Securities total</b>	<b><u>2,684,444</u></b>	<b><u>(1,524)</u></b>	<b><u>3,003,179</u></b>	<b><u>(1,443)</u></b>



**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2020 (UNAUDITED)**

**NOTE 34: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**34.2. 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 2020.

The following tables provide an analysis of assets and liabilities about the non-discounted cash flow into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities.

The contractual amounts disclosed in the maturity analyses are the contractual undiscounted cash flows like gross finance lease obligations (before deducting finance charges); prices specified in forward agreements to purchase financial assets for cash; net amounts for pay-floating/receive-fixed interest rate swaps for which net cash flows are exchanged; contractual amounts to be exchanged in a derivative financial instrument for which gross cash flows are exchanged; gross loan commitments.

Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in that statement is based on discounted cash flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. For example, when the amount payable varies with changes in an index, the amount disclosed may be based on the level of the index at the end of the period.

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**NOTE 34: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

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

As at 30 June 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	469,992	-	-	-	-	469,992
Placements with other banks, net of allowance for placement losses	380,748	788,854	215,183	94,986	-	1,479,771
Repo receivables	11,929	-	-	-	-	11,929
Financial assets at fair value through profit or loss	1,634	10,495	6,862	12,398	18,536	49,925
Securities at fair value through other comprehensive income	48,280	39,441	398,131	416,378	17,467	919,697
Loans at amortised cost	947,126	755,957	1,057,087	960,045	-	3,720,215
Loans mandatorily measured at fair value through profit or loss	594	1,778	10,782	15,979	-	29,133
Investment properties	-	-	-	-	2,356	2,356
Investments in subsidiaries, associates and other investments	-	-	-	-	1,547,443	1,547,443
Securities at amortised cost	23,885	57,965	1,123,705	388,276	-	1,593,831
Other financial assets	<u>141,526</u>	<u>392</u>	<u>-</u>	<u>-</u>	<u>1,150</u>	<u>143,068</u>
<b>TOTAL ASSETS</b>	<b><u>2,025,714</u></b>	<b><u>1,654,882</u></b>	<b><u>2,811,750</u></b>	<b><u>1,888,062</u></b>	<b><u>1,586,952</u></b>	<b><u>9,967,360</u></b>
Amounts due to banks and deposits from the National Bank of Hungary and other banks	366,337	23,359	300,017	42,723	-	732,436
Deposits from customers	6,763,155	125,507	29,416	15,038	-	6,933,116
Repo liabilities	24,701	-	106,971	-	-	131,672
Liabilities from issued securities	4,924	14,372	21,503	487	-	41,286
Subordinated bonds and loans	5,456	-	-	298,456	-	303,912
Financial liabilities at fair value through profit or loss	676	1,858	8,774	15,884	-	27,192
Leasing liabilities	942	3,634	8,042	2,783	-	15,401
Other financial liabilities	<u>177,699</u>	<u>111</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>177,810</u>
<b>TOTAL LIABILITIES</b>	<b><u>7,343,890</u></b>	<b><u>168,841</u></b>	<b><u>474,723</u></b>	<b><u>375,371</u></b>	<b><u>-</u></b>	<b><u>8,362,825</u></b>
<b>NET POSITION<sup>1</sup></b>	<b><u>(5,318,176)</u></b>	<b><u>1,486,041</u></b>	<b><u>2,337,027</u></b>	<b><u>1,512,691</u></b>	<b><u>1,586,952</u></b>	<b><u>1,604,535</u></b>
Receivables from derivative financial instruments classified as held for trading	1,439,588	1,860,994	1,025,801	531,129	-	4,857,512
Liabilities from derivative financial instruments classified as held for trading	<u>(2,034,805)</u>	<u>(1,586,597)</u>	<u>(878,306)</u>	<u>(584,161)</u>	<u>-</u>	<u>(5,083,869)</u>
<b>Net position of derivative financial instruments classified as held for trading</b>	<b><u>(595,217)</u></b>	<b><u>274,397</u></b>	<b><u>147,495</u></b>	<b><u>(53,032)</u></b>	<b><u>-</u></b>	<b><u>(226,357)</u></b>
Receivables from derivative financial instruments designated as hedge accounting	9,946	126,471	254,640	127,309	-	518,366
Liabilities from derivative financial instruments designated as hedge accounting	<u>(4,816)</u>	<u>(44,556)</u>	<u>(310,970)</u>	<u>(120,188)</u>	<u>-</u>	<u>(480,530)</u>
<b>Net position of derivative financial instruments designated as hedging accounting</b>	<b><u>5,130</u></b>	<b><u>81,915</u></b>	<b><u>(56,330)</u></b>	<b><u>7,121</u></b>	<b><u>-</u></b>	<b><u>37,836</u></b>
<b>Net position of derivative financial instruments total</b>	<b><u>(590,087)</u></b>	<b><u>356,312</u></b>	<b><u>91,165</u></b>	<b><u>(45,911)</u></b>	<b><u>-</u></b>	<b><u>(188,521)</u></b>
Commitments to extend credit	1,508,855	-	-	-	-	1,508,855
Confirmed letters of credit	11,293	-	-	-	-	11,293
Factoring loan commitment	293,837	-	-	-	-	293,837
Bank guarantees	<u>57,924</u>	<u>141,935</u>	<u>210,115</u>	<u>770,792</u>	<u>-</u>	<u>1,180,766</u>
<b>Off-balance sheet commitments</b>	<b><u>1,871,909</u></b>	<b><u>141,935</u></b>	<b><u>210,115</u></b>	<b><u>770,792</u></b>	<b><u>-</u></b>	<b><u>2,994,751</u></b>

<sup>1</sup> 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 for maintenance and management of liquidity risk.

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2020 (UNAUDITED)**

**NOTE 34: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

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

As at 31 December 2019	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash, amounts due from banks and balances with the National Bank of Hungary	289,686	-	-	-	-	289,686
Placements with other banks, net of allowance for placement losses	314,057	892,859	251,037	105,782	-	1,563,735
Repo receivables	45,545	-	-	-	-	45,545
Financial assets at fair value through profit or loss	6,347	5,855	17,810	12,678	15,618	58,308
Securities at fair value through other comprehensive income	200,724	408,955	499,697	268,379	22,360	1,400,115
Loans at amortised cost	921,170	707,899	944,275	791,911	-	3,365,255
Loans mandatorily measured at fair value through profit or loss	706	1,927	11,614	16,612	-	30,859
Investment properties	-	-	-	-	2,381	2,381
Investments in subsidiaries, associates and other investments	-	-	-	-	1,542,538	1,542,538
Securities at amortised cost	16,828	84,903	895,227	399,029	-	1,395,987
Other financial assets	93,158	475	30	6	1,460	95,129
<b>TOTAL ASSETS</b>	<b><u>1,888,221</u></b>	<b><u>2,102,873</u></b>	<b><u>2,619,690</u></b>	<b><u>1,594,397</u></b>	<b><u>1,584,357</u></b>	<b><u>9,789,538</u></b>
Amounts due to banks and deposits from the National Bank of Hungary and other banks	477,237	17,302	202,653	40,862	-	738,054
Deposits from customers	6,407,569	121,985	28,404	15,592	-	6,573,550
Repo liabilities	20,419	-	442,202	-	-	462,621
Liabilities from issued securities	4,193	17,912	19,817	104	-	42,026
Subordinated bonds and loans	2,695	-	-	277,591	-	280,286
Financial liabilities at fair value through profit or loss	677	1,928	9,605	16,651	-	28,861
Leasing liabilities	593	3,234	8,086	1,747	-	13,660
Other financial liabilities	176,696	105	-	-	-	176,801
<b>TOTAL LIABILITIES</b>	<b><u>7,090,079</u></b>	<b><u>162,466</u></b>	<b><u>710,767</u></b>	<b><u>352,547</u></b>	<b><u>-</u></b>	<b><u>8,315,859</u></b>
<b>NET POSITION<sup>1</sup></b>	<b><u>(5,201,858)</u></b>	<b><u>1,940,407</u></b>	<b><u>1,908,923</u></b>	<b><u>1,241,850</u></b>	<b><u>1,584,357</u></b>	<b><u>1,473,679</u></b>
Receivables from derivative financial instruments classified as held for trading	1,784,183	1,498,417	957,269	502,071	-	4,741,940
Liabilities from derivative financial instruments classified as held for trading	(2,271,319)	(1,202,620)	(903,040)	(396,707)	-	(4,773,686)
<b>Net position of derivative financial instruments classified as held for trading</b>	<b><u>(487,136)</u></b>	<b><u>295,797</u></b>	<b><u>54,229</u></b>	<b><u>105,364</u></b>	<b><u>-</u></b>	<b><u>(31,746)</u></b>
Receivables from derivative financial instruments designated as hedge accounting	238	93,792	151,536	164,409	-	409,975
Liabilities from derivative financial instruments designated as hedge accounting	(6,611)	(249,914)	(233,863)	(74,862)	-	(565,250)
<b>Net position of derivative financial instruments designated as hedging accounting</b>	<b><u>(6,373)</u></b>	<b><u>(156,122)</u></b>	<b><u>(82,327)</u></b>	<b><u>89,547</u></b>	<b><u>-</u></b>	<b><u>(155,275)</u></b>
<b>Net position of derivative financial instruments total</b>	<b><u>(493,509)</u></b>	<b><u>139,675</u></b>	<b><u>(28,098)</u></b>	<b><u>194,911</u></b>	<b><u>-</u></b>	<b><u>(187,021)</u></b>
Commitments to extend credit	1,494,508	-	-	-	-	1,494,508
Confirmed letters of credit	749	-	-	-	-	749
Factoring loan commitment	228,145	-	-	-	-	228,145
Bank guarantees	49,506	104,474	170,493	762,827	-	1,087,300
<b>Off-balance sheet commitments</b>	<b><u>1,772,908</u></b>	<b><u>104,474</u></b>	<b><u>170,493</u></b>	<b><u>762,827</u></b>	<b><u>-</u></b>	<b><u>2,810,702</u></b>

<sup>1</sup> 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 for maintenance and management of liquidity risk.

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**NOTE 34: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**34.3. Net foreign currency position and foreign currency risk**

**As at 30 June 2020**

	<b>USD</b>	<b>EUR</b>	<b>CHF</b>	<b>Others</b>	<b>Total</b>
Assets <sup>1</sup>	189,477	1,738,741	28,390	245,694	2,202,302
Liabilities	(301,157)	(1,466,066)	(32,592)	(131,157)	(1,930,972)
Derivative financial instruments	<u>117,246</u>	<u>(371,060)</u>	<u>3,910</u>	<u>(112,899)</u>	<u>(362,803)</u>
<b>Net position</b>	<b><u>5,566</u></b>	<b><u>(98,385)</u></b>	<b><u>(292)</u></b>	<b><u>1,638</u></b>	<b><u>(91,473)</u></b>

**As at 31 December 2019**

	<b>USD</b>	<b>EUR</b>	<b>CHF</b>	<b>Others</b>	<b>Total</b>
Assets <sup>1</sup>	257,687	1,762,176	28,949	247,647	2,296,459
Liabilities	(297,771)	(1,418,426)	(35,679)	(164,325)	(1,916,201)
Derivative financial instruments	<u>45,528</u>	<u>(427,768)</u>	<u>6,977</u>	<u>(85,447)</u>	<u>(460,710)</u>
<b>Net position</b>	<b><u>5,444</u></b>	<b><u>(84,018)</u></b>	<b><u>247</u></b>	<b><u>(2,125)</u></b>	<b><u>(80,452)</u></b>

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.

**34.4. 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.

<sup>1</sup> The assets category contains foreign currency investments in subsidiaries that are measured at cost, and are deducted from the net position calculation.

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**NOTE 34: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**34.4. Interest rate risk management [continued]**

As at 30 June 2020	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest-bearing		Total		Total
ASSETS	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	
<b>Cash, amounts due from banks and balances with the National Bank of Hungary</b>	<b>127,510</b>	<b>127,834</b>	-	-	-	-	-	-	-	-	<b>182,522</b>	<b>32,126</b>	<b>310,032</b>	<b>159,960</b>	<b>469,992</b>
<i>fixed interest</i>	127,510	127,834	-	-	-	-	-	-	-	-	-	-	127,510	127,834	<b>255,344</b>
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	182,522	32,126	182,522	32,126	<b>214,648</b>
<b>Placements with other banks, net of allowance for placement losses</b>	<b>697,290</b>	<b>155,537</b>	<b>43,569</b>	<b>69,358</b>	<b>187,131</b>	<b>98,008</b>	<b>45,856</b>	<b>3,550</b>	<b>123,947</b>	<b>28,960</b>	<b>19,288</b>	<b>3,850</b>	<b>1,117,081</b>	<b>359,263</b>	<b>1,476,344</b>
<i>fixed interest</i>	102,535	42,832	32,678	40,956	349	94,074	45,856	3,550	123,947	28,960	-	-	305,365	210,372	<b>515,737</b>
<i>variable interest</i>	594,752	112,705	10,891	28,402	186,782	3,934	-	-	-	-	-	-	792,425	145,041	<b>937,466</b>
<i>non-interest-bearing</i>	3	-	-	-	-	-	-	-	-	-	19,288	3,850	19,291	3,850	<b>23,141</b>
<b>Repo receivables</b>	<b>11,922</b>	-	-	-	-	-	-	-	-	-	-	-	<b>11,922</b>	-	<b>11,922</b>
<i>fixed interest</i>	11,922	-	-	-	-	-	-	-	-	-	-	-	11,922	-	<b>11,922</b>
<b>Securities held for trading</b>	<b>776</b>	<b>1,528</b>	<b>256</b>	-	<b>8,662</b>	<b>1,849</b>	<b>1,065</b>	-	<b>6,624</b>	<b>5,529</b>	<b>2,143</b>	<b>415</b>	<b>19,526</b>	<b>9,321</b>	<b>28,847</b>
<i>fixed interest</i>	61	984	256	-	8,662	1,849	1,065	-	6,624	5,529	-	-	16,668	8,362	<b>25,030</b>
<i>variable interest</i>	715	544	-	-	-	-	-	-	-	-	-	-	715	544	<b>1,259</b>
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	2,143	415	2,143	415	<b>2,558</b>
<b>Securities mandatorily measured at fair value through profit or loss</b>	-	<b>5,180</b>	-	-	-	-	-	-	-	-	<b>17,473</b>	<b>5,188</b>	<b>17,473</b>	<b>10,368</b>	<b>27,841</b>
<i>variable interest</i>	-	5,180	-	-	-	-	-	-	-	-	-	-	-	5,180	<b>5,180</b>
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	17,473	5,188	17,473	5,188	<b>22,661</b>
<b>Securities at fair value through other comprehensive income</b>	<b>130,976</b>	<b>1,312</b>	<b>9,847</b>	-	<b>28,141</b>	<b>23,331</b>	<b>109,470</b>	<b>30,196</b>	<b>573,818</b>	<b>59,403</b>	<b>528</b>	<b>16,185</b>	<b>852,780</b>	<b>130,427</b>	<b>983,207</b>
<i>fixed interest</i>	27,608	1,312	932	-	13,817	23,331	109,470	30,196	573,818	59,403	-	-	725,645	114,242	<b>839,887</b>
<i>variable interest</i>	103,368	-	8,915	-	14,324	-	-	-	-	-	-	-	126,607	-	<b>126,607</b>
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	528	16,185	528	16,185	<b>16,713</b>

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**NOTE 34: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**34.4. Interest rate risk management [continued]**

As at 30 June 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	
<b>ASSETS [continued]</b>															
<b>Loans measured at amortised cost</b>	<b>374,485</b>	<b>39,503</b>	<b>347,211</b>	<b>304,490</b>	<b>345,988</b>	<b>1,072,800</b>	<b>44,285</b>	<b>17,863</b>	<b>826,474</b>	<b>49,372</b>	<b>105,659</b>	<b>18,683</b>	<b>2,044,102</b>	<b>1,502,711</b>	<b>3,546,813</b>
<i>fixed interest</i>	619	18,106	943	79,225	13,459	11,649	23,942	17,863	487,684	49,372	-	-	526,647	176,215	<b>702,862</b>
<i>variable interest</i>	373,866	21,397	346,268	225,265	332,529	1,061,151	20,343	-	338,790	-	-	-	1,411,796	1,307,813	<b>2,719,609</b>
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	105,659	18,683	105,659	18,683	<b>124,342</b>
<b>Loans mandatorily measured at fair value through profit or loss</b>	<b>28,543</b>	-	-	-	-	-	-	-	-	-	-	-	<b>28,543</b>	-	<b>28,543</b>
<i>variable interest</i>	28,543	-	-	-	-	-	-	-	-	-	-	-	28,543	-	<b>28,543</b>
<b>Securities at amortised cost</b>	-	-	-	-	<b>59,210</b>	<b>1,160</b>	<b>129,017</b>	<b>1,064</b>	<b>1,441,027</b>	<b>11,547</b>	-	-	<b>1,629,254</b>	<b>13,771</b>	<b>1,643,025</b>
<i>fixed interest</i>	-	-	-	-	59,210	1,160	129,017	1,064	1,441,027	11,547	-	-	1,629,254	13,771	<b>1,643,025</b>
<b>Other financial assets</b>	-	-	-	-	-	-	-	-	-	-	<b>120,031</b>	<b>17,065</b>	<b>120,031</b>	<b>17,065</b>	<b>137,096</b>
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	120,031	17,065	120,031	17,065	<b>137,096</b>
<b>Derivative financial assets</b>	<b>862,615</b>	<b>296,710</b>	<b>1,078,826</b>	<b>424,399</b>	<b>822,817</b>	<b>644,744</b>	<b>10,535</b>	<b>5,382</b>	<b>22,505</b>	<b>85,239</b>	<b>423,306</b>	<b>137,749</b>	<b>3,220,604</b>	<b>1,594,223</b>	<b>4,814,827</b>
<i>fixed interest</i>	836,597	157,733	858,262	224,684	824,539	615,731	10,535	5,382	22,704	85,239	-	-	2,552,637	1,088,769	<b>3,641,406</b>
<i>variable interest</i>	26,018	138,977	220,564	199,715	(1,722)	29,013	-	-	(199)	-	-	-	244,661	367,705	<b>612,366</b>
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	423,306	137,749	423,306	137,749	<b>561,055</b>

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**NOTE 34: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**34.4. Interest rate risk management [continued]**

As at 30 June 2020	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest -bearing		Total		Total
LIABILITIES	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	
<b>Amounts due to banks and deposits from the National Bank of Hungary and other banks</b>	<b>152,591</b>	<b>238,494</b>	<b>22,890</b>	<b>37,227</b>	<b>11,088</b>	<b>9,627</b>	<b>1,346</b>	-	<b>247,717</b>	-	<b>6,976</b>	<b>4,480</b>	<b>442,608</b>	<b>289,828</b>	<b>732,436</b>
<i>fixed interest</i>	96,933	56,558	22,890	1,010	11,088	6,885	1,346	-	247,717	-	-	-	379,974	64,453	<b>444,427</b>
<i>variable interest</i>	55,658	181,936	-	36,217	-	2,742	-	-	-	-	-	-	55,658	220,895	<b>276,553</b>
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	6,976	4,480	6,976	4,480	<b>11,456</b>
<b>Repo liabilities</b>	<b>24,627</b>	<b>107,045</b>	-	-	-	-	-	-	-	-	-	-	<b>24,627</b>	<b>107,045</b>	<b>131,672</b>
<i>fixed interest</i>	24,627	-	-	-	-	-	-	-	-	-	-	-	24,627	-	<b>24,627</b>
<i>variable interest</i>	-	107,045	-	-	-	-	-	-	-	-	-	-	-	107,045	<b>107,045</b>
<b>Financial liabilities designated to measure at fair value through profit or loss</b>	<b>27,192</b>	-	-	-	-	-	-	-	-	-	-	-	<b>27,192</b>	-	<b>27,192</b>
<i>fixed interest</i>	96	-	-	-	-	-	-	-	-	-	-	-	96	-	<b>96</b>
<i>variable interest</i>	27,096	-	-	-	-	-	-	-	-	-	-	-	27,096	-	<b>27,096</b>
<b>Deposits from customers</b>	<b>5,463,913</b>	<b>1,146,723</b>	<b>195,525</b>	<b>25,522</b>	<b>87,999</b>	<b>13,187</b>	<b>247</b>	-	-	-	-	-	<b>5,747,684</b>	<b>1,185,432</b>	<b>6,933,116</b>
<i>fixed interest</i>	540,951	128,716	195,525	25,522	87,978	13,187	247	-	-	-	-	-	824,701	167,425	<b>992,126</b>
<i>variable interest</i>	4,915,771	1,013,526	-	-	21	-	-	-	-	-	-	-	4,915,792	1,013,526	<b>5,929,318</b>
<i>non-interest-bearing</i>	7,191	4,481	-	-	-	-	-	-	-	-	-	-	7,191	4,481	<b>11,672</b>
<b>Liabilities from issued securities</b>	<b>7,726</b>	-	<b>17,974</b>	<b>1,304</b>	<b>4,948</b>	<b>2,030</b>	<b>4,074</b>	-	<b>3,667</b>	-	-	-	<b>38,389</b>	<b>3,334</b>	<b>41,723</b>
<i>fixed interest</i>	216	-	-	-	3,475	-	4,074	-	3,667	-	-	-	11,432	-	<b>11,432</b>
<i>variable interest</i>	7,510	-	17,974	1,304	1,473	2,030	-	-	-	-	-	-	26,957	3,334	<b>30,291</b>
<b>Subordinated bonds and loans</b>	-	<b>182,286</b>	-	<b>120,705</b>	-	-	-	-	-	-	-	-	-	<b>302,991</b>	<b>302,991</b>
<i>variable interest</i>	-	182,286	-	120,705	-	-	-	-	-	-	-	-	-	302,991	<b>302,991</b>
<b>Leasing liabilities</b>	<b>3</b>	<b>116</b>	<b>299</b>	<b>524</b>	<b>1,326</b>	<b>2,308</b>	<b>1,397</b>	<b>1,764</b>	<b>5,980</b>	<b>1,684</b>	-	-	<b>9,005</b>	<b>6,396</b>	<b>15,401</b>
<i>fixed interest</i>	3	116	299	524	1,326	2,308	1,397	1,764	5,980	1,684	-	-	9,005	6,396	<b>15,401</b>
<b>Other financial liabilities</b>	-	-	-	-	-	-	-	-	-	-	<b>53,896</b>	<b>145,398</b>	<b>53,896</b>	<b>145,398</b>	<b>199,294</b>
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	53,896	145,398	53,896	145,398	<b>199,294</b>
<b>Derivative financial liabilities</b>	<b>1,031,778</b>	<b>109,987</b>	<b>1,261,418</b>	<b>238,541</b>	<b>892,538</b>	<b>552,060</b>	<b>8,175</b>	<b>10,370</b>	<b>35,389</b>	<b>75,906</b>	<b>319,885</b>	<b>253,134</b>	<b>3,549,183</b>	<b>1,239,998</b>	<b>4,789,181</b>
<i>fixed interest</i>	866,109	104,708	883,517	222,086	893,912	534,198	8,175	10,370	35,588	75,756	-	-	2,687,301	947,118	<b>3,634,419</b>
<i>variable interest</i>	165,669	5,279	377,901	16,455	(1,374)	17,862	-	-	(199)	150	-	-	541,997	39,746	<b>581,743</b>
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	319,885	253,134	319,885	253,134	<b>573,019</b>
<b>NET POSITION</b>	<b>(4,473,713)</b>	<b>(1,157,047)</b>	<b>(18,397)</b>	<b>374,424</b>	<b>454,050</b>	<b>1,262,680</b>	<b>324,989</b>	<b>45,921</b>	<b>2,701,642</b>	<b>162,460</b>	<b>490,193</b>	<b>(171,751)</b>	<b>(521,236)</b>	<b>516,687</b>	<b>(4,549)</b>

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**NOTE 34: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**34.4. Interest rate risk management [continued]**

As at 31 December 2019	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest-bearing		Total		Total
ASSETS	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	
<b>Cash, amounts due from banks and balances with the National Bank of Hungary</b>	<b>3,997</b>	<b>44,924</b>	-	-	-	-	-	-	-	-	<b>216,133</b>	<b>24,632</b>	<b>220,130</b>	<b>69,556</b>	<b>289,686</b>
<i>fixed interest</i>	3,997	44,924	-	-	-	-	-	-	-	-	-	-	3,997	44,924	<b>48,921</b>
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	216,133	24,632	216,133	24,632	<b>240,765</b>
<b>Placements with other banks, net of allowance for placement losses</b>	<b>279,847</b>	<b>102,963</b>	<b>409,557</b>	<b>192,520</b>	<b>182,348</b>	<b>172,320</b>	<b>27,926</b>	-	<b>137,228</b>	<b>30,155</b>	<b>18,324</b>	<b>6,954</b>	<b>1,055,230</b>	<b>504,912</b>	<b>1,560,142</b>
<i>fixed interest</i>	1,041	39,292	33,137	151,361	637	168,730	27,926	-	137,228	30,155	-	-	199,969	389,538	<b>589,507</b>
<i>variable interest</i>	278,806	63,671	376,420	41,159	181,711	3,590	-	-	-	-	-	-	836,937	108,420	<b>945,357</b>
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	18,324	6,954	18,324	6,954	<b>25,278</b>
<b>Repo receivables</b>	<b>45,539</b>	-	-	-	-	-	-	-	-	-	-	-	<b>45,539</b>	-	<b>45,539</b>
<i>fixed interest</i>	45,539	-	-	-	-	-	-	-	-	-	-	-	45,539	-	<b>45,539</b>
<b>Securities held for trading</b>	<b>632</b>	<b>458</b>	<b>1</b>	<b>5,929</b>	<b>2,124</b>	<b>3,908</b>	<b>4,400</b>	<b>9,166</b>	<b>10,571</b>	<b>1,181</b>	<b>7,541</b>	<b>344</b>	<b>25,269</b>	<b>20,986</b>	<b>46,255</b>
<i>fixed interest</i>	-	458	1	5,529	2,124	3,908	4,400	9,166	10,571	1,181	-	-	17,096	20,242	<b>37,338</b>
<i>variable interest</i>	632	-	-	400	-	-	-	-	-	-	-	-	632	400	<b>1,032</b>
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	7,541	344	7,541	344	<b>7,885</b>
<b>Securities mandatorily measured at fair value through profit or loss</b>	-	-	-	<b>5,180</b>	-	-	-	-	-	-	<b>17,100</b>	-	<b>17,100</b>	<b>5,180</b>	<b>22,280</b>
<i>variable interest</i>	-	-	-	5,180	-	-	-	-	-	-	-	-	-	5,180	<b>5,180</b>
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	17,100	-	17,100	-	<b>17,100</b>
<b>Securities at fair value through other comprehensive income</b>	<b>110,186</b>	<b>9,073</b>	<b>138,245</b>	<b>6,845</b>	<b>425,639</b>	<b>2,443</b>	<b>108,947</b>	<b>93,663</b>	<b>445,303</b>	<b>123,313</b>	<b>528</b>	<b>21,792</b>	<b>1,228,848</b>	<b>257,129</b>	<b>1,485,977</b>
<i>fixed interest</i>	47,975	9,073	123,562	6,845	410,889	2,443	108,947	93,663	445,303	123,313	-	-	1,136,676	235,337	<b>1,372,013</b>
<i>variable interest</i>	62,211	-	14,683	-	14,750	-	-	-	-	-	-	-	91,644	-	<b>91,644</b>
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	528	21,792	528	21,792	<b>22,320</b>



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**NOTE 34: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**34.4. Interest rate risk management [continued]**

As at 31 December 2019	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest-bearing		Total		Total
	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	
<b>ASSETS [continued]</b>															
<b>Loans measured at amortised cost</b>	<b>364,375</b>	<b>50,168</b>	<b>359,263</b>	<b>273,935</b>	<b>340,900</b>	<b>1,023,840</b>	<b>30,040</b>	<b>6,595</b>	<b>646,948</b>	<b>55,290</b>	<b>113,446</b>	<b>20,538</b>	<b>1,854,972</b>	<b>1,430,366</b>	<b>3,285,338</b>
<i>fixed interest</i>	152	28,661	814	107,804	10,851	7,685	25,644	6,595	433,294	55,290	-	-	470,755	206,035	<b>676,790</b>
<i>variable interest</i>	364,223	21,507	358,449	166,131	330,049	1,016,155	4,396	-	213,654	-	-	-	1,270,771	1,203,793	<b>2,474,564</b>
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	113,446	20,538	113,446	20,538	<b>133,984</b>
<b>Loans mandatorily measured at fair value through profit or loss</b>	<b>29,731</b>	-	-	-	-	-	-	-	-	-	-	-	<b>29,731</b>	-	<b>29,731</b>
<i>variable interest</i>	29,731	-	-	-	-	-	-	-	-	-	-	-	29,731	-	<b>29,731</b>
<b>Securities at amortised cost</b>	-	-	-	-	<b>86,578</b>	-	<b>38,125</b>	-	<b>1,322,521</b>	-	-	-	<b>1,447,224</b>	-	<b>1,447,224</b>
<i>fixed interest</i>	-	-	-	-	86,578	-	38,125	-	1,322,521	-	-	-	1,447,224	-	<b>1,447,224</b>
<b>Other financial assets</b>	-	-	-	-	-	-	-	-	-	-	<b>80,862</b>	<b>8,620</b>	<b>80,862</b>	<b>8,620</b>	<b>89,482</b>
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	80,862	8,620	80,862	8,620	<b>89,482</b>
<b>Derivative financial assets</b>	<b>963,211</b>	<b>434,210</b>	<b>847,077</b>	<b>359,966</b>	<b>765,879</b>	<b>460,639</b>	<b>15,461</b>	<b>273,268</b>	<b>20,355</b>	<b>85,686</b>	<b>326,585</b>	<b>206,753</b>	<b>2,938,568</b>	<b>1,820,522</b>	<b>4,759,090</b>
<i>fixed interest</i>	927,322	424,177	697,547	335,776	766,569	424,851	15,461	273,268	20,355	85,686	-	-	2,427,254	1,543,758	<b>3,971,012</b>
<i>variable interest</i>	35,889	10,033	149,530	24,190	(690)	35,788	-	-	-	-	-	-	184,729	70,011	<b>254,740</b>
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	326,585	206,753	326,585	206,753	<b>533,338</b>

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**NOTE 34: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**34.4. Interest rate risk management [continued]**

As at 31 December 2019	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest -bearing		Total		Total	
	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency		
<b>LIABILITIES</b>																
<b>Amounts due to banks and deposits from the National Bank of Hungary and other banks</b>	<b>285,808</b>	<b>189,729</b>	<b>65,914</b>	<b>76,986</b>	<b>4,820</b>	<b>17,091</b>	<b>1,102</b>	<b>-</b>	<b>94,949</b>	<b>-</b>	<b>8</b>	<b>1,647</b>	<b>452,601</b>	<b>285,453</b>	<b>738,054</b>	
<i>fixed interest</i>	231,909	83,070	65,914	3,430	4,820	5,053	1,102	-	94,949	-	-	-	398,694	91,553	490,247	
<i>variable interest</i>	53,899	106,659	-	73,556	-	12,038	-	-	-	-	-	-	53,899	192,253	246,152	
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	8	1,647	8	1,647	1,655	
<b>Repo liabilities</b>	<b>20,574</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>263,554</b>	<b>178,493</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>284,128</b>	<b>178,493</b>	<b>462,621</b>	
<i>fixed interest</i>	20,574	-	-	-	-	-	263,554	178,493	-	-	-	-	284,128	178,493	462,621	
<b>Financial liabilities designated to measure at fair value through profit or loss</b>	<b>28,861</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,861</b>	<b>-</b>	<b>28,861</b>	
<i>fixed interest</i>	102	-	-	-	-	-	-	-	-	-	-	-	102	-	102	
<i>variable interest</i>	28,759	-	-	-	-	-	-	-	-	-	-	-	28,759	-	28,759	
<b>Deposits from customers</b>	<b>5,210,837</b>	<b>1,059,229</b>	<b>170,649</b>	<b>19,293</b>	<b>92,329</b>	<b>10,290</b>	<b>215</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,192</b>	<b>3,516</b>	<b>5,481,222</b>	<b>1,092,328</b>	<b>6,573,550</b>	
<i>fixed interest</i>	392,749	124,384	170,649	19,293	92,329	10,290	215	-	-	-	-	-	655,942	153,967	809,909	
<i>variable interest</i>	4,818,088	934,845	-	-	-	-	-	-	-	-	-	-	4,818,088	934,845	5,752,933	
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	7,192	3,516	7,192	3,516	10,708	
<b>Liabilities from issued securities</b>	<b>16,708</b>	<b>552</b>	<b>12,565</b>	<b>1,265</b>	<b>4,728</b>	<b>1,936</b>	<b>3,451</b>	<b>-</b>	<b>2,079</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,531</b>	<b>3,753</b>	<b>43,284</b>	
<i>fixed interest</i>	218	-	-	-	3,282	-	3,451	-	2,079	-	-	-	9,030	-	9,030	
<i>variable interest</i>	16,490	552	12,565	1,265	1,446	1,936	-	-	-	-	-	-	30,501	3,753	34,254	
<b>Subordinated bonds and loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>112,792</b>	<b>-</b>	<b>166,602</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>279,394</b>	<b>279,394</b>	
<i>variable interest</i>	-	-	-	112,792	-	166,602	-	-	-	-	-	-	-	279,394	279,394	
<b>Leasing liabilities</b>	<b>62</b>	<b>136</b>	<b>123</b>	<b>272</b>	<b>1,107</b>	<b>2,126</b>	<b>1,147</b>	<b>1,702</b>	<b>4,399</b>	<b>2,586</b>	<b>-</b>	<b>-</b>	<b>6,838</b>	<b>6,822</b>	<b>13,660</b>	
<i>fixed interest</i>	62	136	123	272	1,107	2,126	1,147	1,702	4,399	2,586	-	-	6,838	6,822	13,660	
<b>Other financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>139,657</b>	<b>51,434</b>	<b>139,657</b>	<b>51,434</b>	<b>191,091</b>	
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	139,657	51,434	139,657	51,434	191,091	
<b>Derivative financial liabilities</b>	<b>1,272,904</b>	<b>127,050</b>	<b>829,127</b>	<b>357,480</b>	<b>623,979</b>	<b>588,255</b>	<b>281,358</b>	<b>8,783</b>	<b>36,475</b>	<b>72,359</b>	<b>278,557</b>	<b>255,503</b>	<b>3,322,400</b>	<b>1,409,430</b>	<b>4,731,830</b>	
<i>fixed interest</i>	1,222,356	121,202	688,335	341,669	624,021	567,255	281,358	8,783	36,475	72,148	-	-	2,852,545	1,111,057	3,963,602	
<i>variable interest</i>	50,548	5,848	140,792	15,811	(42)	21,000	-	-	-	211	-	-	191,298	42,870	234,168	
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	278,557	255,503	278,557	255,503	534,060	
<b>NET POSITION</b>	<b>(5,063,201)</b>	<b>(734,900)</b>	<b>675,765</b>	<b>276,287</b>	<b>1,076,505</b>	<b>876,850</b>	<b>(62,374)</b>	<b>372,207</b>	<b>2,445,024</b>	<b>220,680</b>	<b>355,105</b>	<b>(22,467)</b>	<b>(573,176)</b>	<b>988,657</b>	<b>415,481</b>	

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**NOTE 34: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**34.5. 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 34.2, 34.3 and 34.4 respectively.)

**34.5.1. 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):

<b>Historical VaR (99%, one-day) by risk type</b>	<b>Average</b>	
	<b>30 June 2020</b>	<b>31 December 2019</b>
Foreign exchange	720	337
Interest rate	132	97
Equity instruments	75	21
Diversification	—	—
<b>Total VaR exposure</b>	<b><u>927</u></b>	<b><u>455</u></b>

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 34.5.2., for interest rate risk in Note 34.5.3., and for equity price sensitivity analysis in Note 34.5.4.

**34.5.2. Foreign currency sensitivity analysis**

The following table details the OTP's sensitivity to an increase and decrease in the HUF exchange rate against the EUR and USD, over a 3 months period. Monte Carlo simulation is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as strategic open positions related to foreign activities. The strategic open position related to the foreign operations was EUR (310) million as of 30 June 2020. The strategic EUR open FX position kept to hedge the currency risk of the expected FX-denominated net earnings of the main foreign subsidiaries. High portion of strategic positions are considered as effective hedge of future profit inflows of foreign subsidiaries, and so FX risk alters the bank's capital and not its earnings. A positive number below indicates an increase in profit where the HUF strengthens against the EUR. For a weakening of the HUF against the EUR, there would be an equal and opposite impact on the profit, and the balances below would be negative.

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**NOTE 34: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**34.5. Market risk [continued]**

**34.5.2. Foreign currency sensitivity analysis [continued]**

Probability	Effects to the P&L in 3 months period	
	30 June 2020	31 December 2019
	In HUF billion	In HUF billion
1%	(13.4)	(12.2)
5%	(9.3)	(8.4)
25%	(3.9)	(3.5)
50%	(0.5)	(0.4)
25%	2.7	2.6
5%	7.2	6.8
1%	10.4	9.7

Notes:

- (1) The short term loss on the strategic open position is compensated by the long-term exchange rate gain on the foreign operations.
- (2) Monte Carlo simulation is based on the empirical distribution of the historical exchange rate movements between 2002 and 2019.

**34.5.3. Interest rate sensitivity analysis**

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. The analysis is prepared assuming the amount of assets and liabilities outstanding at the balance sheet date were outstanding for the whole year. The analysis was prepared by assuming only the 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.
- The assets and liabilities with interest rate lower than 0.3% assumed to be unchanged during the whole period.

The sensitivity of interest income to changes in BUBOR was analysed assuming two interest rate path scenarios:

1. BUBOR and the central bank rate decreases gradually by 30 bps over the next year (scenario 1)
2. BUBOR and the central bank rate decreases gradually by 60 bps over the next year (scenario 2)

The net interest income in a one year period after 1 July 2020 would be decreased by HUF 2,421 million (scenario 1) and HUF 5,122 million (scenario 2) as a result of these simulation. This effect is counterbalanced by capital gains (HUF 2,387 million for scenario 1, HUF 4,755 million for scenario 2) on the government bond portfolio held for hedging.

Furthermore, the effects of an instant 10 bps 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 (HUF million):

Description	30 June 2020		31 December 2019	
	Effects to the net interest income (one-year period)	Effects to shareholder's equity (Price change of FVOCI government bonds)	Effects to the net interest income (one-year period)	Effects to shareholder's equity (Price change of FVOCI government bonds)
HUF (0.1%) parallel shift	(1586)	792	(1,793)	558
EUR (0.1%) parallel shift	(438)	-	(673)	-
USD (0.1%) parallel shift	<u>(109)</u>	<u>-</u>	<u>(104)</u>	<u>-</u>
<b>Total</b>	<b><u>(2,132)</u></b>	<b><u>792</u></b>	<b><u>(2,570)</u></b>	<b><u>558</u></b>

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**NOTE 34: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**34.5. Market risk [continued]**

**34.5.4. 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.

<b>Description</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
VaR (99%, one day, million HUF)	75	21
Stress test (million HUF)	(202)	(52)

**34.6. Capital management**

**Capital management**

The primary objective of the capital management of the Bank is to ensure the prudent operation, the entire compliance with the prescriptions of the regulator for a persistent business operation and maximising the shareholder value, accompanied by an optimal financing structure.

The capital management of the Bank includes the management and evaluation of the shareholders` equity available for hedging risks, other types of funds to be recorded in the equity and all material risks to be covered by the capital.

The basis of the capital management of the Bank in the short run is the continuous monitoring of its capital position, in the long run the strategic and the business planning, which includes the monitoring and forecast of the capital position of the Bank.

The Bank maintains the capital adequacy required by the regulatory bodies and the planned risk taking mainly by means of ensuring and developing its profitability. In case the planned risk level of the Bank exceeded its Core and Supplementary capital, the Bank ensures the prudent operation by occasional measures. A further tool in the capital management of the Bank is the dividend policy, and the transactions performed with the treasury shares.

**Capital adequacy**

The Capital Requirements Directive package (CRDIV/CRR) transposes the global standards on banking regulation (commonly known as the Basel III agreement) into the EU legal framework. The rules are applied from 1 January 2014. They set stronger prudential requirements for institutions, requiring them to keep sufficient capital reserves and liquidity. This framework makes institutions in the EU more solid and strengthens their capacity to adequately manage the risks linked to their activities, and absorb any losses they may incur in doing business.

The Bank has entirely complied with the regulatory capital requirements in 2020 as well as in 2019.

The Bank's capital adequacy calculation is in line with IFRS and based on Basel III as at 30 June 2020 and 31 December 2019. The Bank uses the standard method for determining the regulatory capital requirements of the credit risk and market risk while in case of the operational risk the Advanced Measurement Approach (AMA).

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**NOTE 34: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**34.6. Capital management [continued]**

**Capital adequacy [continued]**

The calculation of the Capital Adequacy ratio as at 30 June 2020 and 31 December 2019 is as follows:

	<b>30 June 2020</b>	<b>31 December 2019</b>
	<b>Basel III</b>	<b>Basel III</b>
Tier 1 capital	1,535,221	1,559,656
<i>Common equity Tier 1 capital (CET1)</i>	<i>1,535,221</i>	<i>1,559,656</i>
<i>Additional Tier 1 capital (AT1)</i>	<i>-</i>	<i>-</i>
Tier 2 capital	292,187	276,699
<b>Regulatory capital</b>	<b><u>1,827,408</u></b>	<b><u>1,836,355</u></b>
Credit risk capital requirement	513,243	511,588
Market risk capital requirement	13,788	9,628
Operational risk capital requirement	29,837	31,569
<b>Total requirement regulatory capital</b>	<b><u>556,868</u></b>	<b><u>552,785</u></b>
<b>Surplus capital</b>	<b><u>1,270,540</u></b>	<b><u>1,283,570</u></b>
CET 1 ratio	22.06%	22.57%
<b>Capital adequacy ratio</b>	<b><u>26.25%</u></b>	<b><u>26.58%</u></b>

**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.

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**NOTE 35:      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**

in HUF million

<b>Date of reclassification</b>	<b>Reason for reclassification</b>	<b>Type of securities</b>	<b>Nominal value at reclassification</b>	<b>Fair value at the date of reclassification</b>	<b>EIR at the date of reclassification</b>	<b>Interest income</b>
1 September 2018	Change in business model	retail Hungarian government bonds	2,511	2,523	2%-3%	30

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. 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**

	<b>30 June 2020</b>		<b>31 December 2019</b>	
	<b>Transferred assets</b>	<b>Associated liabilities</b>	<b>Transferred assets</b>	<b>Associated liabilities</b>
	<b>Carrying amount</b>	<b>Carrying amount</b>	<b>Carrying amount</b>	<b>Carrying amount</b>
Financial assets at fair value through other comprehensive income				
Debt securities	<u>6,330</u>	<u>6,358</u>	<u>110</u>	<u>111</u>
<b>Total:</b>	<b><u>6,330</u></b>	<b><u>6,358</u></b>	<b><u>110</u></b>	<b><u>111</u></b>
Financial assets at amortised cost				
Debt securities	<u>125,314</u>	<u>125,314</u>	<u>438,846</u>	<u>462,510</u>
<b>Total:</b>	<b><u>125,314</u></b>	<b><u>125,314</u></b>	<b><u>438,846</u></b>	<b><u>462,510</u></b>
<b>Total:</b>	<b><u>131,644</u></b>	<b><u>131,672</u></b>	<b><u>438,956</u></b>	<b><u>462,621</u></b>

As at 30 June 2020 and 31 December 2019, the Bank had obligation from repurchase agreements about HUF 132 billion and HUF 439 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.

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**NOTE 36: 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**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Loan commitments	1,508,855	1,494,508
Guarantees arising from banking activities	1,180,766	1,087,300
<i>from this: Payment undertaking liabilities (related to issue of mortgage bonds) of OTP Mortgage Bank</i>	555,340	558,100
Factoring loan commitments	293,837	228,145
Confirmed letters of credit	<u>11,293</u>	<u>749</u>
<b>Contingent liabilities and commitments total in accordance with IFRS 9</b>	<b><u>2,994,751</u></b>	<b><u>2,810,702</u></b>
Legal disputes (disputed value)	5,524	5,233
Other	<u>18,864</u>	<u>19,807</u>
<b>Contingent liabilities and commitments total in accordance with IAS 37</b>	<b><u>24,388</u></b>	<b><u>25,040</u></b>
<b>Total</b>	<b><u>3,019,139</u></b>	<b><u>2,835,742</u></b>

**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 583 million and HUF 663 million as at 30 June 2020 and 31 December 2019, respectively. (See Note 23.)

**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.



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**NOTE 36: 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 37: SHARE-BASED PAYMENT AND EMPLOYEE BENEFIT (in HUF mn)**

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

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

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

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

The quantity of usable shares for individuals calculated for settlement of share-based payment shall be determined as the ratio of the amount of share-based payment and share price determined by Supervisory Board<sup>1</sup>.

The value of the share-based payment at the performance assessment is determined within 10 days by Supervisory Board based on the average of the three previous trade day's middle rate of OTP Bank's equity shares fixed on the Budapest Stock Exchange.

At the same time the conditions of discounted share-based payment are determined, and share-based payment shall contain maximum HUF 2,000 discount at the assessment date, and earnings for the shares at the payment date is maximum HUF 4,000.

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

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<sup>1</sup> Until the end of 2014 Board of Directors

**OTP BANK PLC.**  
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**NOTE 37: SHARE-BASED PAYMENT AND EMPLOYEE BENEFIT (in HUF mn) [continued]**

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

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

The parameters for the share-based payment relating to the years from 2015 by Supervisory Board for periods of each year as follows:

Year	Share purchasing at a discounted price		Price of remuneration exchanged to share	Share purchasing at a discounted price		Price of remuneration exchanged to share	Share purchasing at a discounted price		Price of remuneration exchanged to share
	Exercise price	Maximum earnings per share		Exercise price	Maximum earnings per share		Exercise price	Maximum earnings per share	
	HUF per share			HUF per share			HUF per share		
	<b>for the year 2015</b>			<b>for the year 2016</b>			<b>for the year 2017</b>		
2016	4,892	2,500	6,892	-	-	-	-	-	-
2017	4,892	3,000	6,892	7,200	2,500	9,200	-	-	-
2018	4,892	3,000	6,892	7,200	3,000	9,200	8,064	3,000	10,064
2019	4,892	3,000	6,892	7,200	3,500	9,200	8,064	3,500	10,064
2020	-	-	-	7,200	4,000	9,200	8,064	4,000	10,064
2021	-	-	-	-	-	-	8,064	4,000	10,064
2022	-	-	-	-	-	-	8,064	4,000	10,064

Year	Share purchasing at a discounted price		Price of remuneration exchanged to share	Share purchasing at a discounted price		Price of remuneration exchanged to share
	Exercise price	Maximum earnings per share		Exercise price	Maximum earnings per share	
	HUF per share					
	<b>for the year 2018</b>			<b>for the year 2019</b>		
2019	10,413	4,000	12,413	-	-	-
2020	10,413	4,000	12,413	9,553	4,000	11,553
2021	10,413	4,000	12,413	9,553	4,000	11,553
2022	10,913	4,000	12,413	9,553	4,000	11,553
2023	10,913	4,000	12,413	9,553	4,000	11,553
2024	10,913	4,000	12,413	9,553	4,000	11,553
2025	10,913	4,000	12,413	9,553	4,000	11,553
2026	-	-	-	9,553	4,000	11,553

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**NOTE 37: SHARE-BASED PAYMENT AND EMPLOYEE BENEFIT (in HUF mn) [continued]**

Based on parameters accepted by Supervisory Board, relating to the year **2015** effective pieces are follows as at 30 June 2020:

	Approved pieces of shares	Exercised until 30 June 2020	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable at 30 June 2020
Share-purchasing period started in 2016	152,247	152,247	7,373	-	-
Remuneration exchanged to share provided in 2016	10,947	10,947	6,509	-	-
Share-purchasing period started in 2017	299,758	299,758	9,403	-	-
Remuneration exchanged to share provided in 2017	20,176	20,176	9,257	-	-
Share-purchasing period started in 2018	166,047	166,047	10,238	-	-
Remuneration exchanged to share provided in 2018	9,229	9,229	10,098	-	-
Share-purchasing period started in 2019	199,215	199,215	12,025	-	-
Remuneration exchanged to share provided in 2019	9,774	9,774	11,813	-	-

Based on parameters accepted by Supervisory Board, relating to the year **2016** effective pieces are follows as at 30 June 2020:

	Approved pieces of shares	Exercised until 30 June 2020	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	156,859	11,771	-	4,587
Remuneration exchanged to share provided in 2019	4,033	4,033	11,813	-	-
Share-purchasing period starting in 2020	166,231	132,659	11,516	-	33,572
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 2020:

	Approved pieces of shares	Exercised until 30 June 2020	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	198,195	12,101	-	14,087
Remuneration exchanged to share provided in 2019	26,538	26,538	11,813	-	-
Share-purchasing period starting in 2020	101,571	6,617	11,512	-	94,954
Remuneration exchanged to share applying in 2020	11,584	11,584	11,897	-	-
Share-purchasing period starting in 2021	-	-	-	-	120,981
Remuneration exchanged to share applying in 2021	-	-	-	-	12,838
Share-purchasing period starting in 2022	-	-	-	-	42,820
Remuneration exchanged to share applying in 2022	-	-	-	-	3,003

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**NOTE 37: 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 2020:

	Approved pieces of shares	Exercised until 30 June 2020	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	149,322	-	-	-	149,322
Remuneration exchanged to share applying in 2020	33,024	33,024	11,897	-	-
Share-purchasing period starting in 2021	-	-	-	-	74,529
Remuneration exchanged to share applying in 2021	-	-	-	-	16,167
Share-purchasing period starting in 2022	-	-	-	-	99,341
Remuneration exchanged to share applying in 2022	-	-	-	-	17,042
Share-purchasing period starting in 2023	-	-	-	-	45,155
Remuneration exchanged to share applying in 2023	-	-	-	-	4,114
Remuneration exchanged to share applying in 2024	-	-	-	-	864
Remuneration exchanged to share applying in 2025	-	-	-	-	432

Based on parameters accepted by Supervisory Board, relating to the year **2019** effective pieces are follows as at 30 June 2020:

	Approved pieces of shares	Exercised until 30 June 2020	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable at 30 June 2020
Share-purchasing period started in 2020	91,403	2,739	11,475	-	88,664
Remuneration exchanged to share provided in 2020	22,806	22,806	11,897	-	-
Share-purchasing period starting in 2021	-	-	-	-	202,386
Remuneration exchanged to share applying in 2021	-	-	-	-	32,238
Share-purchasing period starting in 2022	-	-	-	-	109,567
Remuneration exchanged to share applying in 2022	-	-	-	-	15,554
Share-purchasing period starting in 2023	-	-	-	-	125,771
Remuneration exchanged to share applying in 2023	-	-	-	-	18,025
Share-purchasing period starting in 2024	-	-	-	-	44,421
Remuneration exchanged to share applying in 2024	-	-	-	-	6,279
Remuneration exchanged to share applying in 2025	-	-	-	-	1,000
Remuneration exchanged to share applying in 2026	-	-	-	-	500

Effective pieces relating to the periods starting in 2021-2026 settled during valuation of performance of year 2017-2019, can be modified based on risk assessment and personal changes,

In connection with the share-based compensation for Board of Directors and connecting compensation, shares given as a part of payments detailed above and for the year 2020 based on performance assessment accounted as equity-settled share based transactions HUF 1,744 million was recognized as expense for the six month period ended 30 June 2020.

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**NOTE 38: 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:

**38.1. Loans provided to related parties**

	30 June 2020		31 December 2019	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
OTP Financing Malta Company Ltd, (Malta)	726,707	(3,609)	716,721	(4,053)
OTP Mortgage Bank Ltd,	616,338	(858)	676,761	(956)
Merkantil Bank Ltd,	369,130	(1,476)	361,671	(1,348)
OTP Employee Stock Ownership Program (OTP ESOP)	58,486	-	-	-
OTP banka Srbija a,d, (Serbia)	48,219	(131)	123,244	(523)
OTP Banka Slovensko a,s, (Slovakia)	44,616	(156)	47,980	(152)
Podgorička banka AD (Montenegro)	42,331	(387)	23,668	-
Vojvodanska Banka ad Novi Sad	39,267	(204)	86,756	(347)
OTP Real Estate Leasing Ltd,	37,256	(855)	32,936	(566)
Other	102,470	(445)	148,739	(310)
<b>Total</b>	<b><u>2,084,820</u></b>	<b><u>(8,121)</u></b>	<b><u>2,218,476</u></b>	<b><u>(8,255)</u></b>

**38.2. Deposits from related parties**

	30 June 2020	31 December 2019
OTP Funds Servicing and Consulting Ltd.	134,853	84,035
OTP Bank JSC (Ukraine)	91,554	11,493
JSC "OTP Bank" (Russia)	90,271	108,691
OTP Mortgage Bank Ltd.	31,274	31,789
Merkantil Bank Ltd.	25,658	7,289
OTP Building Society Ltd.	23,559	41,383
Bank Center Llc.	22,143	22,214
Inga Kettő Ltd.	18,970	10,615
Crnogorska komercijalna banka a.d. (Montenegro)	13,409	8,864
Air-Invest Llc.	12,613	4,033
OTP Holding Ltd. / OTP Financing Ciprus Co. Ltd. (Ciprus)	10,867	17,095
OTP Employee Stock Ownership Program (OTP ESOP)	10,154	7,089
DSK Bank EAD (Bulgaria)	6,416	363,072
OTP Bank Romania S.A. (Romania)	5,009	43,608
OTP banka Hrvatska d.d. (Croatia)	4,259	21,964
OTP Factoring Ltd.	2,678	16,064
Expressbank AD (Bulgaria)	-	134,235
Other	45,483	53,452
<b>Total</b>	<b><u>549,170</u></b>	<b><u>986,985</u></b>

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**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**NOTE 38: RELATED PARTY TRANSACTIONS (in HUF mn) [continued]**

**38.3. Interests received by the Bank<sup>1</sup>**

	<b>30 June 2020</b>	<b>30 June 2019</b>
OTP Financing Malta Company Ltd. (Malta)	6,256	7,636
Merkantil Bank Ltd,	2,545	2,203
OTP Mortgage Bank Ltd,	1,779	613
Other	<u>828</u>	<u>288</u>
<b>Total</b>	<b><u>11,408</u></b>	<b><u>10,740</u></b>

**38.4. Interests paid by the Bank<sup>1</sup>**

	<b>30 June 2020</b>	<b>30 June 2019</b>
JSC "OTP Bank" (Russia)	2,995	3,934
Merkantil Lease Ltd.	141	-
OTP Funds Servicing and Consulting Ltd.	112	111
OTP Financing Malta Company Ltd. (Malta)	123	-
DSK Bank EAD (Bulgaria)	95	1,405
OTP banka Hrvatska d.d. (Croatia)	93	37
Expressbank AD (Bulgaria)	-	273
Other	<u>369</u>	<u>197</u>
<b>Total</b>	<b><u>3,928</u></b>	<b><u>5,957</u></b>

**38.5. Commissions received by the Bank**

	<b>30 June 2020</b>	<b>30 June 2019</b>
From OTP Real Estate Investment Fund Management Ltd. in relation to trading activity	1,585	2,486
From OTP Fund Management Ltd. in relation to trading activity	1,509	2,373
OTP Mobile Service Llc.	1,187	737
From OTP Building Society Ltd. (agency fee in relation to finalised customer contracts)	1,187	371
OTP Funds Servicing and Consulting Ltd.	241	229
From SKB Banka d.d. Ljubljana in relation to loans, deposits and money transfer	152	-
From OTP Banka Srbija AD.Beograd Ljubljana in relation to loans, deposits and money transfer	116	-
From OTP Funds Servicing and Consulting Ltd. in relation to banking	102	90
From OTP Fund management Ltd. in relation to deposit services	50	48
Other	<u>498</u>	<u>204</u>
<b>Total</b>	<b><u>6,627</u></b>	<b><u>6,538</u></b>

**38.6. Commissions paid by the Bank**

	<b>30 June 2020</b>	<b>30 June 2019</b>
OTP Factoring Ltd, related to commission fee	69	88
OTP Pénzügyi Pont Ltd,	<u>97</u>	<u>-</u>
<b>Total</b>	<b><u>166</u></b>	<b><u>88</u></b>

**38.7. Transactions related to OTP Mortgage Bank Ltd.:**

	<b>30 June 2020</b>	<b>30 June 2019</b>
Fees and commissions received from OTP Mortgage Bank Ltd, relating to the loans	4,006	5,922

<sup>1</sup> Derivatives and interest on securities are not included.

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**NOTE 38: RELATED PARTY TRANSACTIONS (in HUF mn) [continued]**

**38.8. Transactions related to OTP Factoring Ltd.:**

	<b>30 June 2020</b>	<b>30 June 2019</b>
The gross book value of the loans sold	4,595	6,940
Provision for loan losses on the loans sold	2,902	4,636
Loans sold to OTP Factoring Ltd, without recourse (including interest)	1,010	1,379
Loss on these transaction (recorded in the separate financial statements as loan and placement loss)	683	925

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

**38.9. 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:

<b>Compensations</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
Short-term employee benefits	1,198	2,143
Share-based payment	1,490	2,732
Long-term employee benefits (on the basis of IAS 19)	<u>141</u>	<u>304</u>
<b>Total</b>	<b><u>2,829</u></b>	<b><u>5,179</u></b>

	<b>30 June 2020</b>	<b>31 December 2019</b>
Loans provided to companies owned by the Management (in the normal course of business)	74,929	54,325
Commitments to extend credit and bank guarantees	39,161	27,624

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**NOTE 38: RELATED PARTY TRANSACTIONS (in HUF mn) [continued]**

**38.9. Related party transactions with key management [continued]**

**Outstanding balances and of banking products provided to key management as at 30 June 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	8	5	-	3	floating, monthly 2.23%	-	16.650 HUF	Income received to bank account
Mastercard Klasszik	3	-	1	2	floating, monthly 2.19%-2.23%	-	5.580 HUF	Income received to bank account
Mastercard Bonus	2	1	-	1	floating, monthly 2.53%	-	6.656 HUF	Income received to bank account
Mastercard Bonus Gold	73	7	2	64	floating, monthly 2.45%-2.54%	-	20.596 HUF	Income received to bank account
Visa Infinite	156	27	5	124	floating, monthly 2.48%	-	20.916 HUF	Income received to bank account
<b>Credit cards total</b>	<b>242</b>	<b>40</b>	<b>8</b>	<b>194</b>				
Overdraft loans	235	91	4	140	central bank base rate+5%	1%	-	Income received to bank account
Lombard loans	55,180	53,761	-	1,419	1.1% - 2.95%	-	-	Government bond, Shares in investment funds
Personal loans	33	7	-	26	5.67%-11.99%	-	-	Income received to bank account
Baby expecting loans	50	10	-	40	0.00%	-	-	
Mortgage loan	32	-	-	32	3.19%	-	-	Ingatlan

**Outstanding balances and of banking products provided to key management as at 31 December 2019**

Type of product	Total	Members of Board of Directors and their close family members	Members of Supervisory board and their close family members	Executive and their close family members	Interest conditions	Handling charges	Annual fee	Collateral
MasterCard Arany	12	11	-	1	floating, monthly 2.20%	-	15.834 HUF	Income received to bank account
Mastercard Bonus Gold	38	5	-	33	floating, monthly 2.46%	-	16.966 HUF	Income received to bank account
Visa Infinite	94	20	5	69	floating, monthly 2.49%	-	20.288 HUF	Income received to bank account
<b>Credit cards total</b>	<b>144</b>	<b>36</b>	<b>5</b>	<b>103</b>				Income received to bank account
Overdraft loans	87	84	3	-	central bank base rate+5%	1%	-	Income received to bank account
Lombard loans	55,080	53,661	-	1,419	0.66% - 2.39%	-	-	Government bond, Long Term Investment Account, Shares in investment funds
Personal loans	7	-	-	7	11.99%-17.99%	-	-	Income received to bank account



**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**NOTE 38:      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):

	<b>30 June</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
Members of Board of Directors	969	1,310
Members of Supervisory Board	<u>57</u>	<u>113</u>
<b>Total</b>	<b><u>1,026</u></b>	<b><u>1,423</u></b>

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 39:      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.

	<b>30 June</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
Loans managed by the Bank as a trustee	28,421	29,239

**OTP BANK PLC.**  
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**NOTE 40:      CONCENTRATION OF ASSETS AND LIABILITIES**

	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>In the percentage of the total assets</b>		
Receivables from, or securities issued by the Hungarian Government or the NBH	21.65%	23.18%
Securities issued by the OTP Mortgage Bank Ltd,	2.40%	1.76%

There were no other significant concentrations of the assets or liabilities of the Bank as at 30 June 2020 or 31 December 2019.

OTP Bank continuously provides the Authority with reports on the extent of dependency on large depositors as well as the exposure of the largest 50 depositors towards OTP Bank. Further to this obligatory reporting to the Authority, OTP Bank pays particular attention on the exposure of its largest partners and cares for maintaining a closer relationship with these partners in order to secure the stability of the level of deposits.

The organisational unit of OTP Bank in charge of partner-risk management analyses the largest partners on a constant basis and sets limits on OTP Bank's and the Group's exposure separately partner-by-partner. If necessary, it modifies partner-limits in due course thereby reducing the room for manoeuvring of the Treasury and other business areas.

The Bank's internal regulation (Limit-management regulation) controls risk management which related to exposures of clients. Bank makes a difference between clients or clients who are economically connected with each other, partners, partners operating in the same geographical region or in the same economic sector, exposures from customers. Limit-management regulation includes a specific range provisions system used by Bank to control risk exposures. This regulation has to be used by the Bank for its business (lending) risk-taking activity in both the retail and corporate sector.

To specify credit risk limits, the Bank strives their clients get an acceptable margin of risk based on their financial situation. In the Bank limit system a lower level decision-making delegation has to be provided.

If an OTP group member takes risk against a client or group of clients (either inside the local economy or outside), the client will be qualified as a group level risk and these limits will be specified at group level.

The validity period of this policy is 12 months. The limit shall be reviewed prior to the expiry date but at least once a year based on the relevant information required to limit calculations.

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**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**NOTE 41: 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.

	<b>30 June 2020</b>	<b>31 December 2019</b>
Net profit for the year attributable to ordinary shareholders (in HUF mn)	39,481	193,354
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	278,690,122	279,697,301
<b>Basic Earnings per share (in HUF)</b>	<b><u>142</u></b>	<b><u>691</u></b>
Separate net profit for the year attributable to ordinary shareholders (in HUF mn)	39,481	193,354
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	278,695,362	279,721,775
<b>Diluted Earnings per share (in HUF)</b>	<b><u>142</u></b>	<b><u>691</u></b>
	<b>30 June 2020</b>	<b>31 December 2019</b>
	number of shares	
Weighted average number of ordinary shares	280,000,010	280,000,010
Average number of Treasury shares	(1,309,888)	(302,709)
<b>Weighted average number of ordinary shares outstanding during the year for calculating basic EPS</b>	<b>278,690,122</b>	<b>279,697,301</b>
Dilutive effect of options issued in accordance with the Remuneration Policy / Management Option Program and convertible into ordinary shares <sup>1</sup>	5,239	24,474
<b>The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS</b>	<b>278,695,362</b>	<b>279,721,775</b>

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.

<sup>1</sup> In 2020 and 2019 dilutive effect is in connection with the Remuneration Policy.

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**NOTE 42: NET GAIN OR LOSS REALISED ON FINANCIAL INSTRUMENTS**  
**(in HUF mn)**

<b>For the six month period ended 30 June 2020</b>	<b>Net interest income and expense</b>	<b>Net non- interest gain and loss</b>	<b>Loss allowance</b>	<b>Other comprehensive income</b>
<b>Financial assets measured at amortised cost</b>				
Cash, amounts due from banks and balances with the National Bank of Hungary	705	-	-	-
Placements with other banks, net of allowance for placement losses	4,590	-	(203)	-
Repo receivables	21	-	1	-
Loans	77,464	8,338	40,223	-
Securities at amortised cost	<u>23,130</u>	<u>156</u>	<u>81</u>	<u>-</u>
<b>Financial assets measured at amortised cost total</b>	<b><u>105,910</u></b>	<b><u>8,494</u></b>	<b><u>40,102</u></b>	<b><u>-</u></b>
<b>Financial assets measured at fair value</b>				
Securities held for trading	342	(538)	-	-
Securities at fair value through other comprehensive income	17,453	3,999 <sup>1</sup>	(477)	(18,500)
Loans mandatorily measured at fair value through profit or loss	<u>287</u>	<u>(97)</u>	<u>-</u>	<u>-</u>
<b>Financial assets measured at fair value total</b>	<b><u>18,082</u></b>	<b><u>3,364</u></b>	<b><u>(477)</u></b>	<b><u>(18,500)</u></b>
<b>Financial liabilities measured at amortised cost</b>				
Amounts due to banks and deposits from the National Bank of Hungary and other banks	(5,492)	-	-	-
Repo liabilities	(943)	-	-	-
Deposits from customers	(1,689)	100,482	-	-
Leasing liabilities	(244)	-	-	-
Liabilities from issued securities	58	-	-	-
Subordinated bonds and loans	<u>(4,057)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities measured at amortised cost total</b>	<b><u>(12,367)</u></b>	<b><u>100,482</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Financial liabilities designated to measure at fair value through profit or loss</b>	<b>(164)</b>	<b>(375)</b>	<b>-</b>	<b>-</b>
<b>Derivative financial instruments<sup>2</sup></b>	<b><u>(5,148)</u></b>	<b><u>4,512</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Total</b>	<b><u>106,313</u></b>	<b><u>116,477</u></b>	<b><u>39,625</u></b>	<b><u>(18,500)</u></b>

<sup>1</sup> For the six month period ended 30 June 2020 HUF 3,999 million net non-interest gain on securities at fair value through other comprehensive income was transferred from other comprehensive income to profit or loss.

<sup>2</sup> 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 42: NET GAIN OR LOSS REALISED ON FINANCIAL INSTRUMENTS**  
**(in HUF mn) [continued]**

<b>For the year ended 31 December 2019</b>	<b>Net interest income and expense</b>	<b>Net non- interest gain and loss</b>	<b>Loss allowance</b>	<b>Other comprehensive income</b>
<b>Financial assets measured at amortised cost</b>				
Cash, amounts due from banks and balances with the National Bank of Hungary	1,188	-	-	-
Placements with other banks, net of allowance for placement losses	5,789	-	1,545	-
Repo receivables	95	-	(6)	-
Loans	140,223	19,674	12,352	-
Securities at amortised cost	<u>47,119</u>	<u>714</u>	<u>(225)</u>	<u>-</u>
<b>Financial assets measured at amortised cost total</b>	<b><u>194,414</u></b>	<b><u>20,388</u></b>	<b><u>13,666</u></b>	<b><u>-</u></b>
<b>Financial assets measured at fair value</b>				
Securities held for trading	231	739	-	-
Securities at fair value through other comprehensive income	40,329	8,408 <sup>1</sup>	(176)	20,599
Loans mandatorily measured at fair value through profit or loss	<u>654</u>	<u>(418)</u>	<u>-</u>	<u>-</u>
<b>Financial assets measured at fair value total</b>	<b><u>41,214</u></b>	<b><u>8,729</u></b>	<b><u>(176)</u></b>	<b><u>20,599</u></b>
<b>Financial liabilities measured at amortised cost</b>				
Amounts due to banks and deposits from the National Bank of Hungary and other banks	(11,300)	-	-	-
Repo liabilities	(3,995)	-	-	-
Deposits from customers	(3,726)	210,822	-	-
Leasing liabilities	(244)	-	-	-
Liabilities from issued securities	(2,214)	-	-	-
Subordinated bonds and loans	<u>(5,323)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities measured at amortised cost total</b>	<b><u>(26,802)</u></b>	<b><u>210,822</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Financial liabilities designated to measure at fair value through profit or loss</b>	<b>(367)</b>	<b>(21)</b>	<b>-</b>	<b>-</b>
<b>Derivative financial instruments<sup>2</sup></b>	<b><u>(5,064)</u></b>	<b><u>3,675</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Total</b>	<b><u>203,395</u></b>	<b><u>243,593</u></b>	<b><u>13,490</u></b>	<b><u>20,599</u></b>

<sup>1</sup> For the year ended 31 December 2019 HUF 8,408 million net non-interest gain on securities at fair value through other comprehensive income was transferred from other comprehensive income to profit or loss.

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

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**NOTE 43: 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.**  
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**NOTE 43: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]**

**a) *Fair value of financial assets and liabilities***

	30 June 2020		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash, amounts due from banks and balances with the National Bank of Hungary	469,992	469,992	289,686	289,686
Placements with other banks, net of allowance for placement losses	1,476,344	1,494,371	1,560,142	1,532,900
Repo receivables	11,922	11,928	45,539	45,546
Financial assets at fair value through profit or loss	226,159	226,159	172,229	172,229
<i>Held for trading securities</i>	28,847	28,847	46,255	46,255
<i>Derivative financial instruments classified as held for trading</i>	169,471	169,471	103,694	103,694
<i>Securities mandatorily measured at fair value through profit or loss</i>	27,841	27,841	22,280	22,280
Securities at fair value through other comprehensive income	983,207	983,207	1,485,977	1,485,977
Loans at amortised cost <sup>1</sup>	3,546,813	3,923,620	3,285,338	3,609,477
Loans mandatorily at fair value through profit or loss	28,543	28,543	29,731	29,731
Securities at amortised cost	1,643,025	1,736,704	1,447,224	1,570,899
Derivative financial instruments designated as hedging instruments	22,529	22,529	16,677	16,677
Other financial assets	137,096	137,096	89,482	89,482
<b>FINANCIAL ASSETS TOTAL</b>	<b><u>8,545,630</u></b>	<b><u>9,034,149</u></b>	<b><u>8,422,025</u></b>	<b><u>8,842,604</u></b>

Amounts due to banks and deposits from the National Bank of Hungary and other banks	732,436	729,625	738,054	737,235
Deposits from customers	6,933,116	6,932,705	6,573,550	6,574,041
Repo liabilities	131,672	133,191	462,621	464,901
Leasing liabilities	15,401	15,400	13,660	13,660
Liabilities from issued securities	41,723	42,083	43,284	49,282
Derivative financial instruments designated as hedging instruments	11,522	11,522	10,023	10,023
Financial liabilities at fair value through profit or loss	27,192	27,192	28,861	28,861
Held for trading derivative financial liabilities	154,832	154,832	83,088	83,088
Subordinated bonds and loans	302,991	287,151	279,394	276,838
Other financial liabilities	199,294	199,294	191,091	191,091
<b>FINANCIAL LIABILITIES TOTAL</b>	<b><u>8,550,179</u></b>	<b><u>8,532,995</u></b>	<b><u>8,423,626</u></b>	<b><u>8,429,020</u></b>

**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).

<sup>1</sup> Fair value of loans increased due to decrease of short-term and long-term interests.

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**NOTE 43: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]**

**b) Derivative financial instruments [continued]**

**Fair value of derivative financial instruments**

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

	<b>30 June 2020</b>		<b>31 December 2019</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
<b>Held for trading derivative financial instruments</b>				
<b>Interest rate derivatives</b>				
Interest rate swaps	33,549	(31,253)	29,008	(26,622)
Cross currency interest rate swaps	5,422	(6,399)	1,141	(1,037)
OTC options	395	(395)	298	(298)
Forward rate agreement	<u>171</u>	<u>(204)</u>	<u>13</u>	<u>(32)</u>
<b>Total interest rate derivatives (OTC derivatives)</b>	<b><u>39,537</u></b>	<b><u>(38,251)</u></b>	<b><u>30,460</u></b>	<b><u>(27,989)</u></b>
<i>From this: Interest rate derivatives cleared by central counterparty</i>	-	(185)	-	(61)
<b>Foreign exchange derivatives</b>				
Foreign exchange swaps	65,787	(63,726)	31,666	(24,607)
Foreign exchange forward	10,814	(6,721)	2,538	(4,839)
OTC options	11,580	(11,466)	3,126	(3,129)
Foreign exchange spot conversion	<u>504</u>	<u>(476)</u>	<u>18</u>	<u>(50)</u>
<b>Total foreign exchange derivatives (OTC derivatives)</b>	<b><u>88,685</u></b>	<b><u>(82,389)</u></b>	<b><u>37,348</u></b>	<b><u>(32,625)</u></b>
<i>From this: Foreign exchange derivatives cleared by central counterparty</i>	12,604	(867)	4,166	(259)
<b>Equity stock and index derivatives</b>				
Commodity Swaps	1,531	(2,020)	1,213	(960)
Equity swaps	<u>6,019</u>	<u>(482)</u>	<u>4,530</u>	<u>(558)</u>
<b>OTC derivatives total</b>	<b><u>7,550</u></b>	<b><u>(2,502)</u></b>	<b><u>5,743</u></b>	<b><u>(1,518)</u></b>
Exchange traded futures and options	744	(290)	5	(248)
<b>Total equity stock and index derivatives</b>	<b><u>8,294</u></b>	<b><u>(2,792)</u></b>	<b><u>5,748</u></b>	<b><u>(1,766)</u></b>
<b>Derivatives held for risk management not designated in hedge</b>				
Interest rate swaps	29,434	(27,718)	23,508	(16,219)
Foreign exchange swaps	3,427	(3,348)	6,547	(4,477)
Foreign exchange spot conversion	-	-	-	-
Forward	72	(231)	8	(12)
Cross currency interest rate swaps	<u>22</u>	<u>(103)</u>	<u>75</u>	<u>-</u>
<b>Total derivatives held for risk management not designated in hedge</b>	<b><u>32,955</u></b>	<b><u>(31,400)</u></b>	<b><u>30,138</u></b>	<b><u>(20,708)</u></b>
<i>From this: Total derivatives cleared by central counterparty held for risk management</i>	134	(9,205)	1,305	(6,689)
<b>Total Held for trading derivative financial instruments</b>	<b><u>169,471</u></b>	<b><u>(154,832)</u></b>	<b><u>103,694</u></b>	<b><u>(83,088)</u></b>
<b>Derivative financial instruments designated as hedge accounting</b>				
<b>Derivatives designated in cash flow hedges</b>				
Interest rate swaps	<u>10,156</u>	<u>-</u>	<u>9,214</u>	<u>-</u>
<b>Total derivatives designated in cash flow hedges</b>	<b><u>10,156</u></b>	<b><u>-</u></b>	<b><u>9,214</u></b>	<b><u>-</u></b>
<b>Derivatives designated in fair value hedges</b>				
Interest rate swaps	1,400	(9,393)	3,758	(8,265)
Cross currency interest rate swaps	10,973	(2,129)	3,705	(1,758)
Foreign exchange swaps	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total derivatives designated in fair value hedges</b>	<b><u>12,373</u></b>	<b><u>(11,522)</u></b>	<b><u>7,463</u></b>	<b><u>(10,023)</u></b>
<i>From this: Total derivatives cleared by NBH held for hedging</i>	-	(1,535)	-	(2,886)
<b>Total derivatives held for risk management (OTC derivatives)</b>	<b><u>22,529</u></b>	<b><u>(11,522)</u></b>	<b><u>16,677</u></b>	<b><u>(10,023)</u></b>



**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020**

**NOTE 43: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]**

**c) Hedge accounting**

**Amount, timing and uncertainty of future cash flows - hedging instruments as at 30 June 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	-	-	4,200	50,503	158,710	<b>213,413</b>		
		Average Interest Rate (%)	-	-	2.25%	1.34%	1.34%			
		EUR								
		Notional	-	-	15	107	10	<b>132</b>		
		Average Interest Rate (%)	-	-	(0.11%)	0.23%	0.22%			
		USD								
		Notional	4	-	-	192	29	<b>225</b>		
		Average Interest Rate (%)	2.78%	-	-	2.34%	2.35%			
		RUB								
		Notional	-	-	-	2,100	-	<b>2,100</b>		
Average Interest Rate (%)	-	-	-	7.38%	-					
Fair Value Hedge	FX & IR risk	Cross currency interest rate swap								
		EUR/HUF								
		Notional	-	-	3	15	12	<b>30</b>		
Average Interest Rate (%)	-	-	(1.63%)	(1.64%)	(1.66%)					
Average FX Rate	-	-	309.63	309.70	308.52					
Fair Value Hedge	FX risk	Cross currency interest rate swap								
		EUR/HUF								
		Notional	(4)	1	226	622	-	<b>845</b>		
		Average FX Rate	361.45	352.60	358.07	356.03	-			
		RON/HUF								
		Notional	-	-	750	550	-	<b>1,300</b>		
		Average FX Rate	-	-	69.42	70.07	-			
		RUB/HUF								
		Notional	2,000	-	3,000	4,100	-	<b>9,100</b>		
		Average FX Rate	4.42	-	4.11	4.46	-			
		Fair Value Hedge	Other	Interest rate swap						
				HUF						
Notional	7,328	(442)	7,357	15,429	-	<b>29,672</b>				
Cash flow Hedge	Interest rate risk	Interest rate swap								
		HUF								
		Notional	-	-	-	12,194	28,027	<b>40,221</b>		
Average FX Rate	-	-	-	1.77	2.46					

OTP BANK PLC.  
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

**NOTE 43: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]**

**d) Hedge accounting [continued]**

Amount, timing and uncertainty of future cash flows - hedging instruments as at 31 December 2019

Type of hedge	Type of risk	Type of instrument	Within one month	Within three months and over one month	Within one year and over three months	Within five years and over one year	More than five years	Total
Fair Value Hedge	Interest rate risk	Interest rate swap						
		HUF						
		Notional	-	-	229,600	65,268	145,510	<b>440,378</b>
		Average Interest Rate (%)	-	-	1.84%	1.29%	1.26%	
		EUR						
		Notional	-	20	-	177	27	<b>224</b>
		Average Interest Rate (%)	-	3.88%	-	0.14%	0.61%	
		USD						
		Notional	-	-	8	437	29	<b>474</b>
		Average Interest Rate (%)	-	-	2.64%	1.92%	2.35%	
		RUB						
		Notional	-	-	-	2,100	-	<b>2,100</b>
Average Interest Rate (%)	-	-	-	7.38%	-			
Fair Value Hedge	FX & IR risk	Cross currency interest rate swap						
		EUR/HUF						
		Notional	-	-	2	15	14	<b>31</b>
Average Interest Rate (%)	-	-	(1.60%)	(1.63%)	(1.66%)			
Average FX Rate	-	-	310.37	309.79	308.69			
Fair Value Hedge	FX risk	Cross currency interest rate swap						
		RON/HUF						
		Notional	-	-	150	1,050	-	<b>1,200</b>
		Average FX Rate	-	-	67.50	68.83	-	
		RUB/HUF						
		Notional	-	-	2,000	9,100	-	<b>11,100</b>
Average FX Rate	-	-	4.20	4.33	-			
Fair Value Hedge	Other	Interest rate swap						
		HUF						
Notional	-	(310)	13,644	15,763	-	<b>29,097</b>		
Cash flow Hedge	Interest rate risk	Interest rate swap						
		HUF						
		Notional	-	-	-	12,194	28,027	<b>40,221</b>
Average FX Rate	-	-	-	1.77	2.46			

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020**

**NOTE 43: 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 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 six month period ended 30 June 2020
				Assets	Liabilities		
<b>Fair value hedge</b>							
	Interest rate swap	Interest rate risk	383,399	563	(9,391)	Derivative financial instruments designated as hedge accounting	(119)
	Cross-currency swap	FX & IR risk	9,134	-	(1,077)	Derivative financial instruments designated as hedge accounting	(1,095)
	Cross-currency swap	FX risk	445,363	10,972	(1,052)	Derivative financial instruments designated as hedge accounting	(623)
	Interest rate swap	Other	27,622	838	(2)	Derivative financial instruments designated as hedge accounting	13
<b>Cash flow hedge</b>							
	Interest rate swap	Interest rate risk	133,379	10,156	-	Derivative financial instruments designated as hedge accounting	(85)

	Type of risk	Carrying amount of the hedged item for the six month period ended 30 June 2020		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item for the six month period ended 30 June 2020		Line item in the statement of financial position in which the hedged item is included
		Assets	Liabilities	Assets	Liabilities	
<b>Fair value hedges</b>						
- Loans	<i>Interest rate risk</i>	38,258	(19,903)	544	(24)	Loans
- Government bonds	<i>Interest rate risk</i>	298,622	-	14	-	Securities at amortised cost
- Government bonds	<i>Interest rate risk</i>	52,971	-	253	-	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>	46,145	-	74	-	Securities at fair value through other comprehensive income
- Loans	<i>FX &amp; IR risk</i>	10,434	-	5	-	Loans
- Loans	<i>FX risk</i>	321,625	-	10,605	-	Loans
- Other securities	<i>Other risk</i>	-	(26,096)	-	(4,725)	Liabilities from issued securities
<b>Fair value hedges total</b>		<b><u>768,055</u></b>	<b><u>(45,999)</u></b>	<b><u>11,495</u></b>	<b><u>(4,749)</u></b>	
<b>Cash flow hedges</b>						
- Loans	<i>Interest rate risk</i>	40,221	-	58	-	Loans

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020**

**NOTE 43: 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 2019		Line item in the statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge ineffectiveness for the year ended 2019
				Assets	Liabilities		
<b>Fair value hedge</b>							
	Interest rate swap	Interest rate risk	663,949	2,251	(8,265)	Derivative financial instruments designated as hedge accounting	341
	Cross-currency swap	FX & IR risk	9,523	-	(376)	Derivative financial instruments designated as hedge accounting	(113)
	Cross-currency swap	FX risk	137,390	3,705	(1,382)	Derivative financial instruments designated as hedge accounting	(271)
	Interest rate swap	Other	30,983	1,507	-	Derivative financial instruments designated as hedge accounting	7
<b>Cash flow hedge</b>							
	Interest rate swap	Interest rate risk	133,379	9,214	-	Derivative financial instruments designated as hedge accounting	(98)

	Type of risk	Carrying amount of the hedged item for the year ended 31 December 2019		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item for the year ended 31 December 2019		Line item in the statement of financial position in which the hedged item is included
		Assets	Liabilities	Assets	Liabilities	
<b>Fair value hedges</b>						
- Loans	<i>Interest rate risk</i>	36,709	-	521	-	Loans
- Government bonds	<i>Interest rate risk</i>	578,026	-	109	-	Securities at amortised cost
- Government bonds	<i>Interest rate risk</i>	144,234	-	1,074	-	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>	85,231	-	166	-	Securities at fair value through other comprehensive income
- Loans	<i>FX &amp; IR risk</i>	10,076	-	2	-	Loans
- Loans	<i>FX risk</i>	136,088	-	1,465	-	Loans
- Other securities	<i>Other risk</i>	-	(29,018)	-	(5,765)	Liabilities from issued securities
<b>Fair value hedges total</b>		<b><u>990,364</u></b>	<b><u>(29,018)</u></b>	<b><u>3,337</u></b>	<b><u>(5,765)</u></b>	
<b>Cash flow hedges</b>						
- Loans	<i>Interest rate risk</i>	40,221	-	32	-	Loans

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30**  
**JUNE 2020**

**NOTE 43: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]**

**c) Hedge accounting [continued]**

**30 June 2020**

Type of instrument	Type of risk	Change in the value of the hedging instrument recognised in cash flow hedge reserve	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
Interest rate swap	Interest rate risk	418	(85)	Interest Income from Placements with other banks, net of allowance for placement losses

**31 December 2019**

Type of instrument	Type of risk	Change in the value of the hedging instrument recognised in cash flow hedge reserve	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
Interest rate swap	Interest rate risk	2,086	(98)	Interest Income from Placements with other banks, net of allowance for placement losses

**d) Fair value classes**

Methods and significant assumptions used to determine fair value of the different classes of financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly, Fair value measurements – in relation with instruments measured not at fair value – are categorized in level 2;
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

As at 30 June 2020	Total	Level 1	Level 2	Level 3
Loans mandatorily measured at fair value through profit or loss	28,543	-	-	28,543
Financial assets at fair value through profit or loss	226,159	50,813	170,158	5,188
<i>from this: securities held for trading</i>	28,847	27,416	1,431	-
<i>from this: positive fair value of derivative financial instruments classified as held for trading</i>	169,471	744	168,727	-
<i>from this: securities mandatorily measured at fair value through profit or loss</i>	27,841	22,653	-	5,188
Securities at fair value through other comprehensive income	983,207	518,288	464,919	-
Positive fair value of derivative financial instruments designated as fair value hedge	<u>22,529</u>	<u>-</u>	<u>22,529</u>	<u>-</u>
<b>Financial assets measured at fair value total</b>	<b><u>1,260,438</u></b>	<b><u>569,101</u></b>	<b><u>657,606</u></b>	<b><u>33,731</u></b>
Financial liabilities at fair value through profit or loss	27,192	-	-	27,192
Negative fair value of derivative financial instruments classified as held for trading	154,832	290	154,542	-
Short position	7,474	7,474	-	-
Negative fair value of derivative financial instruments designated as hedge accounting	<u>11,522</u>	<u>-</u>	<u>11,522</u>	<u>-</u>
<b>Financial liabilities measured at fair value total</b>	<b><u>201,020</u></b>	<b><u>7,764</u></b>	<b><u>166,064</u></b>	<b><u>27,192</u></b>

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30**  
**JUNE 2020**

**NOTE 43: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]**

**d) Fair value classes [continued]**

<b>As at 31 December 2019</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Loans mandatorily measured at fair value through profit or loss	29,731	-	-	29,731
Financial assets at fair value through profit or loss	172,229	52,247	119,982	-
<i>from this: securities held for trading</i>	46,255	29,961	16,294	-
<i>from this: positive fair value of derivative financial instruments classified as held for trading</i>	103,694	6	103,688	-
<i>from this: securities mandatorily measured at fair value through profit or loss</i>	22,280	22,280	-	-
Securities at fair value through other comprehensive income	1,485,977	1,082,071	399,171	4,735
Positive fair value of derivative financial instruments designated as fair value hedge	<u>16,677</u>	<u>-</u>	<u>16,677</u>	<u>-</u>
<b>Financial assets measured at fair value total</b>	<b><u>1,704,614</u></b>	<b><u>1,134,318</u></b>	<b><u>535,830</u></b>	<b><u>34,466</u></b>
Financial liabilities at fair value through profit or loss	28,861	-	-	28,861
Negative fair value of derivative financial instruments classified as held for trading	83,088	249	82,839	-
Short position	7,040	7,040	-	-
Negative fair value of derivative financial instruments designated as hedge accounting	<u>10,023</u>	<u>-</u>	<u>10,023</u>	<u>-</u>
<b>Financial liabilities measured at fair value total</b>	<b><u>129,012</u></b>	<b><u>7,289</u></b>	<b><u>92,862</u></b>	<b><u>28,861</u></b>

**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**

<b>Type of financial instrument</b>	<b>Valuation technique</b>	<b>Significant unobservable input</b>	<b>Range of estimates for unobservable input</b>
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%

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30**  
**JUNE 2020**

**NOTE 43: 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.

<b>30 June 2020</b>	<b>Fair values</b>		<b>Effect on profit and loss</b>	
	<b>Favourable</b>	<b>Unfavourable</b>	<b>Favourable</b>	<b>Unfavourable</b>
VISA C shares	2,651	2,015	318	(318)
Loans mandatory measured at fair value through profit and loss	<u>28,656</u>	<u>28,430</u>	<u>113</u>	<u>(113)</u>
<b>Total</b>	<b><u>31,307</u></b>	<b><u>30,445</u></b>	<b><u>431</u></b>	<b><u>(431)</u></b>
<b>31 December 2019</b>	<b>Fair values</b>		<b>Effect on profit and loss</b>	
	<b>Favourable</b>	<b>Unfavourable</b>	<b>Favourable</b>	<b>Unfavourable</b>
VISA C shares	2,609	1,983	313	(313)
Loans mandatory measured at fair value through profit and loss	<u>29,951</u>	<u>29,511</u>	<u>220</u>	<u>(220)</u>
<b>Total</b>	<b><u>32,560</u></b>	<b><u>31,494</u></b>	<b><u>533</u></b>	<b><u>(533)</u></b>

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 2020 and 31 December 2019 respectively.

In the case of loans mandatory measured at fair value through profit and loss the Bank calculated the favourable and unfavourable effects of using reasonably possible alternative assumptions by modifying the rates of probability of default by +/- 20% as the most significant unobservable input.

**Reconciliation of the opening and closing balances of Level 3 instruments for the six month period ended 30 June 2020**

	<b>Opening balance</b>	<b>Settlement</b>	<b>FVA</b>	<b>Closing balance</b>
Loans at fair value through other comprehensive income	29,731	(1,734)	546	28,543
Securities mandatorily measured at fair value through profit or loss	4,735	-	453	5,188
Financial liabilities at fair value through profit or loss	<u>(28,861)</u>	<u>1,295</u>	<u>374</u>	<u>(27,192)</u>
<b>Total</b>	<b><u>5,605</u></b>	<b><u>(439)</u></b>	<b><u>1,373</u></b>	<b><u>6,539</u></b>

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30**  
**JUNE 2020**

**NOTE 44:      SIGNIFICANT EVENTS DURING THE SIX MONTH PERIOD ENDED 30 JUNE 2020**

**1) Sale of the Slovakian subsidiary**

See details about the event above in Note 10.

**2) Situation of coronavirus disease (“COVID-19”)**

11 March 2020 Government of Hungary (“government”) declared a state of emergency related to coronavirus disease, and still in March economic decisions were made to react to the economic effects of COVID-19. As a result the following measures were taken:

- the government ordered payment moratorium on corporate and retail loans, furthermore determined a cap on full credit rate (“THM”) of new personal loans disbursed during the state of emergency,
- National Bank of Hungary (“NBH”) proposed that dividend approval and payment should be suspended at the banking corporations till the end of September,
- NBH decided on the ease of capital adequacy requirements,
- NBH decided to expand liquidity related to lending of corporates

During April and at the beginning of May further economic recovery decisions were made by NBH:

- further ease of capital adequacy requirements,
- further measures related to expansion of liquidity (NBH one week deposit tender, expansion and new phase of Funding of Growth Schemes “NHP hajrá” and modification of the existing “NKP”)
- interest rate policy decisions

In April the government established the Disease Control Fund related to the fundamental rearrangement of the budget, to which the fund financial sector will contribute with an amount of HUF 55 billion as a special banking tax. Amount to be paid can be deducted in equal instalments from the normal banking tax in the next five years. OTP group is affected in amount of HUF 14.2 billion from this new special banking tax.

18 June 2020 the state of emergency was lifted in Hungary.

**NOTE 45:      SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

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