Management's analysis of the 2020 results of the OTP Group

CONSOLIDATED FINANCIAL HIGHLIGHTS[1] AND SHARE DATA

Main components of the adjusted Statement of recognised income	2019 HUF million	2020 HUF million	Change %
Consolidated after tax profit	**412,582**	**259,636**	**(37)**
Adjustments (total)	**(6,470)**	**(50,631)**	**683**
Consolidated adjusted after tax profit without the effect of adjustments	**419,052**	**310,268**	**(26)**
Pre-tax profit	465,973	351,802	(25)
Operating profit	510,045	537,437	5
Total income	1,077,727	1,169,920	9
Net interest income	706,298	788,079	12
Net fees and commissions	282,504	293,112	4
Other net non-interest income	88,926	88,729	0
Operating expenses	(567,682)	(632,483)	11
Total risk costs	(47,107)	(187,995)	299
One-off items	3,034	2,360	(22)
Corporate taxes	(46,921)	(41,534)	(11)
Main components of the adjusted balance sheet closing balances	**2019**	**2020**	**%**
Total assets	20,121,767	23,335,841	16
Total customer loans (net, FX-adjusted)	**12,902,518**	**13,528,586**	**5**
Total customer loans (gross, FX-adjusted)	**13,605,264**	**14,363,281**	**6**
Allowances for possible loan losses (FX-adjusted)	(702,746)	(834,695)	19
Total customer deposits (FX-adjusted)	**16,260,599**	**17,890,863**	**10**
Issued securities	393,167	464,213	18
Subordinated loans	249,938	274,704	10
Total shareholders' equity	2,291,288	2,537,112	11
Indicators based on adjusted earnings	**2019**	**2020**	**pps**
ROE (from accounting net earnings)	20.3%	10.9%	(9.4)
ROE (from adjusted net earnings)	20.6%	13.0%	(7.6)
ROA (from adjusted net earnings)	2.4%	1.4%	(1.0)
Operating profit margin	2.97%	2.47%	(0.51)
Total income margin	6.28%	5.37%	(0.92)
Net interest margin	4.12%	3.61%	(0.50)
Cost-to-asset ratio	3.31%	2.90%	(0.41)
Cost/income ratio	52.7%	54.1%	1.4
Provision for impairment on loan and placement losses-to-average gross loans ratio	0.28%	1.15%	0.87
Total risk cost-to-asset ratio	0.27%	0.86%	0.59
Effective tax rate	10.1%	11.8%	1.7
Net loan/(deposit+retail bond) ratio (FX-adjusted)	79%	76%	(3)
Capital adequacy ratio* (consolidated, IFRS) – Basel3	16.8%	17.7%	1.0
Tier 1 ratio* – Basel3	14.4%	15.4%	1.0
Common Equity Tier1 ('CET1') ratio* – Basel3	14.4%	15.4%	1.0
Share Data	**2019**	**2020**	**%**
EPS diluted (HUF) (from unadjusted net earnings)	1,575	1,003	(36)
EPS diluted (HUF) (from adjusted net earnings)	1,602	1,200	(25)
Closing price (HUF)	15,430	13,360	(13)
Highest closing price (HUF)	15,600	15,630	0
Lowest closing price (HUF)	11,270	8,010	(29)
Market Capitalization (EUR billion)	13.1	10.2	(22)
Book Value Per Share (HUF)	8,183	9,061	11
Tangible Book Value Per Share (HUF)	7,362	8,436	15
Price/Book Value	1.9	1.5	(21)
Price/Tangible Book Value	2.1	1.6	(24)
P/E (trailing, from accounting net earnings)	10.5	14.4	37
P/E (trailing, from adjusted net earnings)	10.3	12.1	17
Average daily turnover (EUR million)	16	22	38
Average daily turnover (million share)	0.4	0.7	75

[1] Structural adjustments made on consolidated IFRS profit and loss statement as well as balance sheet, together with the calculation methodology of adjusted indicators are detailed in the Supplementary data section of this Report.

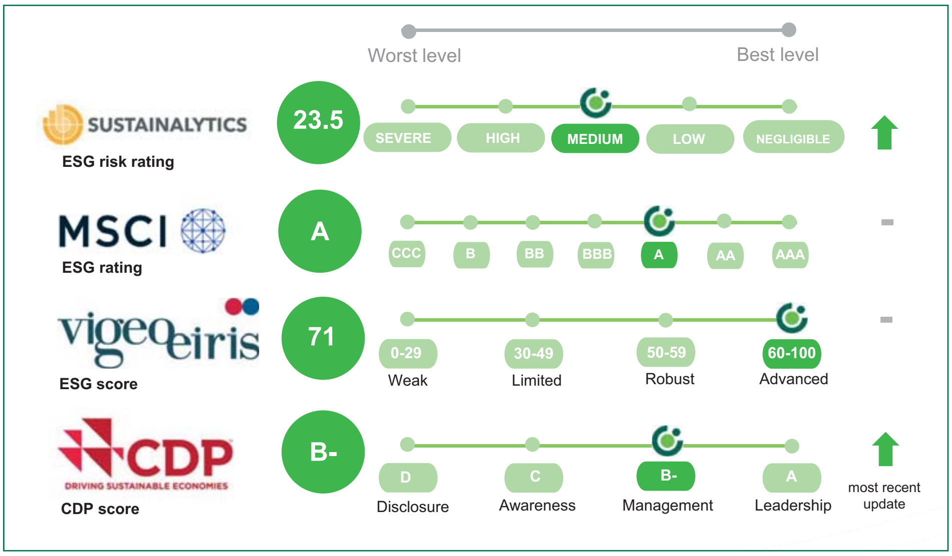
* Concerning 4Q 2019 capital adequacy ratios, the figures presented in this report do not include deducted dividend. This is consistent with the decision made by the Board of Directors on the 30th of April 2020, acting on behalf of the AGM, about the retainment of profit generated in 2019. These capital adequacy ratios differ from those presented in the Summary of the Group's 4Q 2019 results, and the 2019 Annual Report.

General note: in the tables of the Business Report those changes aren't presented that are deemed not to carry a meaningful economic substance (for example, if the absolute value of the change exceeds 1000%).

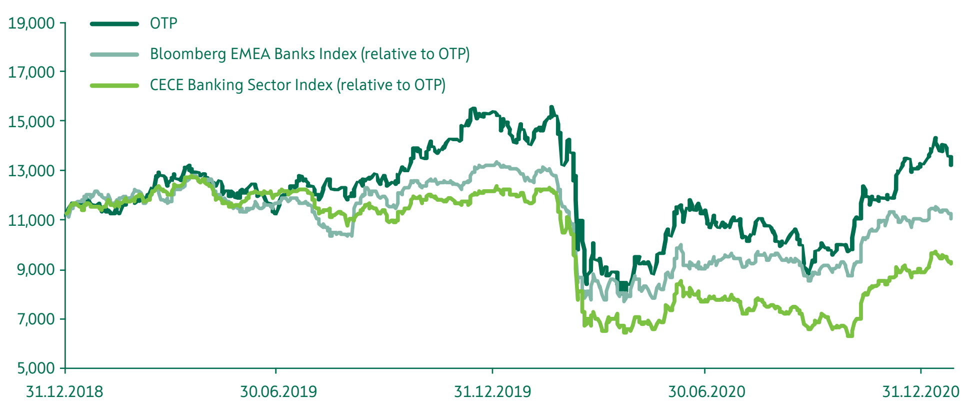
Actual credit ratings

S&P GLOBAL RATINGS	
OTP Bank and OTP Mortgage Bank	
FX Long-term credit rating	BBB
MOODY'S	
OTP Bank	
FX long-term deposits	Baa1
OTP Bank	
Subordinated Foreign Currency Debt	Ba1
OTP Mortgage Bank	
Covered mortgage bond	A2
FITCH	
OTP Bank Russia	
Long-term credit rating	BB+

Actual ESG ratings



Share price performance



MANAGEMENT'S ANALYSIS OF THE FULL-YEAR 2020 RESULTS OF OTP GROUP

According to the detailed GDP data published on 2 March 2021, in 4Q the Hungarian economy grew by 1.4% q-o-q, as a result, the annual GDP declined by 5.0% y-o-y.

The lower than expected erosion was mainly due to the targeted and successful measures implemented by the Government and the National Bank of Hungary (NBH) in order to contain the economic contraction. Those steps were essential to moderate the increase of unemployment; by the end of 2020 employment level practically matched the previous year's figure. The family supporting schemes and housing subsidies, as well as measures boosting local ventures created the preconditions for a meaningful economic kick start in 2021.

Monetary policy conditions remained loose in 2020, and the NBH increased the available amounts within the framework of both the Funding for Growth Go! scheme and the Bond Funding for Growth programme, and increased the weight of government bonds in its balance sheet. With temporary easing of the capital buffer requirements, NBH supported the lending activity of banks.

Out of the numerous measures made at the end of 2020, the extension of the payment moratorium by the Parliament on 20 December until 30 June 2021, leaving participation conditions unchanged, had a paramount importance.

The average inflation for 2020 was 3.3%. The policy rate came down by 30 bps to 60 bps, while interbank rates shifted upward: the reference rate (3M BUBOR) increased y-o-y from 16 bps to 75 bps. The Hungarian Forint on average weakened against the euro by 8% y-o-y amid substantial volatility.

According to the Central Bank's report published on 3 February 2021, despite the economic recession caused by the pandemic, in 2020 both household and corporate loan volumes expanded dynamically: the former increased by 14%, while the latter by 13%, respectively. The payment moratorium had a positive impact on exposures, since there was no principal amortization. Within household volumes the key engine was the subsidized baby loans, the total outstanding book grew by 130% y-o-y on sector level and their volumes reached HUF 1,064.5 billion by the end of 2020. Cash loans advanced by 12%, housing loans by 10%, respectively; on the other hand, home equity loans eroded by 5% y-o-y.

Most of the local economies within OTP Group suffered lower contraction than originally anticipated, especially in countries with a relatively low weight of tourism or service sector, like Russia, Ukraine and Serbia.

In order to efficiently cure the recession, massive government measures were implemented, and in several countries, that was coupled with numerous and larger scale interest rate cuts by the central banks. Moreover, with the exception of Ukraine, all other countries introduced payment moratoriums with different conditions and duration.

Consolidated earnings: HUF 310 billion adjusted annual after tax profit, stable portfolio quality, 9% y-o-y performing FX-adjusted organic loan growth

Despite the extraordinary challenges triggered by the pandemic, in 2020 the overall operation of the Group remained uninterrupted. It was quite an achievement that out of the previous acquisitions, the Bulgarian integration was completed in early May 2020, as well as the Montenegrin one in December. The sale of the Slovakian subsidiary was completed by the end of November.

The total volume of adjustment items in 2020 represented –HUF 50.6 billion (after tax) within the HUF 260 billion accounting profit, underpinning a sizeable increase y-o-y.

The larger adjustment items occurring in 2020 were as follows:

- In 2020 as a whole the one-off impact of the loan repayment moratoria was –HUF 28.3 billion. In Hungary the first phase of the moratorium on loan payments was effective from 19 March 2020 to 31 December 2020. The moratorium was extended in unchanged form for the period between 1 January 2021–30 June 2021. During the term of the moratorium OTP Bank accrues the unpaid interest in its statement of recognized income, amongst the revenues. At the same time, due to the fact that interest cannot be charged on the unpaid interest, and the unpaid interest will be repaid later, altogether HUF 28.3 billion (after tax) loss emerged in Hungary and Serbia. Out of this amount the expected one-off negative impact of the extended moratorium in Hungary (effective from 1 January to 30 June 2021) represented –HUF 9.1 billion (after tax), calculated on the base of year-end participation rate: at the end of December 37% of the combined gross loan portfolio at OTP Core and Merkantil Group was under the moratorium representing HUF 1,881 billion. This amount was recognized in December 2020. Also, within that amount there was a –HUF 1.7 billion (after tax) negative impact in relation to the Serbian deferral scheme, as the original interest calculation method was changed by the local regulator (originally the compound interest method was allowed by the law in Serbia, but charging interest on deferred interest was retrospectively disallowed by the regulator). In case of other foreign subsidiaries the Bank didn't assume any meaningful negative NPV impact as a result of the moratoria;
- –HUF 17.4 billion negative impact of banking tax paid at the Hungarian and Slovakian subsidiaries (after tax), the latter was paid only until 30 June 2020;
- –HUF 6.9 billion appeared on the effect of acquisitions line (after tax) which, among others, incorporated the integration costs in Bulgaria, Serbia, Slovenia, Albania, Moldova and Montenegro; also, provisions made in 4Q 2019 for the divestment of the subsidiary were released with a positive impact of HUF 6 billion (after tax).

The full-year 2020 consolidated adjusted after tax profit exceeded HUF 310 billion (–26% y-o-y). The adjusted ROE stood at 13%.
Since the after tax results were heavily distorted by the volume of total risk costs (HUF 188 billion related mainly to the pandemic situation), general trends are better illustrated and easier compared to base periods through the development of operating income.
In 2020 OTP Group posted HUF 537.4 billion consolidated operating income underpinning a 5% y-o-y increase (–4%, without acquisitions, FX-adjusted[2]). Total income increased dynamically (+9% y-o-y) with net interest income surging by 12% y-o-y, while net fees & commissions grew at a slower pace (+4%) and other net non-interest income remained flat y-o-y. The weaker increase in net fees & commissions on one hand was shaped by a drop in business activity in the first half of the year induced by the pandemic, and also by a lower success fee income compared to a record high performance in 2019 at OTP Fund Management (Hungary).
The consolidated NIM eroded substantially (2020: 3.61%, –50 bps y-o-y) due to several reasons: on one hand the interest rate environment declined substantially in a few countries (Russia, Ukraine, Romania, Serbia); furthermore, new subsidiaries consolidated into OTP Group usually operated with lower margins than the Group as a whole. Also, as a side-effect of the pandemic, demand for the higher margin consumer loans dropped, while the competition intensified. That was only partially offset by the positive impact of FX rate moves related to weaker HUF. The annual net interest income adjusted for acquisitions effects grew by 2% y-o-y (FX-adjusted), as a result of higher performing loan volumes. Consolidated annual operating costs nominally advanced by 11% y-o-y, however adjusted for the acquisitions (2Q 2019: the Albanian

[2] On 11 December 2020, Podgorička banka AD Podgorica was merged into Crnogorska komercijalna banka a.d., thus separate financial statements for Podgorička were not available for December. Therefore, profit dynamics without acquisitions are based on estimated numbers.

subsidiary, 2H 2019: the Montenegrin, Moldovan, Serbian and from January 2020 the Slovenian subsidiaries) and for the sale of Slovakia, the FX-adjusted expense growth was only 2.4% y-o-y. The COVID-related measures, as well as the donations resulted in around HUF 7.5 billion extra expenses on a Group level. The consolidated cost-to-income ratio stood at 54.1% (+1.4 pps y-o-y).

Except the Moldovan operation, adjusted earnings declined everywhere across the Group y-o-y. Out of the adjusted annual profit the contribution of the non-Hungarian operations dropped from 46% to 41%.

Apart from Russian performing (Stage 1+2) loan book where the y-o-y drop exceeded 10%, and the marginal decline of the Slovenian portfolio, all other Group members demonstrated loan growth (FX-adjusted). Out of the major Group members the Hungarian (+17%), Serbian (+16%), Romanian (+13%) and Ukrainian (+11%) organic loan expansion rates were the most remarkable. In Hungary the excellent volume dynamics were coupled with improving market share in most of the loan categories.

As for the major credit categories in 2020 the FX-adjusted Stage 1+2 micro and small enterprise book advanced organically the fastest y-o-y (+11%), followed by the mortgage loan portfolio (+10%), the consumer exposures (+9%) and the large corporate book (+8%). During the course of 2020 lending activity to a great extent was shaped by easing/lifting lockdowns and limitations, but targeted Government programmes helped, too.

The second wave of COVID-19 pandemic had a more limited impact on business activity, also, seasonality affected lending.

One of the side effects of the pandemic was that while household consumption and investment activity of corporates suffered setback, savings demonstrated steady growth. The FX-adjusted deposit portfolio grew by 10% y-o-y. Such yearly increase translated into more than HUF 2,000 billion deposit volume surge (already adjusted for the Slovakian deposit volumes). Out of the major operations the Ukrainian, Romanian, Hungarian, Slovenian and Serbian subsidiaries captured double digit volume increase.

The consolidated net loan-to-deposit ratio declined to 76% q-o-q.

At the end of 2020 the gross operative liquidity reserves of the Group comprised EUR 8.9 billion equivalent. The NBH acting as resolution authority on 16 October 2020 informed the Bank about the consolidated minimum requirement for own funds and eligible liabilities (MREL requirement) of OTP Group. NBH didn't set intermediate target to be met by end of 2020, but determined a mandatory intermediate target for the consolidated MREL requirement that OTP Group has to comply with by 1 January 2022. This level is 11.55% of the Group's total liabilities and own funds (TLOF) which corresponds to 17.16% of the Group's total risk exposure amount (TREA or RWA). In 2020 no international bond transaction was executed.

The consolidated loan portfolio quality – partly due to the existing or extended payment moratoria – remained relatively stable in 2020: the DPD90+ volume growth (adjusted for FX and the effect of sales and write-offs, as well as for the revaluation of Factoring claims in Hungary) amounted to HUF 85 billion, against HUF 66 billion in 2019. The consolidated DPD90+ ratio declined below 4% (3.8%, -0.4 pp y-o-y).

The Stage 1+2 exposures (HUF 13,544 billion) comprised 94.3% of total gross loans. Within that Stage 1 loans represented 80.4% of total gross loans and the Stage 2 ratio was 13.9%.

The Stage 3 ratio under IFRS 9 was 5.7% at end of 2020 (-0.2 pp y-o-y). The own coverage of Stage 1, 2 and 3 exposures was 1.0%, 10.4% and 62.3%, respectively.

Within the consolidated loan portfolio in 1Q a significant volume of corporate exposures was shifted from Stage 1 into the riskier Stage 2 category on a collective base, whereas in case of retail exposures the Bank implemented higher provision coverage during the first two quarters. In 3Q a practice similar to that used in the case of corporate exposures was followed in case of the household portfolio. Mainly those exposures were reclassified where the Bank presumed higher potential risk, though this had not materialized yet due to the moratoria, in particular at the Hungarian, Bulgarian, Croatian, Romanian and Serbian operations.

In 4Q the Group further fine-tuned its Stage 2 classification methodology: in case of corporate exposures it identified clients with higher risk profile within the framework of its monitoring process on a case by case basis, whereas for household loans it rather used its internal ratings. As a result, Stage 2 volumes increased at certain operations. The extension of the moratorium and the EBA guidance issued on 2 December 2020 on the treatment of exposures within existing or extended payment moratoria schemes (EBA/GL/2020/15) induced further tightening in the methodology compared to 3Q; particularly in the case of OTP Core.

The adjusted total risk costs represented -HUF 188 billion in 2020 as a whole. Within that credit risk costs increased to -HUF 158.4 billion and the annual credit risk cost rate was 1.15% of the average gross loan volumes.

Consolidated capital adequacy ratio (in accordance with BASEL III)

At the end of December 2020 the consolidated Common Equity Tier1 ratio under IFRS was 15.4% (+1 pp y-o-y). This ratio equals to the Tier 1 ratio.

The amount of eligible profit included into regulatory capital equals to the annual profit (HUF 259 billion) reduced by the deducted dividend (HUF 119 billion). The deducted dividend amount for 2020 was determined in accordance with the Commission Delegated Regulation (EU) No. 241/2014. Article 2. (7) Paragraph. Accordingly, in the absence of a stated dividend policy, the amount of the dividend to be deducted should be calculated as follows: out of the previous three years' average dividend payment ratio and that of the preceding year the higher ratio must be applied. The dividend amount must be calculated from OTP Group's consolidated accounting profit, and this must be deducted from the consolidated regulatory capital. However, the deducted dividend also included

HUF 69.44 billion, the original dividend proposal by the management after the 2019 fiscal year, which wasn't paid out in accordance with the National Bank of Hungary's recommendation.

Credit rating, shareholder structure

On 27 January 2020 S&P Global Ratings upgraded OTP Bank Plc.'s and OTP Mortgage Bank's short- and long-term issuer credit ratings from 'BBB-/A-3' to 'BBB/A-2'. At the same time S&P affirmed its 'BBB/A-2' long- and short-term resolution counterparty ratings on OTP and OTP Mortgage Bank. The outlook remained stable for both banks.
On 29 September 2020 Moody's changed the outlook from stable into positive on OTP Bank Plc.'s long-term FX deposit rating; furthermore, on 10 December Moody's upgraded OTP Bank Plc.'s long-term FX deposit rating from 'Baa3' to 'Baa1' with stable outlook.
On 2 April 2020 Moody's changed the outlook on OTP Mortgage Bank's issuer rating ('Baa2') from stable into negative. OTP Mortgage Bank's covered bond rating remained 'Baa1'.
OTP Bank Russia's 'BB+' rating by Fitch is unchanged, on 23 April 2020, however, the outlook was changed from stable to negative.
Regarding the ownership structure of the Bank, on 31 December 2020 the following investors had more than 5% influence (voting rights) in the Company: MOL (the Hungarian Oil and Gas Company, 8.71%), the Kafijat Group (7.20%), OPUS Securities SA (5.26%) and Groupama Group (5.20%).

POST-BALANCE SHEET EVENTS[3]

Hungary

- Effective from 13 January 2021 the National Bank of Hungary extended the available amount for the Bond Funding for Growth scheme by HUF 750 billion to HUF 1,150 billion. At the same time it decided to increase the maximum maturity of corporate bonds that can be purchased by the central bank from 20 to 30 years. Also, the central bank's exposure limit to a company group was revised from HUF 50 billion to HUF 70 billion.
- On 4 February 2021 the Prime Minister announced an interest-free loan programme for companies in trouble in the wake of the pandemic. According to Government Resolution 1038/2021. (II. 5.) the programme will be administered by the Hungarian Development Bank, and the available amount under the programme will be HUF 100 billion. Companies can take out maximum HUF 10 million each for the purpose of covering wages and social contributions, overhead costs, general operating expenses and inventory financing. Client interest rate is 0%, the loan tenor can be up to 10 years, and the servicing of the loan will start after a 3 year grace period. The scope of eligible entities will be discussed with the Hungarian Chamber of Commerce and Industry.
- On 16 February 2021 the Hungarian Statistical Office revealed the preliminary 4Q 2020 GDP statistics. Accordingly, in the fourth quarter the Hungarian economy grew by 1.1% q-o-q (seasonally and working day adjusted), but contracted by 5.1% y-o-y in 2020 as a whole.

Bulgaria

- On 19 February 2021 Fitch Ratings reaffirming Bulgaria's sovereign 'BBB' debt rating, and changed the outlook from stable to positive.

[3] Post-balance sheet events cover the period until 19 February 2021.

Croatia

- On 4 February 2021 the European Central Bank and the Croatian National Bank agreed to extend the euro liquidity line until the end of March 2022.

Serbia

- On 4 February 2021, the European Central Bank extended the maintenance of a repo facility providing euro-based liquidity to the National Bank of Serbia in order to help with possible liquidity needs in euros during post-epidemic market disruptions.

Romania

- On 15 January 2021 the National Bank of Romania decided to reduce the key interest rate by 25 bps to 1.25%.

Russia

- On 20 January 2021 the Central Bank of Russia published its 2021–2022 road map for regulating consumer lending, as a result loosening measures taken in 2020 to facilitate lending will be reversed through higher risk weights being introduced.

CONSOLIDATED AFTER TAX PROFIT BREAKDOWN BY SUBSIDIARIES (IFRS)[4]

	2019 HUF million	2020 HUF million	Change %
Consolidated after tax profit	**412,582**	**259,636**	**(37)**
Adjustments (total)	**(6,470)**	**(50,631)**	**683**
Consolidated adjusted after tax profit without the effect of adjustments	**419,052**	**310,268**	**(26)**
Banks total[1]	382,144	285,103	(25)
OTP Core (Hungary)[2]	190,956	159,303	(17)
DSK Group (Bulgaria)[3]	67,879	40,957	(40)
OBH (Croatia)[4]	30,719	14,830	(52)
OTP Bank Serbia[5]	10,430	7,298	(30)
SKB Banka (Slovenia)	–	9,665	
OTP Bank Romania[6]	6,309	1,558	(75)
OTP Bank Ukraine[7]	35,223	26,104	(26)
OTP Bank Russia[8]	28,127	16,317	(42)
CKB Group (Montenegro)[9]	6,377	4,307	(32)
OTP Bank Albania	2,616	1,959	(25)
Mobiasbanca (Moldova)	1,936	3,973	105
OBS (Slovakia)[10]	1,575	(1,169)	(174)
Leasing	7,115	7,661	8
Merkantil Group (Hungary)[11]	7,115	7,661	8
Asset Management	15,208	9,824	(35)
OTP Asset Management (Hungary)	15,104	9,747	(35)
Foreign Asset Management Companies (Ukraine, Romania, Bulgaria)[12]	104	77	(26)
Other Hungarian Subsidiaries	9,498	8,241	(13)
Other Foreign Subsidiaries[13]	232	108	(53)
Corporate Centre[14]	3,478	(569)	(116)
Eliminations	1,377	(101)	(107)
Total adjusted after tax profit of HUNGARIAN subsidiaries[15]	227,527	184,282	(19)
Total adjusted after tax profit of FOREIGN subsidiaries[16]	191,525	125,986	(34)
Share of foreign profit contribution	46%	41%	(5)

[4] Belonging footnotes are in the Supplementary data section of the Report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Main components of the adjusted Statement of recognized income	2019 HUF million	2020 HUF million	Change %
Consolidated after tax profit	**412,582**	**259,636**	**(37)**
Adjustments (total)	**(6,470)**	**(50,631)**	**683**
Dividends and net cash transfers (after tax)	505	213	(58)
Goodwill/investment impairment charges (after tax)	(8,427)	886	(111)
Special tax on financial institutions (after corporate income tax)	(16,170)	(17,365)	7
Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia (after corporate income tax)	0	(28,262)	
Impact of fines imposed by the Hungarian Competition Authority (after tax)	0	749	
Effect of acquisitions (after tax)	19,265	(6,852)	(136)
One-off impact of regulatory changes related to FX consumer contracts in Serbia	(1,644)	0	(100)
Consolidated adjusted after tax profit without the effect of adjustments	**419,052**	**310,268**	**(26)**
Before tax profit	**465,973**	**351,802**	**(25)**
Operating profit	**510,045**	**537,437**	**5**
Total income	**1,077,727**	**1,169,920**	**9**
Net interest income	**706,298**	**788,079**	**12**
Net fees and commissions	**282,504**	**293,112**	**4**
Other net non-interest income	**88,926**	**88,729**	**0**
Foreign exchange result, net	45,177	44,927	(1)
Gain/loss on securities, net	12,372	14,193	15
Net other non-interest result	31,376	29,610	(6)
Operating expenses	**(567,682)**	**(632,483)**	**11**
Personnel expenses	(280,002)	(312,495)	12
Depreciation	(56,383)	(70,286)	25
Other expenses	(231,298)	(249,702)	8
Total risk costs	**(47,107)**	**(187,995)**	**299**
Provision for impairment on loan and placement losses	(29,474)	(158,421)	437
Other provision	(17,633)	(29,574)	68
Total one-off items	**3,034**	**2,360**	**(22)**
Gain on the repurchase of own Upper and Lower Tier2 Capital	0	0	
Result of the treasury share swap agreement at OTP Core	3,034	2,360	(22)
Corporate taxes	**(46,921)**	**(41,534)**	**(11)**

Indicators	2019	2020	%/pps
ROE (from accounting net earnings)	20.3%	10.9%	(9.4)
ROE (from adjusted net earnings)	20.6%	13.0%	(7.6)
ROA (from adjusted net earnings)	2.4%	1.4%	(1.0)
Operating profit margin	2.97%	2.47%	(0.50)
Total income margin	6.28%	5.37%	(0.91)
Net interest margin	4.12%	3.61%	(0.51)
Net fee and commission margin	1.65%	1.34%	(0.31)
Net other non-interest income margin	0.52%	0.41%	(0.11)
Cost-to-asset ratio	3.31%	2.90%	(0.41)
Cost/income ratio	52.7%	54.1%	1.4
Provision for impairment on loan and placement losses-to-average gross loans	0.28%	1.15%	0.87
Total risk cost-to-asset ratio	0.27%	0.86%	0.59
Effective tax rate	10.1%	11.8%	1.7
Non-interest income/total income	34%	33%	(1)
EPS base (HUF) (from unadjusted net earnings)	1,576	1,004	(36)
EPS diluted (HUF) (from unadjusted net earnings)	1,575	1,003	(36)
EPS base (HUF) (from adjusted net earnings)	1,602	1,200	(25)
EPS diluted (HUF) (from adjusted net earnings)	1,602	1,200	(25)

Comprehensive Income Statement	2019	2020	%
Consolidated after tax profit	412,582	259,636	(37)
Fair value changes of financial instruments measured at fair value through other comprehensive income	30,224	(4,764)	(116)
Fair value adjustment of derivative financial instruments designated as cash-flow hedge	11	(2)	(118)
Net investment hedge in foreign operations	(2,526)	(8,591)	240
Foreign currency translation difference	79,440	68,593	(14)
Change of actuarial costs (IAS 19)	(161)	144	(189)
Net comprehensive income	**519,570**	**315,016**	**(39)**
o/w Net comprehensive income attributable to equity holders	518,802	315,239	(39)
Net comprehensive income attributable to non-controlling interest	768	(223)	(129)

Average exchange rate* of the HUF	2019 HUF	2020 HUF	Change %
HUF/EUR	325	351	7
HUF/CHF	292	328	11
HUF/USD	291	308	6

* Exchange rates presented in the tables of this report should be interpreted as follows: the value of a unit of the other currency expressed in Hungarian forint terms, i.e. HUF/EUR represents the HUF equivalent of one EUR.

ASSET-LIABILITY MANAGEMENT

Similar to previous periods OTP Group maintained a strong and safe liquidity position…

The primary objective of OTP Group in terms of asset-liability management has not changed, that is to ensure that the Group's liquidity is maintained at a safe level.
Refinancing sources of the European Central Bank are still available for OTP (ECB repo eligible security portfolio on Group level is close to EUR 1.3 billion).
Total liquidity reserves of OTP Bank remained steadily and substantially above the safety level. As of 31 December 2020 the gross liquidity buffer was around EUR 8.9 billion equivalent. In addition to this, significant part of the Bulgarian excess liquidity (ca. EUR 1.2 billion) was placed locally due to the Bulgarian regulation at the end of December. Level of these buffers is significantly higher than the maturing debt within one year and the reserves required to protect against possible liquidity shocks.
The volume of issued securities increased by HUF 150 billion y-o-y, mainly because of the change of net volume of mortgage bonds issued by OTP Mortgage bank due to the issuance and cancellation of mortgage bonds in 2020. In 2020 HUF 22 billion retail and structured bond have been matured, now the volume is HUF 16 billion.
The volume of subordinated debt increased by HUF 17 billion y-o-y, mainly due to the HUF weakening against the EUR, since subordinated bond issuance did not happen in 2020.

…and kept its interest-rate risk exposures low

Interest-rate risk exposure of OTP Group is determined primarily by the positions of OTP Bank Plc. and OTP Mortgage Bank Ltd. Due to the forint liabilities on OTP Bank's balance sheet, which respond to yield changes only to a moderate extent, the Bank has an interest-rate risk exposure resulting from its business operations. The Bank considers the reduction and closing of this exposure as a strategic matter. Consequently, it has been reducing its interest-rate risk exposure through the purchase of fixed-rate government securities in order to offset the negative impact of declining yields on net interest income.

Market Risk Exposure of OTP Group

The consolidated capital requirement of the trading book positions, the counterparty risk and the FX risk exposure represented HUF 28.9 billion in total.
OTP Group is an active participant of the international FX and derivative market. Open FX positions of group members are restricted to individual and global net open position limits (overnight and intraday), and to stop-loss limits. The open positions of the group members outside Hungary except for the Bulgarian DSK Bank – the EUR/BGN exposure of DSK under the current exchange rate regime does not represent real risk – were negligible measured against either the balance sheet total or the regulatory capital. Therefore, the group level FX exposure was concentrated at OTP Bank.
The main part of the FX exposure booked at OTP Bank – in line with the previous years' practice – was the strategic open FX position (EUR 310 million), kept to hedge the currency risk of the expected FX-denominated net earnings of the main foreign subsidiaries.
The strategic open FX position was partially closed in 4Q 2020.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF OTP GROUP

Main components of the adjusted balance sheet	2019 HUF million	2020 HUF million	Change %
TOTAL ASSETS	**20,121,767**	**23,335,841**	**16**
Cash, amounts due from Banks and balances with the National Banks	1,841,963	2,432,314	32
Placements with other banks, net of allowance for placement losses	410,433	1,148,987	180
Financial assets at fair value through profit or loss	251,991	235,194	(7)
Securities at fair value through other comprehensive income	2,427,537	2,140,118	(12)
Net customer loans	12,247,519	13,528,586	10
Net customer loans (FX-adjusted*)	**12,902,518**	**13,528,586**	**5**
Gross customer loans	12,942,009	14,363,281	11
Gross customer loans (FX-adjusted*)	**13,605,264**	**14,363,281**	**6**
o/w Retail loans	7,930,058	8,309,033	5
Retail mortgage loans (incl. home equity)	3,671,413	3,818,847	4
Retail consumer loans	3,235,843	3,484,172	8
SME loans	1,022,802	1,006,014	(2)
Corporate loans	5,101,177	5,409,732	6
Loans to medium and large corporates	4,694,688	4,935,682	5
Municipal loans	406,490	474,049	17
Car financing loans	574,029	644,516	12
Allowances for loan losses	(694,490)	(834,695)	20
Allowances for loan losses (FX-adjusted*)	(702,746)	(834,695)	19
Associates and other investments	20,822	52,443	152
Securities at amortized costs	1,995,627	2,625,952	32
Tangible and intangible assets, net	605,673	589,878	(3)
o/w Goodwill, net	105,298	101,393	(4)
Tangible and other intangible assets, net	500,375	488,485	(2)
Other assets	320,201	582,368	82
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**20,121,767**	**23,335,841**	**16**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks, and Financial liabilities designated at fair value through profit or loss	846,158	1,219,446	44
Deposits from customers	15,522,654	17,890,863	15
Deposits from customers (FX-adjusted*)	**16,260,599**	**17,890,863**	**10**
o/w Retail deposits	11,805,158	12,810,762	9
Household deposits	9,722,990	10,614,696	9
SME deposits	2,082,168	2,196,066	5
Corporate deposits	4,440,881	5,071,626	14
Deposits to medium and large corporates	3,637,487	4,218,727	16
Municipal deposits	803,394	852,899	6
Accrued interest payable related to customer deposits	14,560	8,474	(42)
Liabilities from issued securities	393,167	464,213	18
o/w Retail bonds	3,237	1,326	(59)
Liabilities from issued securities without retail bonds	389,930	462,888	19
Other liabilities	818,561	949,502	16
Subordinated bonds and loans**	249,937	274,704	10
Total shareholders' equity	**2,291,288**	**2,537,112**	**11**

Indicators	2019	2020	%/pps
Loan/deposit ratio (FX-adjusted*)	84%	80%	(4)
Net loan/(deposit + retail bond) ratio (FX-adjusted*)	79%	76%	(3)
Stage 1 loan volume under IFRS 9	11,489,554	11,544,766	0
Stage 1 loans under IFRS 9/gross customer loans	88.8%	80.4%	(8.4)
Own coverage of Stage 1 loans under IFRS 9	1.1%	1.0%	0.0
Stage 2 loan volume under IFRS 9	685,885	1,998,867	191
Stage 2 loans under IFRS 9/gross customer loans	5.3%	13.9%	8.6
Own coverage of Stage 2 loans under IFRS 9	10.7%	10.4%	(0.3)
Stage 3 loan volume under IFRS 9	766,570	819,647	7
Stage 3 loans under IFRS 9/gross customer loans	5.9%	5.7%	(0.2)
Own coverage of Stage 3 loans under IFRS 9	65.2%	62.3%	(2.9)
90+ days past due loan volume	541,467	543,713	0
90+ days past due loans/gross customer loans	4.2%	3.8%	(0.4)

* For the FX adjustment, the closing cross currency rates for the current period were used to calculate the HUF equivalent of loan and deposit volumes in the base periods.
** The ICES bonds are considered as Tier2 debt, but accounting-wise they are treated as part of the shareholders' equity.

Consolidated capital adequacy – Basel3	2019	2020	%/pps
Capital adequacy ratio (consolidated, IFRS)	16.8%	17.7%	1.0
Tier 1 ratio	14.4%	15.4%	1.0
Common Equity Tier1 (CET1) capital ratio	14.4%	15.4%	1.0
Regulatory capital (consolidated)	2,390,688	2,669,806	12
o/w Tier 1 Capital	2,055,106	2,316,118	13
o/w Common Equity Tier1 capital	2,055,106	2,316,118	13
Tier2 Capital	335,582	353,688	5
o/w Hybrid Tier2	89,935	89,935	0
Consolidated risk weighted assets (RWA) (Credit&Market&Operational risk)	14,262,197	15,046,888	6
o/w RWA (Credit risk)	12,529,878	13,389,536	7
RWA (Market & Operational risk)	1,732,319	1,657,352	(4)
Closing exchange rate of the HUF	**2019 HUF**	**2020 HUF**	**Change %**
HUF/EUR	331	365	10
HUF/CHF	304	337	11
HUF/USD	295	297	1

OTP BANK'S HUNGARIAN CORE BUSINESS

OTP Core Statement of recognized income:

Main components of the Statement of recognised income	2019 HUF million	2020 HUF million	Change %
After tax profit without the effect of adjustments	190,956	159,303	(17)
Corporate income tax	(12,668)	(16,558)	31
Pre-tax profit	203,624	175,860	(14)
Operating profit	173,995	181,178	4
Total income	432,013	453,634	5
Net interest income	261,754	286,448	9
Net fees and commissions	126,911	130,470	3
Other net non-interest income	43,349	36,717	(15)
Operating expenses	(258,018)	(272,457)	6
Total risk costs	26,594	(7,677)	(129)
Provision for impairment on loan and placement losses	30,332	2,374	(92)
Other provisions	(3,737)	(10,052)	169
Total one-off items	3,034	2,360	(22)
Revaluation result of the treasury share swap agreement	3,034	2,360	(22)
Indicators	**2019**	**2020**	**pps**
ROE	11.7%	9.3%	(2.4)
ROA	2.1%	1.5%	(0.6)
Operating profit margin	1.9%	1.7%	(0.2)
Total income margin	4.82%	4.34%	(0.48)
Net interest margin	2.92%	2.74%	(0.18)
Net fee and commission margin	1.42%	1.25%	(0.17)
Net other non-interest income margin	0.48%	0.35%	(0.13)
Operating costs to total assets ratio	2.9%	2.6%	(0.3)
Cost/income ratio	59.7%	60.1%	0.3
Provision for impairment on loan and placement losses/average gross loans*	(0.88%)	(0.06%)	0.82
Effective tax rate	6.2%	9.4%	3.2

* Negative Provision for impairment on loan and placement losses/average gross loans ratio implies positive amount on the Provision for impairment on loan and placement losses line.

Main components of OTP Core's Statement of financial position:

Main components of balance sheet closing balances	2019 HUF million	2020 HUF million	Change %
Total Assets	9,641,692	11,492,949	19
Net customer loans	3,740,975	4,415,778	18
Net customer loans (FX-adjusted)	**3,809,093**	**4,415,778**	**16**
Gross customer loans	3,883,412	4,631,974	19
Gross customer loans (FX-adjusted)	**3,954,333**	**4,631,974**	**17**
Retail loans	2,377,561	2,955,288	24
Retail mortgage loans (incl. home equity)	1,383,805	1,534,013	11
Retail consumer loans	746,272	1,043,634	40
SME loans	247,483	377,642	53
Corporate loans	1,576,772	1,676,685	6
Loans to medium and large corporates	1,475,017	1,577,900	7
Municipal loans	101,756	98,785	(3)
Provisions	(142,437)	(216,196)	52
Provisions (FX-adjusted)	**(145,240)**	**(216,196)**	**49**
Deposits from customers + retail bonds	6,770,161	8,083,488	19
Deposits from customers + retail bonds (FX-adjusted)	**6,861,433**	**8,083,488**	**18**
Retail deposits + retail bonds	4,562,600	5,369,294	18
Household deposits + retail bonds	3,609,460	4,231,931	17
o/w Retail bonds	3,237	1,326	(59)
SME deposits	953,140	1,137,363	19
Corporate deposits	2,298,834	2,714,194	18
Deposits to medium and large corporates	1,658,191	1,961,483	18
Municipal deposits	640,643	752,711	17
Liabilities to credit institutions	445,301	858,230	93
Issued securities without retail bonds	436,340	513,860	18
Total shareholders' equity	1,720,872	1,766,639	3
Loan Quality	**2019**	**2020**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	3,550,841	3,606,490	2
Stage 1 loans under IFRS 9/gross customer loans	91.4%	77.9%	(13.5)
Own coverage of Stage 1 loans under IFRS 9	0.8%	0.8%	0.0
Stage 2 loan volume under IFRS 9 (in HUF million)	163,954	833,163	408
Stage 2 loans under IFRS 9/gross customer loans	4.2%	18.0%	13.8
Own coverage of Stage 2 loans under IFRS 9	12.4%	10.1%	(2.3)
Stage 3 loan volume under IFRS 9 (in HUF million)	168,618	192,321	14
Stage 3 loans under IFRS 9/gross customer loans	4.3%	4.2%	(0.1)
Own coverage of Stage 3 loans under IFRS 9	55.4%	54.5%	(0.9)
90+ days past due loan volume (in HUF million)	123,895	144,816	17
90+ days past due loans/gross customer loans	3.2%	3.1%	(0.1)
Market Share	**2019**	**2020**	**pps**
Loans	22.2%	23.0%	0.8
Deposits	27.7%	25.4%	(2.3)
Total Assets	28.8%	25.7%	(3.1)
Performance Indicators	**2019**	**2020**	**pps**
Net loans to (deposits + retail bonds) (FX-adjusted)	56%	55%	(1)
Leverage (closing Shareholder's Equity/Total Assets)	17.8%	15.4%	(2.5)
Leverage (closing Total Assets/Shareholder's Equity)	5.6x	6.5x	0.9x
Capital adequacy ratio (OTP Bank, non-consolidated, Basel3, IFRS)	27.6%	26.7%	(0.8)
Common Equity Tier1 ratio (OTP Bank, non-consolidated, Basel3, IFRS)	23.6%	22.5%	(1.0)

- In 2020 as a whole, OTP Core's adjusted profit amounted to HUF 159.3 billion, marking a y-o-y decline of 17%, owing to higher risk costs
- All components of the total income margin declined in 2020 (–48 bps y-o-y)
- Whereas the underlying loan quality trends remained favourable, the rise in the ratio of Stage 2 loans stemmed from the Bank's more conservative customer assessment. The ratio of Stage 3 loans even decreased y-o-y
- Performing loans grew dynamically (+19% y-o-y FX-adjusted), mostly driven by the subsidized baby loans and FGS Go! loans. Deposits rose by 18% y-o-y

Starting from 1Q 2020, OTP eBIZ Ltd. became part of OTP Core. It reported HUF 0.4 billion loss in full-year 2019.

Starting from 1Q 2020, the accounting method of the termination of swap contracts has changed. Upon the termination of swap deals, until the end of 2019, the FVA booked within other income was shifted to the net interest income line. From 1Q 2020 this shift does not occur. In the case of OTP Core, the intra-group swaps, typically with DSK Bank, are being terminated. In 2019 the other income of OTP Core was boosted, whereas the net interest income was reduced by the above accounting method.

P&L developments

In 2020, **OTP Core's** adjusted after tax profit amounted to HUF 159.3 billion, 17% less than a year earlier. The drop owed a lot to higher total risk costs, while operating profit improved by 4%, largely benefiting from a continued dynamic loan growth.

Within full-year total income, net interest income grew at the strongest rate, 9%, thanks to a dynamic organic growth in loans – this was somewhat offset by the 18 bps y-o-y erosion of net interest margin. The latter was reasoned mainly by lower lending interest rate levels, owing to the strong competition. In the fourth quarter, net interest income benefited a total HUF 0.5 billion from items that arose in 4Q when, under the modification of its accounting policy, the Bank re-classified retail loans with subsidized interest rates from loans at amortized cost to loans measures at fair value through profit or loss[5].

Short-term interbank rates, which are the reference rates for variable rate loans, rose overall in 2020: the 3M BUBOR's closing value rose to 75 bps by end-2020, from 16 bps at the end of 2019, while its annual average rate rose by 50 bps, to 69 bps.

The annual net fees and commissions grew by HUF 3.6 billion, or 3% y-o-y. The main reason for the modest growth was the pandemic-induced decline in economic activity and transaction volumes: reversing a 15% y-o-y growth in 1Q, there was 7% decline in 2Q, 3% drop in 3Q from the previous year, but the growth rate returned to positive territory in 4Q, even without a one-off item booked in 4Q 2020: the shifting of subsidized retail loans to loans at fair value had HUF 2.7 billion positive effect[6] on net fees. Among the components of the annual fee income, deposits, transactions- and card-related fee revenues rose modestly, while commissions from securities dropped, particularly those relating to the distribution of investment funds and retail government bonds. The latter was partly explained by base effect: thanks to the outstanding sales performance, the volume of the MÁP Plus retail government bonds expanded significantly after its launch in June 2019. Secondly, revenues realized in 2020 declined in relation to the distribution fee structure, largely as average retail government bond volumes shrank q-o-q in the second quarter of 2020, bringing down retail government bond distribution fee revenues in 2Q.

Full-year other net non-interest income (without one-offs) dropped by 15% y-o-y, or HUF 6.6 billion, dragged down by lower gain on securities in 1Q 2020, and by the fact that recoveries realized on claims bought by OTP Factoring from non-Group parties were presented under risk costs, rather than other income, starting from 2020. In 2020, nearly HUF 3.8 billion revaluation result appeared within other income in the wake of the revision of Visa Inc.'s class C shares' accounting classification.

In 2020, operating expenses grew by 6%, or HUF 14.4 billion, chiefly because of higher

[5] The modification of the accounting policy was applied retroactively: the P&L items that concerned the previous years were accounted against shareholders' equity, while the reporting year's items were booked in the P&L, in one lump sum in 4Q 2020.

[6] Because of the reclassification of loans, two major items appeared among net fees: first, the commissions due in 2020, which would have been amortized over the whole maturity according to the previous method, were recognized in the P&L in one lump sum in December (HUF 1.3 billion). Second, the fees received after the end-of-the-year volume of baby loans were recorded amongst the net fees and commissions (HUF 1.4 billion), while under the previous accounting policy, this amount would have been recognized in the outstanding baby loan volumes at amortized cost.

[7] In 2Q 2020, because of technical reasons, lower fee income was booked from the sales of investment funds. At OTP Core, much of this type of income is related to the funds managed by the Group's Hungarian fund managers, and is presented at these asset management companies as commission expenditure, thus at Group level, this item did not affect the q-o-q dynamics of net fees and commissions.

depreciation, and to a lesser extent due to administrative expenses, including hardware and office equipment costs, as well as supervisory fees (the latter jumped by HUF 3 billion y-o-y, to HUF 13.3 billion). In 2020 as a whole, the extra cost of protection against the pandemic and OTP Bank's donations entailed HUF 4 billion extra expenses. As a favourable development, personnel expenses slightly dropped y-o-y, in part because of lower bonus payments and partly as employers' contributions were reduced by a further two pps from July 2020. The average number of employees grew by 5% y-o-y.

In 2020, total risk costs amounted to –HUF 7.7 billion, as opposed to +HUF 26.6 billion in 2019. The main reason for the higher risk costs was that the pandemic-induced change in the macroeconomic environment was incorporated in the calculation of impairments. As a result, the IFRS 9 impairment model parameters were revised several times in the course of 2020, entailing higher risk costs. Throughout 2020, the Bank steadily monitored changes to customers' financial position and behaviour even during the loan repayment moratorium, and sought to identify debtors with increased risk profile. As a result, certain exposures – some of them under the debt repayment moratorium – were reclassified as Stage 2 during 2020, which also added to risk costs. These effects were mitigated by the positive risk costs booked in relation to the portfolio managed by OTP Factoring, the Hungarian work-out company, largely relating to claims toward households. This included the continued recoveries realized on these claims, whereas in 4Q 2020 another positive item emerged as a result of the revision of the expected future recoveries from OTP Factoring's claims; the upward revaluation of such claims also resulted in a growth in net loan volumes classified as Stage 3 (while the stock of impairments in the balance sheet did not change).

Regarding loan quality trends, new defaults did not seem to have jumped: while the volume of more than 90 days past due (DPD90+) loans grew by HUF 4 billion in 1Q 2020, these volumes contracted by HUF 3 billion each in 2Q, 3Q, and 4Q (FX-adjusted, without sales/write-offs, adjusted for the revaluation of OTP Factoring's claims in 4Q). This led to a HUF 5 billion decrease in full-year 2020, the same as the 2019 figure. In the whole of 2020, HUF 10 billion non-performing loans were sold/written off (FX-adjusted).

Predominantly as a result of the abovementioned reclassifications, the ratio of Stage 2 loans grew to 18% by the end of December, up from 4.2% at the end of 2019, and from 11.7% in the previous quarter. Even though those reclassifications into Stage 2 reduced the own coverage of both Stage 1 and Stage 2 loans in 2020, but the total Stage 1+2 portfolio's own provision coverage nearly doubled in 2020 (2019: 1.3%, 2020: 2.5%).

Balance sheet trends

In 2020, the balance sheet total expanded by 19% (+HUF 1.851 billion). A larger part of that growth came from customer deposits (+HUF 1.315 billion), and a smaller increase was caused by a y-o-y growth in liabilities to credit institutions (+HUF 413 billion). One reason for the latter was that the repo volumes, previously presented on the medium and large corporate deposits line, picked up from zero at the end of 2019, and was moved to this line, starting from 2020.

Gross loans and performing (Stage 1+2) loans grew at similar rates, by 17% in 2020 (FX-adjusted), while performing loans surged 21% in 2019. OTP Core's performing loans rose by 5% q-o-q in 1Q, by 2% in 2Q, by 5% in 3Q, and by 4% 4Q (all FX-adjusted) – that is, the pandemic and the related restrictions somewhat decelerated loan growth in 2Q, but it could climb back to average pre-pandemic quarterly levels in the second half-year. This was mostly the result of the effective economy protection measures, particularly of the government's and the National Bank of Hungary's subsidized lending programs: in full-year 2020, growth in subsidized loans (baby loans, FGS Go!, CSOK Housing Subsidy for Families scheme) contributed 84% of the total FX-adjusted increase in performing loans. Meanwhile, the dynamic lending activity helped OTP Bank preserve, or in some cases even improve, its market share in the main loan categories. In addition, starting from the second quarter of 2020, existing loan volumes also benefited from the fact that, in the case of loans that participated in the debt repayment moratorium, the principal was not amortized, and the deferred interest was presented as part of the gross loan volume (however, the regulation bans charging interest on the unpaid interest).

Regarding the individual product categories, the subsidized baby loan was the engine of consumer loan growth: in 2020, the contractual amount of baby loans at OTP Bank hit HUF 257 billion, thus the Bank's market share reached 41.7% in 2020. In line with expectations, the quarterly contractual amount of baby loans has been following a slightly declining path since the product was launched in July 2019, owing to the features of the structure (1Q 2020: HUF 72 billion, 2Q: HUF 59 billion, 3Q: HUF 65 billion, 4Q: HUF 61 billion).

Market-based cash loan disbursements fell by 46% overall in 2020. The declining disbursements from 2Q 2020 can be attributed to the introduction of a cap on interest rates on newly disbursed, non-mortgage-backed consumer loans, effective from 19 March 2020 until end-2020, as well as to the related tightening in lending standards. OTP Bank's markets share calculated from cash loan placements was 34.8% in full-year 2020, down from 38.9% in 2019. The stock of performing cash loans expanded by 15% y-o-y, partly supported by the declining amortization due to the repayment moratorium.

As for mortgage loans, the steady growth in performing volumes continued, bringing the y-o-y dynamics to 11%. Within that, housing loans, which make up 85% of the overall

mortgage stock, expanded by 14% y-o-y, while home equity loans, which were less popular in recent years, shrank further (-6% y-o-y). In full year 2020, applications for mortgage loans subsided 7% y-o-y. However, the disbursed amount grew by 15% y-o-y in 2020, owing to the surge in subsidized loan placement.

OTP Bank's market share in new mortgage loan contractual amounts hit 32.0% in 2020 (up from 31.4% in 2019). The improvement owed mainly to the CSOK family housing benefit scheme, which was expanded in July 2019, thus bolstering demand for subsidized loans: in the subsidized housing loan segment, OTP's market share has been traditionally strong.

Regarding corporate lending activity, performing corporate loans reversed the strong growth seen in recent years and in the first quarter of 2020 (+5% q-o-q): they declined by 1% q-o-q in 2Q 2020, then picked up that much in 3Q, and grew 3% q-o-q in 4Q. This brought the annual growth rate to 7% in 2020. The outstanding expansion in loans to micro and small enterprises continued: their performing loan volumes grew by 55% y-o-y (FX-adjusted), marking an impressive acceleration from the 14% growth in 2019. This owed a lot to the National Bank of Hungary's Funding for Growth Go! scheme, which has been available at OTP Bank since the end of April 2020. By the end of December 2020, their contractual amount reached HUF 362 billion, thus OTP Bank's market share has surpassed 25% since the programme started.

The share of investments in subsidiaries, held on OTP Core's asset side, within the balance sheet total rose by an average of 1 pp y-o-y in 2020, to 13.1%, fundamentally driving the growing share of non-interest-bearing assets in the balance sheet.

OTP Core's customer deposits increased by 18% y-o-y (FX-adjusted). Household deposits remained on a dynamic growth path (+3% q-o-q in 1Q 2020, +6% in 2Q, +2% in 3Q, and +5% in 4Q). The net loan/(deposit + retail bond) ratio stood at 55% at the end of 2020, which is consistent with 1 pp y-o-y decline.

OTP Bank's capital adequacy ratio (CAR) stood at 26.7% at the end of 2020, while the CET1 = Tier 1 ratio was at 22.5%. The Bank's regulatory capital at the end of the reporting period did not include the eligible profit made in the reporting period.

OTP FUND MANAGEMENT (HUNGARY)

Changes in assets under management and financial performance of OTP Fund Management:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit without the effect of adjustments	15,104	9,747	(35)
Income tax	(1,438)	(915)	(36)
Profit before income tax	16,542	10,662	(36)
Operating profit	16,542	10,662	(36)
Total income	20,433	14,453	(29)
Net interest income	0	0	0
Net fees and commissions	19,800	14,154	(29)
Other net non-interest income	633	299	(53)
Operating expenses	(3,891)	(3,791)	(3)
Other provision	0	(1)	0
Main components of balance sheet closing balances	**2019**	**2020**	**%**
Total assets	33,688	33,210	(1)
Total shareholders' equity	24,828	16,425	(34)
Asset under management	**2019 HUF billion**	**2020 HUF billion**	**Change %**
Assets under management, total (w/o duplicates)*	**1,119**	**1,201**	**7**
Volume of investment funds (closing, w/o duplicates)	793	828	4
Volume of managed assets (closing)	326	373	14
Volume of investment funds (closing, with duplicates)**	**1,073**	**1,183**	**10**
absolute return fund	434	374	(14)
bond	315	376	19
security	188	248	32
mixed	73	133	82
commodity market	30	28	(7)
guaranteed	28	20	(29)
money market	6	5	(17)
derivative	0	0	0
other	0	0	0

In 2020, **OTP Fund Management** generated HUF 9.7 billion profit, 35% less than in the previous year.

The y-o-y drop in full-year net fees and commissions was caused by a base effect: it largely reflected the effect of the income from an outstanding success fee at the end of 2019. Unlike in 2019, when the success fee was mostly related to the OTP Supra Derivative Fund's performance, in 2020 it was the OTP Treasures of the Earth Derivative Fund, and a number of other derivative and absolute return funds' performance that determined it. The OTP Treasures of the Earth Derivative Fund absolute return fund's yield exceeded 49% in 2020, and the success fee is 20% of the positive difference between the fund's yield and the ZMAX benchmark index.

The main reason for the y-o-y drop in the annual other income was the negative fair value adjustment of own investment units, recorded in 1Q 2020.

Operating expenses dropped by 3% y-o-y in 2020.

In Hungary, the market environment for investment funds was rather hectic; following the lows hit in the first quarter, the situation consolidated, and the turbulent changes reshuffled investment funds' structure as well. Following its extraordinary performance in 2019, Hungary's largest absolute return fund, OTP Supra Derivative Fund made negative yield in 2020, but it worked off some of the losses after hitting its lowest in March. Absolute return funds, as well as technology and climate change related funds were particularly popular in 2020.

The positive capital flow and yields helped OTP Fund Management increase the total wealth managed in y-o-y terms (by +4%).

Of the funds managed, demand for bond funds remained steady; their volume expanded by nearly 20% y-o-y. Following the slump in stock prices in March, demand for equity funds has increased, thus their volumes grew by 32% y-o-y, on account of capital inflow and favourable yield developments.

The Company's market share rose by 1 pp y-o-y, to 24.6% by the end of December 2020, thus preserving its top position in the domestic securities funds market.

* The cumulative net asset value of investment funds and managed assets of OTP Fund Management, eliminating the volume of own investment funds (duplications) being managed in other investment funds and managed assets of OTP Fund Management.

** The cumulative net asset value of investment funds with duplications managed by OTP Fund Management.

MERKANTIL GROUP (HUNGARY)

Performance of Merkantil Group:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit without the effect of adjustments	7,115	7,661	8
Income tax	(632)	(956)	51
Profit before income tax	7,747	8,617	11
Operating profit	7,372	10,280	39
Total income	14,369	21,283	48
Net interest income	14,013	17,688	26
Net fees and commissions	(104)	40	(138)
Other net non-interest income	461	3,555	671
Operating expenses	(6,997)	(11,004)	57
Total provisions	375	(1,663)	(543)
Provision for impairment on loan and placement losses	143	(1,491)	
Other provision	232	(171)	(174)
Main components of balance sheet closing balances	**2019**	**2020**	**%**
Total assets	491,399	667,120	36
Gross customer loans	366,064	416,987	14
Gross customer loans (FX-adjusted)	368,689	416,987	13
Retail loans	30,528	57,018	87
Corporate loans	128,707	119,725	(7)
Car financing loans	209,454	240,244	15
Allowances for possible loan losses	(10,072)	(12,874)	28
Allowances for possible loan losses (FX-adjusted)	(10,143)	(12,874)	27
Deposits from customers	10,414	9,344	(10)
Deposits from customer (FX-adjusted)	10,414	9,344	(10)
Retail deposits	8,051	6,071	(25)
Corporate deposits	2,364	3,273	38
Liabilities to credit institutions	420,076	584,944	39
Total shareholders' equity	44,441	52,553	18
Loan Quality	**2019**	**2020**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	345,339	343,668	0
Stage 1 loans under IFRS 9/gross customer loans	94.3%	82.4%	(11.9)
Own coverage of Stage 1 loans under IFRS 9	0.4%	0.2%	(0.1)
Stage 2 loan volume under IFRS 9 (in HUF million)	7,459	58,592	686
Stage 2 loans under IFRS 9/gross customer loans	2.0%	14.1%	12.0
Own coverage of Stage 2 loans under IFRS 9	4.7%	3.8%	(0.8)
Stage 3 loan volume under IFRS 9 (in HUF million)	13,267	14,727	11
Stage 3 loans under IFRS 9/gross customer loans	3.6%	3.5%	(0.1)
Own coverage of Stage 3 loans under IFRS 9	63.4%	66.5%	3.1
Provision for impairment on loan and placement losses/average gross loans	(0.04%)	0.38%	0.42
90+ days past due loan volume (in HUF million)	7,364	8,971	22
90+ days past due loans/gross customer loans	2.0%	2.2%	0.1
Performance Indicators	**2019**	**2020**	**pps**
ROA	1.6%	1.3%	(0.3)
ROE	17.4%	15.7%	(1.6)
Total income margin	3.20%	3.58%	0.37
Net interest margin	3.12%	2.97%	(0.15)
Cost/income ratio	48.7%	51.7%	3.0

The column for 2020 in the table display the partially consolidated performance of Merkantil Group, including Merkantil Bank Ltd., Merkantil Bérlet Ltd., NIMO 2002 Ltd., SPLC-P Ingatlanfejlesztő, Ingatlanhasznosító Ltd., SPLC Vagyonkezelő Ltd., and OTP Ingatlan-lízing Ltd. In the 2019 base period, the standalone performance of Merkantil Bank Ltd. was presented.

In 2020 Merkantil Group generated HUF 7.7 billion adjusted after tax profit, of which HUF 6.7 billion was Merkantil Bank's contribution, which therefore showed a decrease y-o-y. In 2020, the Group's ROE stood at 15.7%.

The main reason for the y-o-y rise in the income and expense lines is that, starting from 1Q 2020, the figures reflect the performance of the entire Hungarian leasing group. Merkantil Bank's individual net interest income rose by 4% y-o-y, and its operating expenses dropped by 5%. Merkantil Group's total risk cost amounted to -HUF 1.7 billion in 2020.

The stock of DPD90+ loans did not change over 2020 (FX-adjusted, without sales/write-offs). The ratio of Stage 2 loans grew by 4.6 pps q-o-q. The own provision coverage of Stage 2 loans stood at 3.8% (–0.7 pp q-o-q). Stage 3 loans made up 3.5% of gross loan volumes (–0.7 pp q-o-q), and their own provision coverage was 66.5% (+10.4 pps q-o-q).

Merkantil Group's FX-adjusted performing (Stage 1+2) loans increased by 12% y-o-y. Merkantil Bank's individual performing loan stock grew by 4% y-o-y. The full-year dynamics was positively affected by the National Bank of Hungary's FGS Go! programme, made available in April 2020. By the end of December 2020, contractual amount reached HUF 41 billion at Merkantil Bank. Merkantil Bank retained its market leading position both in terms of new disbursements and outstanding leasing volumes.

IFRS reports of the main foreign subsidiaries of OTP Bank

DSK GROUP (BULGARIA)

Performance of DSK Group:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit without the effect of adjustments	67,879	40,957	(40)
Income tax	(7,199)	(3,707)	(49)
Profit before income tax	75,078	44,665	(41)
Operating profit	83,495	89,775	8
Total income	155,567	166,668	7
Net interest income	109,030	111,239	2
Net fees and commissions	42,019	45,453	8
Other net non-interest income	4,517	9,975	121
Operating expenses	(72,071)	(76,893)	7
Total provisions	(8,418)	(45,110)	436
Provision for impairment on loan and placement losses	(5,216)	(44,875)	760
Other provision	(3,201)	(235)	(93)
Main components of balance sheet closing balances	**2019**	**2020**	**%**
Total assets	3,669,766	4,283,625	17
Gross customer loans	2,350,694	2,634,870	12
Gross customer loans (FX-adjusted)	2,596,088	2,634,870	1
Retail loans	1,597,408	1,614,561	1
Corporate loans	953,025	938,117	(2)
Car financing loans	45,655	82,191	80
Allowances for possible loan losses	(135,640)	(185,829)	37
Allowances for possible loan losses (FX-adjusted)	(149,830)	(185,829)	24
Deposits from customers	3,015,805	3,587,364	19
Deposits from customers (FX-adjusted)	3,315,475	3,587,364	8
Retail deposits	2,780,781	3,012,074	8
Corporate deposits	534,694	575,290	8
Liabilities to credit institutions	59,867	17,010	(72)
Total shareholders' equity	528,759	620,379	17
Loan Quality	**2019**	**2020**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	2,081,790	2,142,644	3
Stage 1 loans under IFRS 9/gross customer loans	88.6%	81.3%	(7.3)
Own coverage of Stage 1 loans under IFRS 9	1.1%	1.0%	(0.1)
Stage 2 loan volume under IFRS 9 (in HUF million)	99,917	297,292	198
Stage 2 loans under IFRS 9/gross customer loans	4.3%	11.3%	7.0
Own coverage of Stage 2 loans under IFRS 9	8.5%	12.6%	4.1
Stage 3 loan volume under IFRS 9 (in HUF million)	168,986	194,934	15
Stage 3 loans under IFRS 9/gross customer loans	7.2%	7.4%	0.2
Own coverage of Stage 3 loans under IFRS 9	62.0%	65.6%	3.6
Provision for impairment on loan and placement losses/average gross loans	0.24%	1.79%	1.55
90+ days past due loan volume (in HUF million)	108,600	126,242	16
90+ days past due loans/gross customer loans	4.6%	4.8%	0.2
Performance Indicators	**2019**	**2020**	**pps**
ROA	1.9%	1.0%	(0.9)
ROE	13.7%	7.0%	(6.7)
Total income margin	4.28%	4.13%	(0.15)
Net interest margin	3.00%	2.75%	(0.25)
Cost/income ratio	46.3%	46.1%	(0.2)
Net loans to deposits (FX-adjusted)	74%	68%	(6)
FX rates	**2019 HUF**	**2020 HUF**	**Change %**
HUF/BGN (closing)	169.0	186.7	10
HUF/BGN (average)	166.3	179.5	8

- **The Bulgarian banking group generated HUF 41.0 billion adjusted profit, 40% less than a year earlier, owing to the higher provisions**
- **The integration of Expressbank was successfully completed at the beginning of May 2020. The number of branches dropped by 24%, and the headcount fell by 9% y-o-y**

The P&L of the Bulgarian operation was adjusted for the one-off items directly related to the Expressbank acquisition; these corrections are presented at consolidated level, among adjustment items. The balance sheet items were not adjusted for these effects.
In 2020 **DSK Group** generated HUF 41.0 billion after tax profit, 40% less than in 2019.
The integration of Expressbank was successfully completed at the beginning of May 2020. Certain cost synergies had already been extracted during the integration process, and this has continued since then. The number of branches in Bulgaria fell by 143 units (-30%) since the end of 1Q 2019, when Expressbank became part of the Group. The number of employees dropped by 566 (-9%) in 2020. Full-year operating expenses declined by 1% y-o-y in local currency.
The Bulgarian operation's full-year operating profit grew by 8% in HUF (but dropped 1% in BGN terms). Within total income, cumulated net interest income declined by 6% in BGN terms, as a result of the 24 bps erosion in net interest margin. The full-year net interest income was also negatively affected by a regulatory change that banned charging penalty interest on late payment during the emergency, from 13 March to 14 May 2020.
In 2020, net fees and commissions stagnated y-o-y in BGN, predominantly in connection with the drop in economic and business activity from the second quarter.
In 2020, other net non-interest income surged by 121% y-o-y, chiefly because of higher swap result and foreign exchange gains. Another reason was that, following the revision of Visa Inc.'s class C shares' accounting classification, the equivalent of HUF 0.7 billion positive amount boosted other income in 2Q 2020.

The Stage 2 ratio has significantly increased over the past 12 months (+7 pps y-o-y), predominantly because the Bank reclassified the loans most exposed to the pandemic, first corporate and then retail loans were reclassified from Stage 1 (performing) category under IFRS 9 into Stage 2 (increased risk).
The ratio of Stage 3 loans increased by 0.2 pp over the previous year. The own provision coverage of Stage 3 loans rose in y-o-y terms.
In 2020, HUF 45.1 billion total risk costs weighed on profit. The reason for the y-o-y higher figure was the extra provisioning owing to the pandemic. The 12-month credit risk cost ratio was 1.79% of average gross loan volumes.
Overall, loan quality indicators have improved: the more than 90 days past due (DPD90+) loans grew by HUF 22 billion (FX-adjusted, without sales/write-offs) in full year 2020 (of which 4Q: +HUF 5 billion). During 2019 this volume increased by HUF 11 billion without the technical effect of the acquisition of Expressbank. In 2020 as a whole HUF 13 billion worth of problem loans were sold/written off.
Regarding the lending activity, performing (Stage 1+2) loans rose by an FX-adjusted 1% in y-o-y terms. In 2020, car financing loans grew by 80% y-o-y, partly because of the reclassification of some leasing exposures from corporate loans onto this line.
The Bulgarian operation's liquidity position remained stable. The FX-adjusted net loan/deposit ratio stood at 68% at the end of December. At the end of December 2020, the capital adequacy ratio of DSK Bank, calculated according to local rules, stood at 21.4%.
In the course of 2020, DSK Bank did not pay dividend to OTP Bank from its 2019 profit, in accordance with the Bulgarian National Bank's recommendation.

Performance of OTP Bank Croatia:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit without the effect of adjustments	30,719	14,830	(52)
Income tax	(6,681)	(2,771)	(59)
Profit before income tax	37,400	17,600	(53)
Operating profit	42,925	40,329	(6)
Total income	85,069	84,907	0
Net interest income	56,812	58,199	2
Net fees and commissions	17,032	16,093	(6)
Other net non-interest income	11,225	10,615	(5)
Operating expenses	(42,144)	(44,578)	6
Total provisions	(5,525)	(22,728)	311
Provision for impairment on loan and placement losses	(2,835)	(19,491)	588
Other provision	(2,691)	(3,238)	20
Main components of balance sheet closing balances	**2019**	**2020**	**%**
Total assets	2,098,951	2,325,669	11
Gross customer loans	1,370,057	1,642,170	20
Gross customer loans (FX-adjusted)	1,503,015	1,642,170	9
Retail loans	812,239	853,245	5
Corporate loans	617,623	722,320	17
Car financing loans	73,152	66,606	(9)
Allowances for possible loan losses	(68,701)	(100,920)	47
Allowances for possible loan losses (FX-adjusted)	(75,254)	(100,920)	34
Deposits from customers	1,478,223	1,634,652	11
Deposits from customers (FX-adjusted)	1,613,110	1,634,652	1
Retail deposits	1,213,410	1,231,516	1
Corporate deposits	399,700	403,136	1
Liabilities to credit institutions	253,176	287,647	14
Total shareholders' equity	292,649	328,165	12
Loan Quality	**2019**	**2020**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	1,140,495	1,257,492	10
Stage 1 loans under IFRS 9/gross customer loans	83.2%	76.6%	(6.7)
Own coverage of Stage 1 loans under IFRS 9	0.8%	0.8%	0.0
Stage 2 loan volume under IFRS 9 (in HUF million)	143,843	241,962	68
Stage 2 loans under IFRS 9/gross customer loans	10.5%	14.7%	4.2
Own coverage of Stage 2 loans under IFRS 9	3.5%	5.7%	2.2
Stage 3 loan volume under IFRS 9 (in HUF million)	85,719	142,716	66
Stage 3 loans under IFRS 9/gross customer loans	6.3%	8.7%	2.4
Own coverage of Stage 3 loans under IFRS 9	63.6%	53.9%	(9.6)
Provision for impairment on loan and placement losses/average gross loans	0.22%	1.27%	1.05
90+ days past due loan volume (in HUF million)	51,012	68,712	35
90+ days past due loans/gross customer loans	3.7%	4.2%	0.5
Performance Indicators	**2019**	**2020**	**pps**
ROA	1.6%	0.7%	(0.9)
ROE	10.9%	4.7%	(6.2)
Total income margin	4.35%	3.93%	(0.42)
Net interest margin	2.91%	2.69%	(0.21)
Cost/income ratio	49.5%	52.5%	3.0
Net loans to deposits (FX-adjusted)	89%	94%	6
FX rates	**2019 HUF**	**2020 HUF**	**Change %**
HUF/HRK (closing)	44.4	48.4	9
HUF/HRK (average)	43.9	46.6	6

- **Full-year 2020 profit neared HUF 15 billion (–52% y-o-y), with 6% lower operating profit and a jump in risk costs**
- **Net interest income rose by 2% y-o-y; performing (Stage 1+2) loans increased in FX-adjusted terms and interest margin shrank 21 bps in 2020**
- **As to loan quality, the Stage 3 ratio upped 2.4 pps, to 8.7% y-o-y**

In 2020, the **Croatian operation** generated HUF 14.8 billion after tax profit, 52% less than a year earlier, owing to a jump in risk costs and a decline in operating profit.

Following a halt in lending activity in the second quarter, disbursement dynamics have been steadily improving. In 4Q 2020, mortgage loan disbursements grew by 72% q-o-q; this brought the full-year disbursement growth to 8% y-o-y. Even though cash loans rebounded after the first wave of the coronavirus pandemic, the full-year disbursed volume was 25% short of its 2019 level.

Performing (Stage 1+2) loans grew by an FX-adjusted 6% y-o-y.

Beside loan volume growth, and the Croatian bank's liquidity position remained stable. Deposit volumes rose by an FX-adjusted 1% y-o-y, thus the net loan/deposit ratio went up by 6 pps y-o-y, to 94%, in FX-adjusted terms.

In 2020, operating profit was 6% (in local currency terms 11%) less than a year earlier. Core banking income dropped in y-o-y terms, as a combined effect of the 21 bps erosion in net interest margin (2.69%), and the pandemic's effect on business and economic activity. Net fees and commissions were dragged down by the lost revenue from tourism-related activities. Despite the HUF 1.5 billion one-off revaluation result on Visa Inc.'s class C shares booked in 2Q 2020, other non-interest income was 5% short of the base period.

In 2020, operating expenses surged by 6% y-o-y in HUF, and were stable in local currency. The 3 pps rise in full-year cost/income ratio brought the y-o-y figure to 52.5%.

In 2020, nearly HUF 23 billion risk cost weighed on profit, which was four times the figure posted in 2019. A smaller part of that was recorded in 1Q, in view of the possible effects of the pandemic, while loan loss provision in 3Q was even higher than in 1Q, owing to the revision of the IFRS 9 impairment model parameters. In 4Q 2020 under the instruction of the local regulator exposures with longer than 9 months moratorium participation in total shall be classified as Stage 3.

The stock of more than 90 days past due loans grew by HUF 15 billion (FX-adjusted, without sales/write-offs) in 2020. This brought the DPD90+ ratio to 4.2% by the end of December (+0.5 pp y-o-y). The Stage 3 ratio rose by more than 2 pps in y-o-y terms (4Q: 8.7%), as the Bank reclassified the exposures with longer than 9 months moratorium participation to Stage 3 (forborne) category, in accordance with local regulation.

In March and April 2020, the Croatian National Bank issued a set of recommendations, based on the EBA's guidance, on the basis of which commercial banks developed rules for their own loan repayment moratorium. On 1 October 2020, a new moratorium period was opened; the deadline for receiving applications is 31 March 2021.

OTP BANK SERBIA

Performance of OTP Bank Serbia:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit without the effect of adjustments	10,430	7,298	(30)
Income tax	459	(1,157)	(352)
Profit before income tax	9,970	8,455	(15)
Operating profit	13,143	35,898	173
Total income	43,276	79,001	83
Net interest income	30,809	59,514	93
Net fees and commissions	9,506	14,766	55
Other net non-interest income	2,962	4,721	59
Operating expenses	(30,133)	(43,102)	43
Total provisions	(3,173)	(27,443)	765
Provision for impairment on loan and placement losses	(1,634)	(22,170)	
Other provision	(1,539)	(5,273)	243
Main components of balance sheet closing balances	**2019**	**2020**	**%**
Total assets	1,659,483	2,052,332	24
Gross customer loans	1,199,580	1,539,738	28
Gross customer loans (FX-adjusted)	1,325,734	1,539,738	16
Retail loans	633,684	747,715	18
Corporate loans	642,532	737,969	15
Car financing loans	49,518	54,054	9
Allowances for possible loan losses	(18,904)	(43,597)	131
Allowances for possible loan losses (FX-adjusted)	(20,907)	(43,597)	109
Deposits from customers	910,623	1,147,712	26
Deposits from customers (FX-adjusted)	1,003,698	1,147,712	14
Retail deposits	604,453	676,599	12
Corporate deposits	399,245	471,112	18
Liabilities to credit institutions	436,449	548,354	26
Subordinated debt	24,460	31,033	27
Total shareholders' equity	249,461	273,046	9
Loan Quality	**2019**	**2020**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	1,151,763	1,367,313	19
Stage 1 loans under IFRS 9/gross customer loans	96.0%	88.8%	(7.2)
Own coverage of Stage 1 loans under IFRS 9	0.4%	0.8%	0.4
Stage 2 loan volume under IFRS 9 (in HUF million)	21,447	132,427	517
Stage 2 loans under IFRS 9/gross customer loans	1.8%	8.6%	6.8
Own coverage of Stage 2 loans under IFRS 9	5.8%	8.5%	2.7
Stage 3 loan volume under IFRS 9 (in HUF million)	26,370	39,998	52
Stage 3 loans under IFRS 9/gross customer loans	2.2%	2.6%	0.4
Own coverage of Stage 3 loans under IFRS 9	50.0%	53.6%	3.6
Provision for impairment on loan and placement losses/average gross loans	0.25%	1.62%	1.37
90+ days past due loan volume (in HUF million)	20,702	22,697	10
90+ days past due loans/gross customer loans	1.7%	1.5%	(0.2)
Performance Indicators	**2019**	**2020**	**pps**
ROA	1.1%	0.4%	(0.7)
ROE	7.6%	2.7%	(4.9)
Total income margin	4.70%	4.25%	(0.45)
Net interest margin	3.35%	3.20%	(0.15)
Cost/income ratio	69.6%	54.6%	(15.1)
Net loans to deposits (FX-adjusted)	130%	130%	0
FX rates	**2019 HUF**	**2020 HUF**	**Change %**
HUF/RSD (closing)	2.8	3.1	11
HUF/RSD (average)	2.8	3.0	8

- **The annual after tax profit amounted to HUF 7.3 billion in 2020 (–30%); in 4Q, HUF 3.1 billion loss emerged and nearly HUF 13 billion provision was put aside**
- **The integration is progressing well, the full-year cost/income ratio sank to 54.6%**
- **Performing (Stage1+2) loansexpanded by 3% y-o-y**

The financial closure of Société Générale banka Srbija transaction was completed on 24 September 2019. Following the transaction, the name of the acquired bank was changed to OTP banka Srbija. The Serbian financial statements present the acquired bank's balance sheet starting from 3Q 2019, and its P&L account starting from 4Q 2019.
The Serbian P&L account was adjusted for the one-off items directly related to the acquisition; these corrections are shown at consolidated level, among the adjustment items. The balance sheet items were not adjusted for these effects.
In 2020, **the Serbian banking group** generated HUF 7.3 billion adjusted after tax profit.
Following the financial closure of the acquisition at the end of September 2019, the Serbian operation's total markets share by balance sheet total jumped to 13.5% on pro forma basis, based on the latest available data from end-September 2020.
The integration of the bank acquired in 2019 is in progress. Since the end of September 2019, the total number of branches in Serbia dropped by 23 (-10%). The number of employees declined by 140 workers y-o-y (-4%).
Both deposits and performing loans (Stage 1+2) showed double-digit y-o-y growth rates (FX-adjusted), thus the Serbian bank's net loan/deposit ratio remained flat at 130% y-o-y. Both the retail and the corporate loan segments posted growth: consumer loans expanded by 22% y-o-y (FX-adjusted), and mortgage loans increased by 13%, while corporate loans, which make up nearly half of the performing (Stage 1+2) portfolio, rose by 14% y-o-y. Recovering from the low hit in the second quarter, the volume of new loan disbursements has been steadily rising.
The y-o-y dynamics of P&L lines were predominantly determined by the acquisition, and they were also affected by the 8% weakening of the HUF's average exchange rate against the Serbian dinar.
The underlying business development trends can be captured the best by analysing the 4Q 2020 y-o-y developments, as those are comparable with the base period and undistorted by the acquisition effects. The 4Q operating profit improved by 16% y-o-y, as income rose by 6% and operating expenses declined. In 4Q, the y-o-y dynamics of net interest income was positively affected by the outstanding expansion of (Stage 1+2) loan volumes (+16% y-o-y; FX-adjusted), even as net interest margin eroded by 32 bps y-o-y, to 3.1%, reflecting the effect of the lower interest rate environment. Net fees and commissions were stable y-o-y in 4Q 2020.
In 4Q, operating expenses dropped by 1% y-o-y, while the bank's cost/income ratio improved by 3.8 pps y-o-y, to 54.9% in the fourth quarter.
In 2020, total risk cost amounted to -HUF 27.4 billion, of which -HUF 12.5 billion was booked in the fourth quarter. In 2020, the credit risk cost ratio was 1.62%.
As regards loan quality, the volume of more than 90 days past due loans (FX-adjusted, without sales/write-offs) rose by HUF 3.3 billion in full year 2020.
The ratio of Stage 3 loans rose by 0.4 pp y-o-y, their own provision coverage ratio improved by 3.6 pps y-o-y, to 53.6% by the end of December. Stage 2 loans were affected by a number factors: in 1Q, the corporate portfolios most exposed to the pandemic were reclassified to Stage 2 (increased risk), while in the second quarter those were mostly retail loans that were shifted.
In Serbia, there were three phases of the loan repayment moratorium. The application deadline for the third one is the end of April 2021; the maximum term of the moratorium can be up to six months.

SKB BANKA (SLOVENIA)

Performance of SKB Banka (Slovenia):

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit w/o dividends and net cash transfer		9,665	
Income tax		(2,439)	
Profit before income tax		12,104	
Operating profit		19,787	
Total income		40,388	
Net interest income		28,103	
Net fees and commissions		11,127	
Other net non-interest income		1,158	
Operating expenses		(20,601)	
Total provisions		(7,683)	
Provision for impairment on loan and placement losses		(6,244)	
Other provision		(1,440)	
Main components of balance sheet closing balances	**2019**	**2020**	**%**
Total assets	1,130,871	1,353,772	20
Gross customer loans	831,139	909,439	9
Gross customer loans (FX-adjusted)	918,174	909,439	(1)
Retail loans	540,374	539,678	0
Corporate loans	249,584	248,855	0
Car financing loans	128,216	120,906	(6)
Allowances for possible loan losses	(4,051)	(14,876)	267
Allowances for possible loan losses (FX-adjusted)	(4,475)	(14,876)	232
Deposits from customers	880,839	1,136,666	29
Deposits from customers (FX-adjusted)	971,653	1,136,666	17
Retail deposits	853,172	973,276	14
Corporate deposits	118,481	163,390	38
Liabilities to credit institutions	94,909	29,524	(69)
Total shareholders' equity	132,667	166,124	25
Loan Quality	**2019**	**2020**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	822,118	753,584	(8)
Stage 1 loans under IFRS 9/gross customer loans	98.9%	82.9%	(16.0)
Own coverage of Stage 1 loans under IFRS 9	0.4%	0.5%	0.1
Stage 2 loan volume under IFRS 9 (in HUF million)	0	142,015	
Stage 2 loans under IFRS 9/gross customer loans	0.0%	15.6%	
Own coverage of Stage 2 loans under IFRS 9	0.0%	4.3%	
Stage 3 loan volume under IFRS 9 (in HUF million)	9,020	13,840	53
Stage 3 loans under IFRS 9/gross customer loans	1.1%	1.5%	0.4
Own coverage of Stage 3 loans under IFRS 9	8.7%	36.3%	27.6
Provision for impairment on loan and placement losses/average gross loans		0.70%	
90+ days past due loan volume (in HUF million)	2,967	3,620	22
90+ days past due loans/gross customer loans	0.4%	0.4%	0.0
Performance Indicators	**2019**	**2020**	**pps**
ROA		0.8%	
ROE		6.3%	
Total income margin		3.18%	
Net interest margin		2.21%	
Cost/income ratio		51.0%	
Net loans to deposits (FX-adjusted)	94%	79%	(15)
FX rates	**2019 HUF**	**2020 HUF**	**Change %**
HUF/EUR (closing)	330.5	365.1	10
HUF/EUR (average)	325.3	351.2	8

OTP Group's financial statements include the Slovenian bank's balance sheet starting from end-2019, and its P&L from the first quarter of 2020.

The Slovenian P&L account was adjusted for the one-off items directly related to the acquisition; these corrections are shown at consolidated level, among adjustment items. The balance sheet items were not adjusted for the acquisition effects.

OTP Group's **Slovenian** subsidiary generated HUF 9.7 billion adjusted after tax profit in full year 2020. The full-year ROE was 6.3% in 2020, with 51% cost/income ratio, 2.21% net interest margin, and 70 bps credit risk cost ratio.

At the end of 2020, the ratio of Stage 3 loans remained steady at 1.5%. The own provision coverage ratio of Stage 3 loans stood at 36.3%. When the Slovenian bank was consolidated into the Group, Stage 3 loans were netted with the related provisions. In full year 2020, DPD90+ loan volumes (FX-adjusted, without sales/write-offs) grew by HUF 0.6 billion. The FX-adjusted volume of Stage 1+2 loans dropped by 1% y-o-y; within that, retail loans shrank by 9%, while corporate loan volumes expanded by 18%.

The FX-adjusted deposit stock grew by 17% y-o-y. The net loan/deposit ratio stood at 79%.

OTP BANK ROMANIA

Performance of OTP Bank Romania:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit without the effect of adjustments	6,309	1,558	(75)
Income tax	(598)	91	(115)
Profit before income tax	6,906	1,467	(79)
Operating profit	12,314	11,811	(4)
Total income	37,530	43,748	17
Net interest income	28,254	32,739	16
Net fees and commissions	3,180	3,813	20
Other net non-interest income	6,097	7,195	18
Operating expenses	(25,216)	(31,937)	27
Total provisions	(5,408)	(10,344)	91
Provision for impairment on loan and placement losses	(3,018)	(7,840)	160
Other provision	(2,390)	(2,504)	5
Main components of balance sheet closing balances	**2019**	**2020**	**%**
Total assets	953,345	1,162,183	22
Gross customer loans	708,299	861,393	22
Gross customer loans (FX-adjusted)	773,358	861,393	11
Retail loans	522,937	587,724	12
Corporate loans	237,111	257,860	9
Car financing loans	13,311	15,809	19
Allowances for possible loan losses	(39,327)	(48,174)	22
Allowances for possible loan losses (FX-adjusted)	(42,997)	(48,174)	12
Deposits from customers	546,350	710,047	30
Deposits from customers (FX-adjusted)	590,707	710,047	20
Retail deposits	442,397	506,773	15
Corporate deposits	148,310	203,274	37
Liabilities to credit institutions	257,404	284,173	10
Total shareholders' equity	116,432	127,238	9
Loan Quality	**2019**	**2020**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	593,922	690,664	16
Stage 1 loans under IFRS 9/gross customer loans	83.9%	80.2%	(3.7)
Own coverage of Stage 1 loans under IFRS 9	1.3%	1.0%	(0.3)
Stage 2 loan volume under IFRS 9 (in HUF million)	61,556	114,615	86
Stage 2 loans under IFRS 9/gross customer loans	8.7%	13.3%	4.6
Own coverage of Stage 2 loans under IFRS 9	5.7%	9.0%	3.3
Stage 3 loan volume under IFRS 9 (in HUF million)	52,821	56,113	6
Stage 3 loans under IFRS 9/gross customer loans	7.5%	6.5%	(1.0)
Own coverage of Stage 3 loans under IFRS 9	53.7%	54.6%	0.9
Provision for impairment on loan and placement losses/average gross loans	0.47%	0.99%	0.52
90+ days past due loan volume (in HUF million)	35,416	38,713	9
90+ days past due loans/gross customer loans	5.0%	4.5%	(0.5)
Performance Indicators	**2019**	**2020**	**pps**
ROA	0.7%	0.1%	(0.6)
ROE	6.6%	1.3%	(5.3)
Total income margin	4.37%	4.18%	(0.19)
Net interest margin	3.29%	3.13%	(0.16)
Cost/income ratio	67.2%	73.0%	5.8
Net loans to deposits (FX-adjusted)	124%	115%	(9)
FX rates	**2019 HUF**	**2020 HUF**	**Change %**
HUF/RON (closing)	69.1	75.0	9
HUF/RON (average)	68.6	72.6	6

OTP Bank Romania generated HUF 1.6 billion after tax profit in 2020, 75% less than in the base period. In 2020, operating profit dropped by 4% in HUF (by 9% in local currency), as a result of a 17% y-o-y increase in total income, and a 27% surge in operating expenses.
Net interest income grew by 16%, bolstered by a dynamic expansion in performing loan volumes, while the net interest margin dropped by 16 bps last year.
In 2020, operating expenses grew by 27% y-o-y (by 20% in local currency), largely because of the growth strategy launched in 2019: IT and digital developments boosted IT costs, while personnel expenses were 27% higher than a year earlier, owing to the general wage inflation, as well as the 15% rise in annual average headcount. As a result of the rising costs, the cost/income ratio increased by 5.8 pps, to 73.0% in 2020.
As a result of the growth strategy, both loan and deposit volumes grew dynamically in 2020. Due to the increased lending activity, performing (Stage 1+2) mortgage loan volumes increased by 15% y-o-y (FX-adjusted). Performing (Stage 1+2) loans to micro and small enterprises grew by 15%, and corporate exposures rose by 10% y-o-y. The FX-adjusted deposit volumes expanded by 20% y-o-y, supported by both the retail and corporate segments. The net loan/deposit ratio stood at 115% at the end of 2020 (–9 pps y-o-y). In 2020, OTP Bank Romania increased its market share in all segments. In the stock of housing loans, the Romanian operation increased its market share from 3.7% to 4.2% y-o-y.
Regarding loan quality, in 2020 the volume of DPD90+ loans grew by HUF 7 billion (FX-adjusted, without sales and write-offs), much of which was caused by corporate loans that slipped into delinquency in 2Q 2020.
The ratio of Stage 2 loans grew by 4.6 pps y-o-y, largely affected by the reclassification of Stage 1 loans (–3.7 pps y-o-y) owing to the pandemic. The own coverage of Stage 1+2 loans increased in y-o-y terms.
The ratio of Stage 3 loans remained on a downward trend in 2020. At the end of the year, Stage 3 loans made up 6.5% of gross loan volume (–0.9 pp y-o-y). Reasons for the decline included the sale/write-off of bad loans, as well as the rapid growth of loans. The own coverage of Stage 3 loans grew over the fourth quarter, bringing the ratio to 54.6% by the end of the year.
In 2020, total provisions grew by 91% y-o-y. Within that, loan loss provisions increased significantly (by HUF 4.8 billion) owing to the Covid-19 pandemic effects.

Performance of OTP Bank Ukraine:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit without the effect of adjustments	35,223	26,104	(26)
Income tax	(6,937)	(5,485)	(21)
Profit before income tax	42,160	31,589	(25)
Operating profit	44,353	42,030	(5)
Total income	67,451	67,385	0
Net interest income	48,128	48,581	1
Net fees and commissions	14,877	13,540	(9)
Other net non-interest income	4,446	5,264	18
Operating expenses	(23,098)	(25,355)	10
Total provisions	(2,194)	(10,441)	376
Provision for impairment on loan and placement losses	(1,433)	(6,286)	339
Other provision	(761)	(4,155)	446
Main components of balance sheet closing balances	**2019**	**2020**	**%**
Total assets	646,295	729,012	13
Gross customer loans	468,715	443,031	(5)
Gross customer loans (FX-adjusted)	431,920	443,031	3
Retail loans	136,749	118,709	(13)
Corporate loans	252,194	274,187	9
Car financing loans	42,977	50,136	17
Allowances for possible loan losses	(69,785)	(46,200)	(34)
Allowances for possible loan losses (FX-adjusted)	(64,223)	(46,200)	(28)
Deposits from customers	431,944	493,884	14
Deposits from customers (FX-adjusted)	394,459	493,884	25
Retail deposits	176,949	222,112	26
Corporate deposits	217,509	271,772	25
Liabilities to credit institutions	79,331	91,059	15
Total shareholders' equity	109,128	117,071	7
Loan Quality	**2019**	**2020**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	345,955	365,266	6
Stage 1 loans under IFRS 9/gross customer loans	73.8%	82.4%	8.6
Own coverage of Stage 1 loans under IFRS 9	0.9%	1.9%	1.0
Stage 2 loan volume under IFRS 9 (in HUF million)	41,847	31,726	(24)
Stage 2 loans under IFRS 9/gross customer loans	8.9%	7.2%	(1.7)
Own coverage of Stage 2 loans under IFRS 9	8.3%	15.9%	7.6
Stage 3 loan volume under IFRS 9 (in HUF million)	80,913	46,039	(43)
Stage 3 loans under IFRS 9/gross customer loans	17.3%	10.4%	(6.9)
Own coverage of Stage 3 loans under IFRS 9	77.9%	74.3%	(3.6)
Provision for impairment on loan and placement losses/average gross loans	0.34%	1.39%	1.05
90+ days past due loan volume (in HUF million)	51,913	28,401	(45)
90+ days past due loans/gross customer loans	11.1%	6.4%	(4.7)
Performance Indicators	**2019**	**2020**	**pps**
ROA	7.0%	3.8%	(3.2)
ROE	42.5%	23.0%	(19.5)
Total income margin	13.38%	9.78%	(3.60)
Net interest margin	9.55%	7.05%	(2.50)
Cost/income ratio	34.2%	37.6%	3.4
Net loans to deposits (FX-adjusted)	93%	80%	(13)
FX rates	**2019 HUF**	**2020 HUF**	**Change %**
HUF/UAH (closing)	12.4	10.5	(15)
HUF/UAH (average)	11.3	11.4	1

OTP Bank Ukraine's financial data in HUF terms were affected by the HUF/UAH exchange rate moves: by the end of 2020, the UAH's closing rate against the HUF depreciated by 16% y-o-y. The full-year average rate firmed 1%. As a result, the balance sheet and P&L dynamics expressed in HUF terms differ from those in local currency.

OTP Bank Ukraine generated HUF 26.1 billion after tax profit in 2020. The 26% y-o-y contraction stems from stronger provisioning, and a 6% drop in operating profit, in UAH.

After the second quarter, which was an intra-year low in lending, disbursement dynamics have steadily improved. Corporate loan disbursement expanded by an impressive 38% y-o-y in 2020. By the end of the year, performing (Stage 1+2) loans grew by 11% y-o-y (FX-adjusted). Net loan/deposit ratio stood at 80% at the end of 2020.

Operating profit dropped by 6% y-o-y in local currency in full-year 2020. In 2020, total income shrank by 1% y-o-y in local currency, chiefly because net fees and commissions fell by 10%. Net interest income was stable y-o-y, even if net interest margin shrank 2.5 pp, nearing 7%. This is predominantly due to the significantly lower interest rate environment: the base rate fell by a total of 750 bps, to 6% in 2020.

In 2020, operating expenses grew by 9% in UAH, largely because of higher wage costs, and a 7% rise in administrative expenses.

In 2020, total risk cost amounted to -HUF 10.4 billion. In 2020, risk cost ratio was at 1.39% (+105 bps y-o-y).

In Ukraine, there was no compulsory debt repayment moratorium. As to loan quality, more than 90 days past due loan volumes increased in 2020 by HUF 1 billion (FX-adjusted, without sales/write-offs), compared to HUF 4 billion in 2019.

In 2020 the Stage 3 loans' share in the whole portfolio shrank by 6.9 pps y-o-y to 10.4%. By the end of 2020, the own provision coverage of Stage 3 loans dropped by 3.6 pps y-o-y, to 74.3%, as loans with high coverage were the sold/written off. The own provision coverage of Stage 2 loans grew to 15.9%, and that of Stage 1 loans has nearly doubled y-o-y, to 1.9%. This is resulting from the following: as precautionary move in the first half of the year corporate loans were reclassified from Stage 1 to Stage 2. Now, in 4Q, these were returned to Stage 1 category, but the previously created higher impairment for these loans was retained, as general provisions.

Performance of OTP Bank Russia:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit without the effect of adjustments	28,127	16,317	(42)
Income tax	(8,272)	(5,092)	(38)
Profit before income tax	36,399	21,409	(41)
Operating profit	84,946	65,068	(23)
Total income	146,582	123,198	(16)
Net interest income	113,572	99,872	(12)
Net fees and commissions	31,012	22,503	(27)
Other net non-interest income	1,998	823	(59)
Operating expenses	(61,636)	(58,130)	(6)
Total provisions	(48,547)	(43,659)	(10)
Provision for impairment on loan and placement losses	(46,123)	(41,160)	(11)
Other provision	(2,424)	(2,499)	3
Main components of balance sheet closing balances	**2019**	**2020**	**%**
Total assets	908,388	688,980	(24)
Gross customer loans	786,241	597,849	(24)
Gross customer loans (FX-adjusted)	661,721	597,849	(10)
Retail loans	573,592	505,902	(12)
Corporate loans	80,304	74,239	(8)
Car financing loans	7,825	17,708	126
Allowances for possible loan losses	(152,741)	(127,598)	(16)
Allowances for possible loan losses (FX-adjusted)	(128,479)	(127,598)	(1)
Deposits from customers	471,735	350,608	(26)
Deposits from customers (FX-adjusted)	403,021	350,608	(13)
Retail deposits	301,897	288,058	(5)
Corporate deposits	101,124	62,550	(38)
Liabilities to credit institutions	155,306	90,852	(42)
Total shareholders' equity	202,761	183,402	(10)
Loan Quality	**2019**	**2020**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	589,553	447,094	(24)
Stage 1 loans under IFRS 9/gross customer loans	75.0%	74.8%	(0.2)
Own coverage of Stage 1 loans under IFRS 9	5.3%	4.6%	(0.7)
Stage 2 loan volume under IFRS 9 (in HUF million)	94,413	67,394	(29)
Stage 2 loans under IFRS 9/gross customer loans	12.0%	11.3%	(0.7)
Own coverage of Stage 2 loans under IFRS 9	27.4%	43.1%	15.7
Stage 3 loan volume under IFRS 9 (in HUF million)	102,274	83,361	(18)
Stage 3 loans under IFRS 9/gross customer loans	13.0%	13.9%	0.9
Own coverage of Stage 3 loans under IFRS 9	93.4%	93.4%	0.0
Provision for impairment on loan and placement losses/average gross loans	6.61%	6.36%	(0.25)
90+ days past due loan volume (in HUF million)	96,484	77,929	(19)
90+ days past due loans/gross customer loans	12.3%	13.0%	0.7
Performance Indicators	**2019**	**2020**	**pps**
ROA	3.4%	2.1%	(1.3)
ROE	15.7%	8.9%	(6.8)
Total income margin	17.53%	16.03%	(1.50)
Net interest margin	13.58%	13.00%	(0.58)
Cost/income ratio	42.0%	47.2%	5.2
Net loans to deposits (FX-adjusted)	132%	134%	2
FX rates	**2019 HUF**	**2020 HUF**	**Change %**
HUF/RUB (closing)	4.7	4.0	(15)
HUF/RUB (average)	4.5	4.3	(4)

OTP Bank Russia's financial figures in HUF terms were affected by the moves in the HUF/RUB pair: at the end of 2020, the RUB's exchange rate against the HUF weakened 16% y-o-y. The average exchange rate depreciated by 5% in 2020. Therefore, the balance sheet and P&L dynamics in HUF terms differ from those in local currency.

OTP Bank Russia generated HUF 16.3 billion profit in 2020, which is 39% less than in the base period (in local currency). The y-o-y drop in after tax profit is a result of a 20% fall in operating profit and a 6% decline in risk cost, in local currency.

Ending three quarters of decline in the first three quarters of 2020, the performing (Stage 1+2) loan volume grew by an FX-adjusted 9% q-o-q in 4Q, resulting in a 11% y-o-y decline for 2020 as a whole. Performing consumer loan volumes shrank by 14% y-o-y; while the mid- and large corporate segment fell by 6%. There was a steady growth in car financing throughout the year, resulting in a 126% y-o-y increase from a relatively low base, FX-adjusted.

Meanwhile, customer deposits declined by an FX-adjusted 13% y-o-y. The FX-adjusted net loan/deposit ratio rose by 2 pps y-o-y, to 134%.

In 2020, total income declined by 12% y-o-y in RUB terms, including an 8% drop in net interest income, and a 24% fall in net fees and commissions. Total income margin eroded by 1.5 pps y-o-y, while net interest margin came down 59 bps, to 13%.

Due to lower administrative expenses, operating expenses declined by 1% y-o-y in full year 2020 in RUB, thus the annual cost/income ratio rose by 5.1pps, to 47.2%.

In 2020, total risk cost dropped by 6% in RUB, and the credit risk cost ratio declined 0.25 pp y-o-y, to 6.36%.

The ratio of Stage 3 loans upped by 0.9 pp y-o-y, to 13.9%; while nearly HUF 38 billion non-performing loans were sold or written off in 2020 (FX-adjusted), which is 10% increase compared to full year 2019.

Performance of CKB Group:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit w/o dividends and net cash transfer	6,377	4,307	(32)
Income tax	(679)	(302)	(56)
Profit before income tax	7,056	4,609	(35)
Operating profit	5,692	8,353	47
Total income	16,120	22,095	37
Net interest income	11,464	17,188	50
Net fees and commissions	4,215	4,446	5
Other net non-interest income	441	461	5
Operating expenses	(10,428)	(13,743)	32
Total provisions	1,364	(3,743)	(374)
Provision for impairment on loan and placement losses	1,293	(3,434)	(366)
Other provision	71	(309)	(535)
Main components of balance sheet closing balances	**2019**	**2020**	**%**
Total assets	439,836	477,676	9
Gross customer loans	319,836	362,067	13
Gross customer loans (FX-adjusted)	353,327	362,067	2
Retail loans	178,523	173,693	(3)
Corporate loans	174,707	188,299	8
Car financing loans	97	75	(23)
Allowances for possible loan losses	(19,518)	(24,510)	26
Allowances for possible loan losses (FX-adjusted)	(21,562)	(24,510)	14
Deposits from customers	318,216	324,671	2
Deposits from customers (FX-adjusted)	350,637	324,671	(7)
Retail deposits	228,438	213,067	(7)
Corporate deposits	122,199	111,604	(9)
Liabilities to credit institutions	36,733	58,967	61
Total shareholders' equity	66,188	76,556	16
Loan Quality	**2019**	**2020**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	283,959	294,548	4
Stage 1 loans under IFRS 9/gross customer loans	88.8%	81.4%	(7.4)
Own coverage of Stage 1 loans under IFRS 9	1.1%	1.3%	0.2
Stage 2 loan volume under IFRS 9 (in HUF million)	12,509	41,390	231
Stage 2 loans under IFRS 9/gross customer loans	3.9%	11.4%	7.5
Own coverage of Stage 2 loans under IFRS 9	4.8%	9.3%	4.5
Stage 3 loan volume under IFRS 9 (in HUF million)	23,369	26,129	12
Stage 3 loans under IFRS 9/gross customer loans	7.3%	7.2%	(0.1)
Own coverage of Stage 3 loans under IFRS 9	68.2%	63.9%	(4.3)
Provision for impairment on loan and placement losses/average gross loans	(0.56%)	0.99%	1.55
90+ days past due loan volume (in HUF million)	17,058	17,538	3
90+ days past due loans/gross customer loans	5.3%	4.8%	(0.5)
Performance Indicators	**2019**	**2020**	**pps**
ROA	1.9%	0.9%	(1.0)
ROE	11.9%	6.0%	(5.9)
Total income margin	4.86%	4.70%	(0.16)
Net interest margin	3.45%	3.65%	0.20
Cost/income ratio	64.7%	62.2%	(2.5)
Net loans to deposits (FX-adjusted)	95%	104%	9
FX rates	**2019 HUF**	**2020 HUF**	**Change %**
HUF/EUR (closing)	330.5	365.1	10
HUF/EUR (average)	325.3	351.2	8

On 27 February 2019 Crnogorska komercijalna banka a.d. signed an agreement to purchase the 90.56% stake from Société Générale banka Montenegro a.d., the Montenegrin subsidiary of the Société Générale Group. The financial closure of the transaction was completed on 16 July 2019. On 11 December 2020, Podgorička banka AD Podgorica was merged into Crnogorska komercijalna banka a.d.

The Montenegrin operation's P&L account was adjusted for the one-off items directly related to the acquisition; these corrections are presented at consolidated level, among the adjustment items. The balance sheet items were not adjusted for these effects.

In full year 2020, the Montenegrin **CKB Group** generated HUF 4.3 billion adjusted profit, which was 32% less than in the base period. What affected the y-o-y comparability of P&L lines was that the financial closure of the acquisition was completed on 25 July 2019, therefore the acquired bank's contribution was consolidated from 3Q 2019. The operating profit surged by 47% (including the 50% jump in net interest income), and operating expenses grew by 32%. Furthermore, total provisions were released in the base period, while the pandemic necessitated creating provisions in 2020. In 2020, ROE (6.0%) and the cost/income ratio (62.2%) fell y-o-y, while net interest margin (3.65%) increased.

In full year 2020, DPD90+ loan volumes (FX-adjusted, without sales and write-offs) increased by HUF 1.5 billion. The DPD90+ ratio (4.8%) declined by 0.5 pp y-o-y; meanwhile HUF 2.8 billion non-performing loans were sold/written off in 2020. At the end of 2020, the ratio of Stage 3 loans stood at 7.2% (-0.1 pp y-o-y), their own provision coverage was at 63.9%. Performing (Stage 1+2) loans expanded 3% y-o-y (FX-adjusted).

The FX-adjusted loan book contracted by 7% y-o-y. The net loan/deposit ratio stood at 104% at the end of year (+9 pps y-o-y).

OTP BANK ALBANIA (ALBANIA)

Performance of OTP Bank Albania:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit w/o dividends and net cash transfer	2,616	1,959	(25)
Income tax	(459)	(489)	7
Profit before income tax	3,075	2,448	(20)
Operating profit	3,702	5,904	59
Total income	7,953	11,597	46
Net interest income	6,697	9,824	47
Net fees and commissions	1,007	1,278	27
Other net non-interest income	248	495	100
Operating expenses	(4,250)	(5,693)	34
Total provisions	(627)	(3,455)	451
Provision for impairment on loan and placement losses	(249)	(2,515)	910
Other provision	(379)	(940)	148
Main components of balance sheet closing balances	**2019**	**2020**	**%**
Total assets	247,997	286,606	16
Gross customer loans	147,777	180,815	22
Gross customer loans (FX-adjusted)	161,373	180,815	12
Retail loans	72,937	83,948	15
Corporate loans	86,138	94,275	9
Car financing loans	2,299	2,592	13
Allowances for possible loan losses	(3,657)	(8,089)	121
Allowances for possible loan losses (FX-adjusted)	(4,001)	(8,089)	102
Deposits from customers	179,755	214,808	20
Deposits from customers (FX-adjusted)	196,492	214,808	9
Retail deposits	167,088	179,853	8
Corporate deposits	29,404	34,956	19
Liabilities to credit institutions	36,901	37,151	1
Total shareholders' equity	25,605	28,781	12
Loan Quality	**2019**	**2020**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	138,579	143,701	4
Stage 1 loans under IFRS 9/gross customer loans	93.8%	79.5%	(14.3)
Own coverage of Stage 1 loans under IFRS 9	1.2%	1.3%	0.1
Stage 2 loan volume under IFRS 9 (in HUF million)	4,593	31,620	588
Stage 2 loans under IFRS 9/gross customer loans	3.1%	17.5%	14.4
Own coverage of Stage 2 loans under IFRS 9	10.1%	10.4%	0.3
Stage 3 loan volume under IFRS 9 (in HUF million)	4,604	5,494	19
Stage 3 loans under IFRS 9/gross customer loans	3.1%	3.0%	(0.1)
Own coverage of Stage 3 loans under IFRS 9	33.1%	54.2%	21.1
Provision for impairment on loan and placement losses/average gross loans	0.23%	1.55%	1.32
90+ days past due loan volume (in HUF million)	2,270	3,984	76
90+ days past due loans/gross customer loans	1.5%	2.2%	0.7
Performance Indicators	**2019**	**2020**	**pps**
ROA	1.4%	0.7%	(0.7)
ROE	14.1%	7.3%	(6.8)
Total income margin	4.27%	4.32%	0.05
Net interest margin	3.59%	3.66%	0.07
Cost/income ratio	53.4%	49.1%	(4.3)
Net loans to deposits (FX-adjusted)	80%	80%	0
FX rates	**2019 HUF**	**2020 HUF**	**Change %**
HUF/ALL (closing)	2.7	2.9	7
HUF/ALL (average)	2.6	2.8	8

OTP Group's financial statements included the Albanian bank's P&L account since 2Q 2019. The P&L statement of the Albanian operation was adjusted for the one-off items directly related to the acquisition; these corrections are presented at consolidated level, among adjustment items. The balance sheet items were not adjusted for these effects.

The y-o-y dynamics of balance sheet and P&L lines were predominantly determined by the acquisition.

OTP Bank Albania generated HUF 2.0 billion after tax profit in full year 2020, which was 25% less than in the base period, owing to higher risk costs; operating profit grew by 59% on yearly basis.

Full-year ROE (7.3%) declined, while cost/income ratio (49.1%) and net interest margin (3.66%) increased y-o-y.

At the end of 2020, the ratio of Stage 3 loans was 3.0%, reflecting a marginal y-o-y drop. The own provision coverage of Stage 3 loans improved to 54.2%. When the Albanian bank was consolidated, Stage 3 loans were netted with provisions. In full-year 2020, the volume of DPD90+ loans (FX-adjusted, without sales and write-offs) rose by HUF 1.5 billion.

The FX-adjusted volume of Stage 1+2 loans expanded by 12% y-o-y; within that, retail loans surged 15%, while corporate and car financing loans expanded by a combined 10%.

The FX-adjusted deposit ratio surged 9% y-o-y, mostly fuelled by the strong growth in large corporate deposits. The net loan/deposit ratio remained flat at 80% y-o-y.

MOBIASBANCA (MOLDOVA)

Performance of Mobiasbanca:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit w/o dividends and net cash transfer	1,936	3,973	105
Income tax	(174)	(540)	210
Profit before income tax	2,110	4,513	114
Operating profit	2,929	7,707	163
Total income	5,902	14,596	147
Net interest income	3,959	8,889	125
Net fees and commissions	891	2,137	140
Other net non-interest income	1,052	3,570	239
Operating expenses	(2,974)	(6,889)	132
Total provisions	(819)	(3,193)	290
Provision for impairment on loan and placement losses	(737)	(2,695)	266
Other provision	(82)	(499)	509
Main components of balance sheet closing balances	**2019**	**2020**	**%**
Total assets	211,043	249,921	18
Gross customer loans	104,763	132,081	26
Gross customer loans (FX-adjusted)	108,490	132,081	22
Retail loans	58,167	71,552	23
Corporate loans	48,781	58,467	20
Car financing loans	1,542	2,062	34
Allowances for possible loan losses	(1,790)	(4,578)	156
Allowances for possible loan losses (FX-adjusted)	(1,857)	(4,578)	147
Deposits from customers	161,071	203,176	26
Deposits from customers (FX-adjusted)	167,509	203,176	21
Retail deposits	115,397	133,395	16
Corporate deposits	52,111	69,781	34
Liabilities to credit institutions	12,342	5,906	(52)
Total shareholders' equity	34,518	37,287	8
Loan Quality	**2019**	**2020**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	102,460	121,459	19
Stage 1 loans under IFRS 9/gross customer loans	97.8%	92.0%	(5.8)
Own coverage of Stage 1 loans under IFRS 9	1.0%	1.1%	0.1
Stage 2 loan volume under IFRS 9 (in HUF million)	880	6,670	658
Stage 2 loans under IFRS 9/gross customer loans	0.8%	5.1%	4.3
Own coverage of Stage 2 loans under IFRS 9	23.6%	19.5%	(4.1)
Stage 3 loan volume under IFRS 9 (in HUF million)	1,424	3,952	178
Stage 3 loans under IFRS 9/gross customer loans	1.4%	3.0%	1.6
Own coverage of Stage 3 loans under IFRS 9	39.7%	48.0%	8.3
Provision for impairment on loan and placement losses/average gross loans	1.58%	2.23%	0.65
90+ days past due loan volume (in HUF million)	383	2,109	451
90+ days past due loans/gross customer loans	0.4%	1.6%	1.2
Performance Indicators	**2019**	**2020**	**pps**
ROA	2.1%	1.7%	(0.4)
ROE	12.6%	10.7%	(1.9)
Total income margin	6.31%	6.24%	(0.07)
Net interest margin	4.23%	3.80%	(0.43)
Cost/income ratio	50.4%	47.2%	(3.2)
Net loans to deposits (FX-adjusted)	64%	63%	(1)
FX rates	**2019 HUF**	**2020 HUF**	**Change %**
HUF/MDL (closing)	17.1	17.3	1
HUF/MDL (average)	16.6	17.8	7

The Moldovan bank was consolidated in 3Q 2019. The P&L statement of the Moldovan operation was adjusted for the one-off items directly related to the acquisition; these corrections are shown at consolidated level, among adjustment items. The balance sheet items were not adjusted for these effects.

The y-o-y dynamics of balance sheet and P&L lines were basically determined by the acquisition. In full-year 2020, **Mobiasbanca** contributed to OTP Group's performance with HUF 4.0 billion after tax profit. Full-year ROE (10.7%) and net interest margin (3.80%) declined, while cost/income ratio (47.2%) increased y-o-y.

In 2020, total provisions have nearly quadrupled y-o-y. This was affected by the fact that as the financial closure was completed on 25 July 2019, the acquired bank's contribution was consolidated from 3Q 2019. Also, in contrast to the provision release in 3Q 2019, in 2020 as a whole significant amount pf provisions were set aside in the wake of the pandemic. At the end of 3Q 2020, the ratio of Stage 3 loans was 3.0% (+1.6 pps y-o-y); their own provision coverage stood at 48.0%. When the Moldovan bank was consolidated, Stage 3 loans were netted with provisions.

In full-year 2020, the volume of DPD90+ loans (FX-adjusted, without sales and write-offs) grew by HUF 1.7 billion.

At the end of 2020, the FX-adjusted volume of performing (Stage 1+2) loans grew by 20% y-o-y; within that, both retail and corporate loans surged 20%.

FX-adjusted deposit volumes grew by 21% y-o-y. The FX-adjusted 34% y-o-y growth in corporate deposits owes a lot to the Banks' new customers. The net loan/deposit ratio stood at 63%, below the Group's average.

At the end of December 2020, the market share of OTP Group's Moldovan operation by balance sheet total, was 13.8%. This ranks it the fourth largest bank in Moldova.

OTP BANKA SLOVENSKO (SLOVAKIA)

Performance of OTP Banka Slovensko:

Main components of P&L account	2019 HUF million	2020 HUF million	Change %
After tax profit without the effect of adjustments	1,575	(1,166)	(174)
Income tax	(240)	(304)	27
Profit before income tax	1,815	(862)	(147)
Operating profit	1,625	1,677	3
Total income	14,714	12,419	(16)
Net interest income	10,505	8,523	(19)
Net fees and commissions	3,884	3,208	(17)
Other net non-interest income	325	688	112
Operating expenses	(13,089)	(10,742)	(18)
Total provisions	190	(2,539)	
Provision for impairment on loan and placement losses	604	(2,731)	(552)
Other provision	(414)	192	(146)
Main components of balance sheet closing balances	**2019**	**2020**	**%**
Total assets	473,660		
Gross customer loans	392,793		
Gross customer loans (FX-adjusted)	433,900		
Retail loans	371,538		
Corporate loans	62,355		
Car financing loans	7		
Allowances for possible loan losses	(24,338)		
Allowances for possible loan losses (FX-adjusted)	(26,886)		
Deposits from customers	351,722		
Deposits from customers (FX-adjusted)	387,890		
Retail deposits	353,851		
Corporate deposits	34,039		
Liabilities to credit institutions	50,669		
Total shareholders' equity	38,078		
Loan Quality	**2019**	**2020**	**%/pps**
Stage 1 loan volume under IFRS 9 (in HUF million)	336,650		
Stage 1 loans under IFRS 9/gross customer loans	85.7%		
Own coverage of Stage 1 loans under IFRS 9	0.7%		
Stage 2 loan volume under IFRS 9 (in HUF million)	29,307		
Stage 2 loans under IFRS 9/gross customer loans	7.5%		
Own coverage of Stage 2 loans under IFRS 9	11.7%		
Stage 3 loan volume under IFRS 9 (in HUF million)	26,836		
Stage 3 loans under IFRS 9/gross customer loans	6.8%		
Own coverage of Stage 3 loans under IFRS 9	68.8%		
Provision for impairment on loan and placement losses/average gross loans	(0.15%)	0.76%	0.91
90+ days past due loan volume (in HUF million)	21,890		
90+ days past due loans/gross customer loans	5.6%		
Performance Indicators	**2019**	**2020**	**pps**
ROA	0.3%	(0.3%)	(0.6)
ROE	5.2%	(3.4%)	(8.6)
Total income margin	3.20%	2.98%	(0.22)
Net interest margin	2.29%	2.04%	(0.25)
Cost/income ratio	89.0%	86.5%	(2.5)
Net loans to deposits (FX-adjusted)	105%		
FX rates	**2019 HUF**	**2020 HUF**	**Change %**
HUF/EUR (closing)	330.5	365.1	10
HUF/EUR (average)	325.3	351.2	8

On 26 November 2020, the sale of **OTP Banka Slovensko a.s.** to KBC Group N.V. was concluded. The Slovak bank was deconsolidated at the end of November, so its end of 2020 balance sheet does not appear in the Group's end of 2020 balance sheet. Between January and October 2020, the Slovak entity realised an adjusted loss of HUF 1.2 billion.

STAFF LEVEL AND OTHER INFORMATION

	31/12/2019				31/12/2020			
	Branches	ATM	POS	Headcount (closing)	Branches	ATM	POS	Headcount (closing)
OTP Core	**361**	**1,936**	**77,962**	**10,083**	**362**	**1,920**	**125,800**	**10,189**
DSK Group (Bulgaria)	440	1,140	12,915	6,186	334	1,094	14,329	5,619
OBH (Croatia)	136	480	10,856	2,251	124	488	11,037	2,228
OTP Bank Serbia	231	338	18,424	3,162	217	323	16,657	3,022
SKB Banka (Slovenia)	53	83	3,982	863	51	83	4,167	889
OTP Bank Romania	95	141	5,125	1,496	95	149	6,256	1,693
OTP Bank Ukraine (w/o employed agents)	88	166	331	2,399	86	161	402	2,313
OTP Bank Russia (w/o employed agents)	134	223	715	5,343	135	280	704	5,127
CKB Group (Montenegro)	48	128	6,908	681	34	115	6,421	514
OTP Bank Albania	37	76	0	424	38	80	0	447
Mobiasbanca (Moldova)	53	145	0	755	54	148	0	830
OTP Banka Slovensko (Slovakia)	58	157	159	671	0	0	0	0
Foreign subsidiaries, total	**1,373**	**3,077**	**59,415**	**24,231**	**1,168**	**2,921**	**59,973**	**22,682**
Other Hungarian and foreign subsidiaries				590				557
OTP Group (w/o employed agents)				**34,902**				**33,427**
OTP Bank Russia – employed agents				5,083				4,402
OTP Bank Ukraine – employed agents				663				618
OTP Group (aggregated)	**1,734**	**5,013**	**137,377**	**40,650**	**1,530**	**4,841**	**185,773**	**38,448**

Definition of headcount number: closing, active FTE (full-time employee). The employee is considered as full-time employee in case his/her employment conditions regarding working hours are in line with a full time employment defined in the Labour Code in the reporting entity's country. Part-time employees are taken into account proportional to the full time working hours being effective in the reporting entity's country.

Definition of branch numbers: data reported from 2020 are not comparable with previous quarters at OTP Core due to a methodological change. The introduction of the new methodology increased the number of branches by 9 units (ceteris paribus).

According to the NBH's definition, from 3Q 2020 the number of POS terminals includes all terminals where OTP is the acquirer, including terminals that are not exclusively authorized by OTP.

STATEMENT ON CORPORATE GOVERNANCE PRACTICE

Corporate governance practice

OTP Bank Plc., being registered in Hungary, has a corporate governance policy that complies with the provisions on companies of the act applicable (Civil Code). As the company conducts banking operations, it also adheres to the statutory regulations pertaining to credit institutions.
Beyond fulfilling the statutory requirements, as a listed company on the Budapest Stock Exchange (BSE), the company also makes an annual declaration on its compliance with the BSE's Corporate Governance Recommendations. After being approved by the General Meeting, this declaration is published on the websites of both the Stock Exchange (www.bet.hu) and the Bank (www.otpbank.hu).

System of internal controls

OTP Bank Plc., as a provider of financial and investment services, operates a closely regulated and state-supervised system of internal controls.
OTP Bank Plc. has detailed risk management regulations applicable to all types of risks (liquidity, market, country, counterparty, credit, operational, compliance), which are in compliance

with the legal regulations on prudent banking operations. Its risk management system extends to cover the identification of risks, the assessment and analysis of their impact, elaboration of the required action plans and the monitoring of their effectiveness and results. The business continuity framework is intended to provide for the continuity of services. Developed on the basis of international methodologies, the lifecycle model includes process evaluation, action plan development for critical processes, the regular review and testing of these, as well as related DRP activities.

To ensure effective auditing, the OTP Bank Plc.'s internal audit system is realised on several levels of control built on each other. The system of internal checks and balances includes a combination of process-integrated and management control, independent internal audit organisation and executive information system. The independent internal audit organisation as an element of internal lines of defence promotes the statutory and efficient management of assets and liabilities, the defence of property, the safe course of business, the efficient, economical and productive operation of internal control systems, the minimisation of risks, moreover – beside compliance organisation – it reveals and reports deviations from statutory regulations and internal rules, makes proposal to abolish deficiencies and follows up the execution of actions. The independent internal audit organisation annually and quarterly prepares group-level reports on control actions for the executive boards. Once a year, the internal audit organisation draws up, for the Supervisory Board, objective and independent reports in respect of the operation of risk management, internal control mechanisms and corporate governance functions and, in line with the provisions of the Credit Institutions Act, reports, once a year, to the Supervisory Board and the Board of Directors on the regularity of internal audit tasks, professional requirements and the conduct of audits, and on the review of compliance with IT and other technical conditions needed for the audits.

In line with the regulations of the European Union, the applicable Hungarian laws and supervisory recommendations, OTP Bank Plc. established an independent organisational unit with the task of identifying and managing compliance risks.

General meeting

The General Meeting is the supreme governing body of OTP Bank Plc. The regulations pertaining to its operation are set forth in the Company's Bylaws, and comply fully with both general and special statutory requirements.

Information on the General Meeting is available in the Corporate Governance Report.

In accordance with the provisions of the Government Decree 102/2020 (IV. 10.), the resolutions on the published agenda items were made by the Company's Board of Directors acting in the competence of the General Meeting, which was originally announced to be on 17 April 2020, but cancelled on 26 March 2020 and then convened again to be held on 30 April 2020.

Regulations and information to be presented in the Business Report concerning securities conferring voting rights issued by the Company and senior officials, according to the effective Articles of Association, and ownership structure

The Company's registered capital is HUF 28,000,001,000, that is twenty-eight thousand million one thousand Hungarian forint, divided into 280,000,010 that is Two hundred and eighty million and ten dematerialised ordinary shares with a nominal value of HUF 100 each, and a total nominal value of HUF 28,000,001,000, that is twenty eight billion one thousand Hungarian forint. The ordinary shares of the Company specified all have the same nominal value and bestow the same rights in respect of the Company.

There are no restrictions in place concerning the transfer of issued securities constituting the registered capital of the Company.
No securities with special control rights have been issued by the Company.
The Company does not run control systems prescribed by an employee ownership program, where control rights are not exercised directly by the employees.
Rules on the restrictions of the voting rights:
The Company's ordinary shares confer one vote per share.
An individual shareholder or group of shareholders may not exercise voting rights in respect of in an extent exceeding 25%, or – if the voting rights of another shareholder or group of shareholders exceed 10% – exceeding 33% of the total voting rights represented by the shares conferring voting rights at the Company's General Meeting.
The shareholder is obliged to notify the Company's Board of Directors without delay if the shareholder directly or indirectly, or together with other shareholders in the same group of shareholders, holds more than 2% of the voting rights represented by the shares conferring voting rights at the Company's General Meeting. Concurrently with this, the shareholder is obliged to designate the shareholders through which the indirect voting right exists, or the members of the group of shareholders. In the event of a failure to provide such notification, or if there are substantive grounds for assuming that the shareholder has made a misleading declaration regarding the composition of the shareholder group, then the shareholder's voting right shall be suspended and may not be exercised until the shareholder has met the above obligations. The notification obligation stipulated in this paragraph and the related legal consequences are also incumbent upon individuals who are classified or may be classified as the Company's shareholders under Article 61 of the Capital Markets Act. The Company must also be provided with proof of the conditions for exemption from the notification obligation in accordance with Section 61 (7)-(8) and Section 61 (10)-(11)-(12), of the Capital Markets Act.
Shareholder group: the shareholder and another shareholder, in which the former has either a direct or indirect shareholding or has an influence without a shareholding (collectively: a direct and/or indirect influence); furthermore: the shareholder and another shareholder who is exercising or is willing to exercise its voting rights together with the former shareholder, regardless of what type of agreement between the participants underlies such concerted exercising of rights.
For determining the existence and extent of the indirect holding, the rules of the Credit Institutions Act relating to the calculation of indirect ownership shall be applied.
If the voting rights that may be exercised by a shareholder group exceed the threshold stipulated in the first paragraph of this section, the voting rights shall be reduced in such a way that the voting rights relating to the shares most recently acquired by the group of shareholders shall not be exercisable.
If there are substantive grounds to presume that the exercising of voting rights by any shareholder or shareholders might result in a breach of the rules of the Capital Markets Act relating to the acquisition of a controlling interest, the Board of Directors' authorised representative responsible for the registration of shareholders at the venue of the General Meeting, or the Chairman of the General Meeting, may exclude the affected shareholders from attending the General Meeting or exercising voting rights.
The General Meeting has exclusive authority with respect to the decision regarding the delisting of the shares (qualified majority).
When making the decisions, shares embodying multiple voting rights shall represent one share.
The Company is not aware of any kind of agreements among the owners that could give rise to the restriction of the transfer of issued securities and/or the voting rights.
Rules on the appointment and removal of executive officers, and rules on amendment of the Articles of Association:
The Board of Directors has at least 5, and up to 11 members.

When making the decisions, shares embodying multiple voting rights shall represent one share. The members of the Board of Directors are elected by the General Meeting based on its decision uniformly either for an indefinite period or for five years; in the latter case the mandate ends with the General Meeting concluding the fifth financial year following the election. The mandate of a member elected during this period expires together with the mandate of the Board of Directors.
The Board of Directors elects a Chairman and, may elect one or more Deputy Chairmen, from among its own members, whose period of office shall be equal to the mandate of the Board of Directors. The Chairman of the Board of Directors is also the Chief Executive Officer (Chairman & CEO) of the Company, unless the Board of Directors decides within its competence that the position of Chairman of the Board of Directors and the Chief Executive Officer of the Company are held by separate persons.

The membership of the Board of Directors ceases to exist by

a) expiry of the mandate,
b) resignation,
c) recall,
d) death,
e) the occurrence of grounds for disqualification as regulated by law,
f) termination of the employment of internal (executive) Board members.

The General Meeting has exclusive authority with respect to the following matters:

- the recall of members of the Board of Directors, the Supervisory Board and Audit Committee, and of the auditor; (qualified majority).
  More than one third of the members of the Board of Directors and the non-executive members of the Supervisory Board may be recalled within a 12-month period only if any shareholder holds more than 33% of the shares issued by the Company, which have been obtained by the shareholder by way of a public purchase offer.
- Except in the cases referred by these Articles of Association to the authority of the Board of Directors, the establishment and amendment of the Articles of Association; (qualified majority); the General Meeting decides on proposals concerning the amendment of the Articles of Association – based on a resolution passed by shareholders with a simple majority – either individually or en masse.

The Board of Directors is exclusively authorised to make decisions regarding any change in the Company's name, registered office, permanent establishments and branches, and in the Company's activities – with the exception of its core activity – and, in relation to this, to modify the Articles of Association should it become necessary to do so on the basis of the Civil Code or the Articles of Association.

The Board of Directors is obliged to

- prepare the Company's financial statements in accordance with the Accounting Act, and make a proposal for the use of the profit after taxation;
- prepare a report once a year for the General Meeting, and once every three months for the Supervisory Board, concerning management, the status of the Company's assets and business policy;
- provide for the proper keeping of the Company's business books;
- perform the tasks referred to its authority under the Credit Institutions Act, in particular:
  - ensuring the integrity of the accounting and financial reporting system;
  - elaborating the appropriate strategy and determining risk tolerance levels for each business unit concerned;
  - setting risk assumption limits;
  - providing the necessary resources for the management or risk, the valuation of assets, the use of external credit ratings and the application of internal models.

The following, in particular, come under the exclusive authority of the Board of Directors:

- election of the Chairman & Chief Executive Officer of the Company, and exercising employer's right in respect thereof;
- election of one or more Deputy Chairmen of the Board of Directors;
- determination of the annual plan;
- the analysis and assessment of the implementation of business-policy guidelines, on the basis of the Company's quarterly balance sheet;
- decisions on transactions referred to the authority of the Board of Directors by the Company's organisational and operational regulations;
- decision on launching, suspending, or terminating the performance of certain banking activities within the scope of the licensed activities of the Company;
- designation of the employees entitled to sign on behalf of the Company;
- decision on the increasing of registered capital at the terms set out in the relevant resolution of the General Meeting;
- decision to acquire treasury shares at the terms set out in the relevant resolution of the General Meeting;
- decision on approving internal loans in accordance with the Credit Institutions Act;
- decision on the approval of regulations that fundamentally determine banking operations, or are referred to its authority by the Credit Institutions Act.
  The following shall qualify as such regulations:
  - the collateral evaluation regulations,
  - the risk-assumption regulations,
  - the customer rating regulations,
  - the counterparty rating regulations,
  - the investment regulations,
  - the regulations on asset classification, impairment and provisioning,
  - the organisational and operational regulations, which contain the regulations on the procedure for assessing requests related to large loans,
  - the regulations on the transfer of signatory rights;
- the decision on approving the Rules of Procedure of the Board of Directors;
- decision on steps to hinder a public takeover procedure;
- decision on the acceptance of a public purchase offer received in respect of treasury shares;
- decision on the commencement of trading in the shares in a regulated market (flotation);
- decision on the cessation of trading in the shares in a given regulated market, provided that the shares are traded in another regulated market (hereinafter: transfer).

The Board of Directors is exclusively authorised to:

- decide, in the cases specified in the Civil Code, on acceptance of the Company's interim balance sheet, subject to the prior approval of the Supervisory Board;
- decide, instead of the General Meeting, to pay an advance on dividends, subject to the preliminary approval of the Supervisory Board;
- make decisions regarding any change in the Company's name, registered office, permanent establishments and branches, and in the Company's activities – with the exception of its core activity – and, in relation to this, to modify the Articles of Association should it become necessary to do so on the basis of the Civil Code or the Articles of Association;
- make decision on mergers (if, according to the provisions of the law on the transformation, merger and demerger of legal entities, the approval of the General Meeting is not required in order for the merger to take place).

The Board of Directors directly exercises employer's rights in respect of the Chairman & CEO. The person affected by a decision may not participate in the decision making. Employer rights in respect of the executive directors of the Company are exercised by the Board of Directors through the Chairman & CEO, with the proviso that the Board of Directors must be notified in advance of the appointment and dismissal of the Deputy CEOs. With regard to issues related to the exercising of employer's rights in respect of employees, the Company is represented by the Chief Executive Officer and by the senior company employees defined in the Organisational and Operational Regulations of the Company, in accordance with the delegation of authority approved by the Board of Directors. If the Chairman of the Board of Directors and the CEO are different persons, the employer rights in respect of the other executive directors of the Company (CEO, deputy CEOs) are exercised by the Board of Directors through the Chairman of Board of Directors, with the proviso that the Board of Directors shall be notified in advance of the appointment and dismissal of the CEO and Deputy CEOs. With regard to issues related to the exercising of employer's rights in respect of employees, the Company is represented by the persons defined in the Organisational and Operational Regulations of the Company, in accordance with the delegation of authority approved by the Board of Directors.

The Board of Directors may delegate, to individual members of the Board of Directors, to executive directors employed by the Company, and to the heads of the individual service departments, any task that does not come under the exclusive authority of the Board of Directors in accordance with these Articles of Association or a General Meeting resolution.

The Company may acquire treasury shares in accordance with the rules of the Civil Code. The prior authorisation of the General Meeting is not required for the acquisition of treasury shares if the acquisition of the shares is necessary in order to prevent a direct threat of severe damage to the Company (this provision is not applicable in the event of a public purchase offer aimed at buying up the Company's shares), as well as if the Company acquires the treasury shares in the context of a judicial procedure aimed at the settlement of a claim to which the Company is entitled, or in the course of a transformation.

The Company has not made agreements in the meaning of points (j) and (k) in paragraph 95/A of Act No. C of 2000 on Accounting.

Ownership structure of OTP Bank Plc.:

Description of owner	Total equity					
	January 2020			31 December 2020		
	Ownership share	Voting rights[1]	Quantity	Ownership share	Voting rights[1]	Quantity
Domestic institution/company	18.84%	18.86%	52,750,611	20.93%	21.26%	58,605,628
Foreign institution/company	77.01%	77.10%	215,635,699	71.60%	72.73%	200,480,153
Domestic individual	2.98%	2.98%	8,344,202	4.79%	4.87%	13,424,090
Foreign individual	0.13%	0.13%	356,377	0.11%	0.12%	319,346
Employees, senior officers	0.80%	0.80%	2,240,465	0.85%	0.87%	2,393,390
Treasury shares[2]	0.12%	0.00%	323,520	1.55%	0.00%	4,334,140
Government held owner	0.08%	0.08%	219,372	0.08%	0.08%	219,800
International Development Institutions	0.04%	0.04%	122,218	0.04%	0.04%	108,981
Other[3]	0.00%	0.00%	7,546	0.04%	0.04%	114,482
Total	**100.00%**	**100.00%**	**280,000,010**	**100.00%**	**100.00%**	**280,000,010**

[1] Voting rights in the General Meeting of the Issuer for participation in decision-making.
[2] Treasury shares do not include the OTP shares held by ESOP (OTP Bank Employee Stock Ownership Plan Organization). Pursuant to Act V of 2013 on the Civil Code, OTP shares held by the ESOP are not classified as treasury shares, but the ESOP must be consolidated in accordance with IFRS 10 Consolidated Financial Statements standard. On 31 December 2020 ESOP owned 5,097,255 OTP shares.
[3] Non-identified shareholders according to the shareholders' registry.

Number of treasury shares held in the year under review (2020):

	1 January	31 March	30 June	30 September	31 December
OTP Bank	323,520	1,667,632	2,313,939	4,395,242	4,334,140
Subsidiaries	0	0	0	0	0
Total	**323,520**	**1,667,632**	**2,313,939**	**4,395,242**	**4,334,140**

Shareholders with over/around 5% stake as at 31 December 2020:

Name	Number of shares	Ownership[1]	Voting rights[1,2]
MOL (Hungarian Oil and Gas Company Plc.)	24,000,000	8.57%	8.71%
KAFIJAT Group	19,835,748	7.08%	7.20%
OPUS Securities S.A.	14,496,476	5.18%	5.26%
Groupama Group	14,330,632	5.12%	5.20%

[1] Rounded to two decimals.
[2] Voting rights in the General Meeting of the Issuer for participation in decision-making.

Committees[8]

Members of the Board of Directors

Dr. Sándor Csányi – Chairman
Mr. Tamás György Erdei – Deputy Chairman
Mr. Mihály Baumstark
Dr. Tibor Bíró
Dr. István Gresa
Mr. Antal Kovács
Dr. Antal Pongrácz
Dr. László Utassy
Dr. József Vörös
Mr. László Wolf

Members of the Supervisory Board

Mr. Tibor Tolnay – Chairman
Dr. József Gábor Horváth – Deputy Chairman
Mr. András Michnai
Mrs. Klára Bella
Dr. Márton Gellért Vági
Mr. Olivier Péqueux

Members of the Audit Committee

Dr. József Gábor Horváth – Chairman
Mr. Tibor Tolnay – Deputy Chairman
Dr. Márton Gellért Vági
Mr. Olivier Péqueux

The résumés of the committee and board members are available in the Corporate Governance Report/Annual Report. .

Personal and organizational changes

Concerning the audit of OTP Bank Plc.'s separate and consolidated annual financial statements in accordance with International Financial Reporting Standards for the year 2020, the Board of Directors acting in the competency of the Annual General Meeting is electing Deloitte Auditing and Consulting Ltd. (000083, H-1068 Budapest, Dózsa György út 84/C) as the Bank's auditor from 1 May 2020 until 30 April 2021.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects Mr. Tibor Tolnay as member of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects dr. József Gábor Horváth as member of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects Mr. Olivier Péqueux as member of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects dr. Márton Gellért Vági as member of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects Mrs. Klára Bella as member of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.

[8] Personal changes can be found in the "Personal and organizational changes" chapter.

On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects Mr. András Michnai as member of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.
On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects Mr. Tibor Tolnay as member of the Audit Committee of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.
On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects dr. József Gábor Horváth as member of the Audit Committee of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.
On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects Mr. Olivier Péqueux as member of the Audit Committee of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.
On 30 April 2020 the Board of Directors acting in the competency of the Annual General Meeting, elects dr. Márton Gellért Vági as member of the Audit Committee of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.
On 20 July 2020 the labour contract of Dr. Zsolt Barna, Deputy Chief Executive Officer had been terminated by mutual agreement. Along with the termination of the labour contract with OTP Bank Plc., Dr. Zsolt Barna resigned from his positions held in different member companies of OTP Group.

Operation of the executive boards

OTP Bank Plc. has a dual governance structure, in which the Board of Directors is the Company's executive management body in its managerial function, while the Supervisory Board is the management body in its supervisory function of the Company. It controls the supervision of the lawfulness of the Company's operation, its business practices and management, performs oversight tasks and accepts the provisions of the Bank Group's Remuneration Policy. The effective operation of Supervisory Board is supported by the Audit Committee, as a committee, which also monitors the internal audit, the risk management, the reporting systems and the activities of the auditor.
In order to assist the performance of the governance functions the Board of Directors founded and operates, as permanent or other committees, such as the Management Committee, the Remuneration Committee, the Nomination Committee and the Risk Assumption and Risk Management Committee. To ensure effective operation OTP Bank Plc. also has a number of further permanent committees.
OTP Bank Plc. gives an account of the activities of the executive boards and the committees every year in its Corporate Governance Report. The Board of Directors held 8, the Supervisory Board held 6 meetings, while the Audit Committee held 1 meeting in 2020. In addition, resolutions were passed by the Board of Directors on 155, by the Supervisory Board on 108 and by the Audit Committee on 39 occasions by written vote.

Policy of diversity

OTP Bank Plc. determines and regulates the criteria for the selection of senior executives in line with European Union as well as domestic legal requirements and directives fundamentally determining the operation of credit institutions.
When designating members of the management bodies (Board of Directors, Supervisory Board) as well as appointing members of the Board of Directors and administrative members (Management), OTP Bank Plc. considers the existence of professional preparation, the high-level human and leadership competence,

the versatile educational background, the widespread business experience and business reputation of the utmost importance, at the same time, it is also highly committed to taking efficient measures in order to ensure diversity with regard to corporate operation, including the gradual improvement in women's participation rate.
With this in mind, OTP Bank Plc.'s Nomination Committee continuously keeps tracking the European Union and domestic legislation relating to women's quota on its agenda, in that when unambiguously worded expectations are announced, it promptly takes the necessary measures.
It is important to note, however, that, as a public limited company, the selection of the members of the management bodies falls within the exclusive competence of the General Meeting upon which – beyond its capacity to designate enforcing the above aspects to maximum effect – OTP Bank Plc. has no substantive influence.
For the purposes of OTP Bank Plc.'s Articles of Association, a Board of Directors comprising 5–11 members and a Supervisory Board comprising 5–9 members are set up at the Bank. The Board of Directors in its current form operates with 10 members and has no female member, while the Supervisory Board comprises 6 members and has one female member as of 12 April, 2019. The management of OTP Bank Plc. currently comprises 7 members and has no female member.

ENVIRONMENTAL POLICY, ENVIRONMENTAL PROJECTS

Environmental protection principles

OTP Group is committed to the protection of the environment, the combating of climate change and its impacts, and the preservation and low-impact use of natural resources.
OTP Bank's environmental activities are regulated in its Environmental Regulation. The Regulation ensures legal compliance and the consideration and integration of environmental criteria into the Bank's business operations in order to minimise the environmental impacts of operating and maintaining the Bank's organisation. It also sets out the rules on implementing the principles of sustainable procurement. OTP Group members operate in full compliance with environmental legislation and received no fines in 2020 either. In CDP's Climate Change Questionnaire, OTP Group achieved a rating of B–, improving on its performance in the year before.
OTP Bank set up an ESG Steering Committee in 2020 (see the Non-financial statement section about the operations of the committee). The schemes overseen by it focus on the embedding of environmental and climate protection considerations into financial services and on the related disclosures; and as such, among other things, the Committee launched an ESG lending project and created the Green Programme Directorate.

Environmental protection in relation to the provision of banking services

By 2023, OTP Bank aims to become the Central European bank best equipped to provide green financing. The Green Programme Directorate was created to achieve this goal; its main purpose is to take full advantage of the opportunities inherent in green financing, helping OTP Group build as large a green portfolio as possible and exploit the market potential of green financing certification.
Pursuant to our internal regulations, our banking group conducts its lending activities expecting – and always verifying – compliance

with the applicable environmental regulations. At the time of the internal approval by the bank of the financing of a project and before first disbursement, the availability of the required permits and authorisations and compliance with the provisions thereof is always verified by one or more external consultants (legal and/or technical experts); the Bank subsequently ensures compliance by obtaining regular declarations from the customer and conducting its own monitoring. The credit agreements stipulate sanctions for any breaches of commitments made or requirements imposed. The long-term sustainability of environmental impacts is taken into consideration as a subjective factor in the credit ratings of large corporate clients.
With regards to project financing, our group gives high priority to financing projects aimed at the utilisation of renewable energy sources. In 2020, our lending policy was to increase the support for lending to this sector even further; we also reviewed our lending guidelines applicable to the solar energy sector. In 2020, we lent HUF 9.2 billion to the renewables sector, financing a total of 30 MW in solar power capacities. In terms of project financing, we also give special attention and preference to office building projects with sustainability/environmental certification.
As far as sectors with environmental benefits are concerned, our corporate lending policy is expressly supportive of the financing of agriculture and solar power. Starting from 2020, we reclassified the paper, paper products and packaging material industry as a category requiring increased caution. The creation of a new agricultural limit framework based on quantity indicators has the potential for accelerating lending from 2021, especially in the case of smaller farms.
OTP Bank leads a consortium offering products of the Hungarian Development Bank (MFB), including both EU-refinanced and those of MFB's own origination, at the MFB Points set up in our branches. Environmental protection has been assigned priority in our available loan products since 2017. Households and businesses can access preferential terms under these products to implement energy projects (improving energy efficiency and increasing the reliance on renewables). In 2020, loans of a total of HUF 16.0 billion were disbursed; of this, 98.6% was retail lending, since the corporate credit facility had been depleted. In the period between 2017 and 2020, the total of disbursed loan contracts amounted to HUF 43.4 billion, representing 28.4% of all loans granted via MFB Points.
OTP Jelzálogbank was the first credit institution in Hungary to join the Energy Efficient Mortgages Initiative (EEMI) pilot. The aim of the programme is to allow participants to jointly develop best practices in green lending and to support the overhaul and energy modernisation of the housing stock.
In 2020, our subsidiaries in Croatia, Moldova, Albania and Slovakia offered preferential loans incentivising energy efficiency and the use of renewables.
The objective of the OTP Climate Change 130/30 Fund of OTP Fund Management is to provide an opportunity to invest in the shares of developed and developing market companies that may be the beneficiaries of the directives, the legislation and the changes in economic policy aimed at reducing climate change impacts. As of the end of 2020, the Fund had HUF 31.3 billion net asset value, nearly four times higher than in the year before.
Our efforts to reduce the direct environmental impact of OTP Group's operations are centred around improving its energy efficiency and reducing its paper usage. The environmental risks associated with our operations are analysed and managed within our operational risk management process. Potential risks are identified in the course of the annual process-based self-assessment, and the assessment of climate change risks is also included in the scenario analysis of risks with low probability but high impact.

Energy consumption and business travel

OTP Group uses state-of-the-art technology in new construction and renovation projects; we

also expand our use of LED lighting technology on an ongoing basis. As part of the renovation process, we are replacing air conditioning units, always ensuring that the new units use environmentally-friendly coolants. In 2020, OTP Bank identified the branches with the highest relative energy consumption; all immediate remedial actions were completed at these locations. The refurbishment of 16 branches at the parent bank also yielded energy savings. At the subsidiaries, branch refurbishment projects also included energy efficiency measures; our Montenegrin subsidiary continued installing LED lighting and motion detectors at its head office building.
We are intensifying our reliance on renewable energy based on cost-efficiency criteria. Whenever a branch of the parent bank is renovated, we always examine the possibility of installing solar panels and heat pumps. We installed solar panels at three branches in 2020. Our systems generated a total of 1,250 GJ energy from solar power. Our central archives facility has been using geothermal energy for several years (the facility used to be owned by Monicomp Zrt., which merged into the parent bank during the year).
The solar panels of our subsidiaries in Croatia and in Serbia generated a total of 383 GJ of solar power.
Energy use across the Banking Group was greatly impacted by the pandemic. As regards ventilation and fresh air in our buildings, air recirculation was suspended and ventilation was intensified instead; this increased our energy usage. Although the high rate of staff working from home reduced our electricity consumption, heating and cooling consumption was only marginally lower because our employees continued to work on site at all our organisations, albeit in smaller numbers.
The number of business trips and the size of the vehicle fleet are determined by the needs of the business. Our Group's vehicle policy sets carbon limits; also, there are environmentally-friendly vehicles among the cars available to choose from in all the vehicle categories. Our Montenegrin subsidiary installed an electric car charging station in front of its head office building during the year. Group-level total mileage decreased, mainly because of the Covid-19 pandemic. The total distance covered by all OTP Bank vehicles fell by 5% even though the fleets of two subsidiaries with high vehicle use rates (Monicomp, OTP Faktoring) were transferred to the parent bank.
Video conferencing helps cut down on the amount of business travel and is a solution that we are using ever more extensively year after year. The number of video conferencing rooms rose again in 2020, and the rooms were increasingly busy. Our existing bicycle storage facilities continued to be available to both customers and employees in 2020. In addition, 48 new storage spaces were created at OTP Bank's head office buildings; our Serbian and Montenegrin subsidiaries provided new storage at their head offices; our Bulgarian subsidiary provided storage at three locations for employees and customers alike; and the Ukrainian subsidiary installed storage in three locations.
Energy consumption figures are presented in respect of OTP Bank. The bank's overall energy consumption decreased by 3% compared to the previous year. However, due to our workforce expansion, this represents an 8% reduction in per-capita energy consumption.

Volume of energy consumption:

OTP Bank	2020	2019
Total energy consumption (GJ)	242,390	250,610
Per-capita energy consumption (GJ)	25,76	28.14

Energy consumption data are derived from readings; the measured consumption volumes are converted to energy using local average calorific values. (Excluding Monicomp Zrt. Consumption data.)

The projection basis for the per-capital figure is the average statistical headcount in 2019 and the average full-time employee count (FTE) in 2020.

2019 figures were slightly revised.

Efforts to reduce paper use

OTP Group has been making a consistent effort to reduce paper use and printing. OTP Bank reduced its office paper usage by approximately 30%; the pandemic and increased rates of working from home played a significant role in this development. Nevertheless, our percentage of recycled paper relative to total office paper usage increased to 20% and we plan to increase that figure even further in the future. Since 2020, OTP Bank has been using FSC-certified paper for its account statements and marketing publications, and we use only ECO Label personal hygiene products. Due to the merger of Monicomp the paper usage at OTP Bank increased significantly. Our Serbian subsidiary also uses FSC-certified paper, whereas our Slovenian subsidiary uses paper with PEFC certification. Further factors leading to lower paper usage included the introduction of lower-weight office paper at our Bulgarian subsidiary, and the transitioning to electronic signatures at our Moldovan subsidiary.

Paper usage quantities:

OTP Bank	2020	2019
Total amount of paper used (t) (office, packaging, indirect)	1,137	764
Per capita paper use* (kg)	121	86

Sustainable use and waste management

We follow a principle of using all our equipment, devices and machines for the longest time reasonably possible. We explicitly aim to use furniture until the end of its lifecycle, reusing it multiple times and ensuring the compatibility of replacements. OTP Bank, DSK Bank, OTP Bank Romania and OTP banka Srbija all follow the practice of making charitable donations of any furniture no longer used but in good condition, alongside functioning IT equipment (mostly computers and laptops) to institutions and organisations in need.
In order to cut the use of plastics in its archiving practices, our parent bank replaced ethylene bags and plastic wallets with paper products and introduced filtered water fountains. In 2020, we expanded the use of stamps made of recycled plastic. A number of our subsidiaries drew up schemes to reduce the use of plastics; implementation is expected in 2021.
Our subsidiaries in Serbia, Montenegro and Moldova use toner refills to reduce toner and ink cartridge waste.

Waste collection remained unchanged in most respects in 2020. All members of OTP Group collect and manage hazardous waste and paper containing business secrets selectively, in compliance with the relevant laws and regulations. The selective collection of non-confidential paper waste, PET bottles and – in a number of locations – glass is available in the head office buildings of OTP Bank. Our Ukrainian subsidiary operates selective paper collection at its head office building. Our Serbian subsidiary collects paper waste selectively in its branches and head office buildings. Our Albanian subsidiary collects paper waste selectively. Our Romanian subsidiary collects all paper, metal, glass and plastic selectively. Our Slovenian subsidiary also collects communal waste selectively (including biodegradable food waste). Our Croatian subsidiary has collected paper and plastic waste selectively for years, whereas the Slovakian subsidiary does so at the locations where this is facilitated by the municipality. DSK Bank operates selective waste collection at its sites in Sofia and Varna and expanded the selective collection of paper waste during the year. Our Montenegrin subsidiary

* For 2019 the average statistical headcount was used in the numerator, whereas for 2020 it was the average full-time employee (FTE) count.

introduced selective paper waste collection at its head office and its archives facility.

Attitude shaping

Most members of our Banking Group have a tradition of raising awareness and taking joint action to protect environmental and natural resources. The programmes implemented with the help of our employees are increasingly wide-ranging, covering almost all aspects of nature conservation and environmental protection:

- In 2020, OTP Bank continued to support the Hungarian Hikers' Association's efforts to popularise hiking.
- DSK Bank introduced its "Green Week" campaign. Water was the central theme of the first campaign week, when interesting information and water conservation advice was shared, and our employees submitted more than 30 recommendations on how the Bank could help reduce water consumption. A photo competition was announced and over 200 submissions were received. The subject of the second campaign week was waste; this involved, among other things, our continued participation in the nation-wide PET bottle cap collection scheme (the caps are used for producing wheelchairs).
- Our Croatian subsidiary sponsored the Adriatic Sea clean-up programme of the scuba diving club in Split.
- Our Serbian subsidiary highlighted the importance of the responsible use of resources in the context of the pandemic. Our employees also planted trees.
- At our Russian subsidiary, environmental awareness messages were displayed on computer screens and in the offices.
- The employees of our Ukrainian subsidiary planted trees at several locations in 2020.
- Volunteers from our Romanian subsidiary participated in the "Let's Do It, Romania!" cleanup day.
- Our Slovenian subsidiary keeps bees outside its head office building as part of the Nature in the City scheme, contributing to the preservation of a Slovenian species of bee.
- Our Montenegrin subsidiary used posters and newsletters as regular environmental awareness reminders for its employees. In 2020, the bank once again participated in nationwide afforestation and environmental protection campaigns.

NON-FINANCIAL STATEMENT OTP BANK PLC. (SEPARATE)

The social, environmental and wider economic performance and impacts of OTP Group are also reported in its dedicated Sustainability Report. The Sustainability Report for 2020 is a group-level report that meets the GRI (Global Reporting Initiative) Standard, and is certified by an independent third party. It is available as a digital version on OTP Bank's website. The information in this chapter is provided in order to comply with the Accounting Act, while also aiming to keep the duplication of information to a minimum. Information concerning environmental protection and climate change is provided mainly in the chapter on Environmental Policy and Environmental Protection Measures.

OTP Bank set up an ESG Steering Committee in 2020. The Committee is the governing body of ESG programmes and serves as a decision-making forum. It determines the objectives for these programmes, prioritises projects and allocates resources. The implementation of ESG programmes is supported by the Operational Committee, the Programme Management Team, the ESG team of experts and the Group Management Body.

OTP Bank is committed to ethical business conduct in all respects; our principles are set out in our Code of Ethics, which is binding for all our employees and agents. Our financial services and our operations have significant social and environmental impacts; our objective is to manage risks responsibly while taking advantage of opportunities and delivering positive outcomes.

Providing responsible financial services and managing credit risk

Transparent and prudent operations are the cornerstone of all our activities, and maintaining the stability of the Banking Group remains a high priority. Our Compliance Policy formulates our principles and guidelines for the fair treatment of customers, as well as our compliance with consumer protection requirements. We follow the principles of ethical product design when designing our products, and our New Product Policy requires – among other things – that we investigate any potential risks affecting consumers.

We fulfil our role as financial intermediary in a way that guarantees the security of our customers' savings throughout the entire process. Our rules ensure that we comply with the responsible lending standards concerning the prevention of excessive debt, the provision of fair, clear, comprehensive and easily visible information, and the recommendation of appropriate products.

We invest and lend the money deposited with us, ensuring that it will not serve illegal purposes, or those contrary to the values of society. OTP Bank will not finance

- customers whose financing is forbidden in international accords, EU acts or national laws;
- those whose activity is likely to violate public morals or social value systems, or is connected to crime;
- those who are connected, directly or indirectly, to criminal activities or to the deliberate violation or evasion of legal regulations;
- transactions classified as prohibited business sectors (e.g. the illegal arms trade, prohibited gambling, drug trade, or any other illegal activity);
- transactions that fail to meet environmental standards.

We ensure adherence to our principles, and maintain this balance through:

- our strict Risk Management Policy,
- our annually revised Lending Policy,
- our continuously developed credit approval system.

Our Lending Policy clearly defines the industries, business lines and activities where we pursue active business operations, as well as the areas where we do not wish to assume risks.

We offer our customers banking options to suit their individual needs, and provide our services with the highest standard of quality, while continuing to improve and innovate. While recommending and encouraging the use of online channels, we also kept most of our branches open during the pandemic, albeit with shorter hours. We took numerous protective measures to improve safety.

Our objective is to provide equal access for persons living with disability, through services adapted to their special needs, in line with the Accessibility Strategy of OTP Bank. Accessibility is integrated into our website, which supports one-handed use and provides accessibility options including text-to-speech software and video content transcripts. Physical accessibility was provided in all our branches but one in 2020 as well. Tactile guide strips are available in 41% of our branches. Our customers can request special-needs services at the queue management machine, with physical push buttons and tactile strips also assisting them in using the device. KONTAKT Interpreter Services are available at 166 branches; this is a service allowing a sign language interpreter to assist with administration tasks through live video chat. Induction loop amplifier systems are also available (in 109 branches), while 25 of our high-traffic branches have employees who can serve customers using sign language. We have made text-to-speech software available on 765 of our ATMs.

OTP Bank's stated objective is to serve its customers without fault. In order to improve

the satisfaction of our customers, we are also improving our complaint management practices on an ongoing basis. Our Complaint Management Policy, Complaint Management Regulation and a Glossary are available to view in our branches as well as on our website.
Complaints in 2020 tended to concern the major changes introduced last year, such as the statement of charges, sent to customers early in the year as per the Payment Accounts Directive; instant payments, once they had been introduced; and numerous customer queries and complaints regarding the payment holiday granted in the coronavirus pandemic. The number of complaints regarding card purchases was also high; some of those complaints were attributable to online fraud. Where errors or gaps were identified by the investigation into complaints, the responsible departments carried out the necessary improvements and developments.

Customer complaint data:

OTP Bank*	2020	2019
Number of warranted complaints	202,040	125,242
Ratio of warranted complaints	67%	66%
Compensation paid (HUF million)	419	144

We use TRI*M methodology to measure the satisfaction of our retail customers. OTP Bank's client retention power stood at 66 points in 2020, falling short of the level in the preceding six-month period. In order to understand this result, consideration must be given to the change in methodology (personal inquiry being replaced by sampling online and by telephone) and the impact of the pandemic, which also reduced the average value of the market as a whole. The average satisfaction score of banks in Central Europe was 71.

Security and data protection

Security is a top concern for us. The principles and main guidelines concerning security at the bank are set forth in the Security Policy, which is approved by the Board of Directors. The Policy covers all aspects of security, including IT and cyber security, which have become increasingly important.
The processing and protection of personal data is covered by the Compliance Policy, which is also approved by the Board of Directors. Both Policies prescribe the regular evaluation of risks, and the need for maintaining and enhancing awareness. The Deputy CEO responsible for the IT Division and the data protection officer (reporting directly to the top management of the data controller or the data processor and not accepting instructions from anyone regarding the discharging of duties) are responsible for data processing at the bank and the protection of customers' personal data.
Our 24/7 Security Operations Center (SOC) was put into operation in 2020 and provides continuous monitoring, detection and thus prompt alerts of IT security events. In 2020, we received hundreds of reports of phishing. Whenever an actual phishing event occurred, we had the phishing website blocked; where the incident was of greater magnitude, we informed our customers and employees as well. The Bank issued regular press releases on this subject. We took action several times against fraudulent websites and malware (a virus or link sent by email).
We prioritise raising awareness among our employees and customers. A full review and revision of the security awareness training materials for employees was completed in 2020. As a result of the pandemic, the heightened security of working from home was a priority during the year. We improved our employees' security awareness through in-house practices. Our awareness-raising programmes linked to the European

* Also includes OTP Lakástakarék and OTP Jelzálogbank data.

Cybersecurity Month focused on the preparations for tackling phishing attempts. In addition, we compiled training materials for customers on how to avoid phishing and how to use smartphones safely.
No bank card information was leaked from OTP Bank's systems; data were only revealed by our customers in response to phishing. The continued low rate of bank card fraud demonstrates the effective operation of our systems. OTP Bank's percentage of fraud cases involving Bank-issued cards relative to turnover was significantly lower (0.0058%) than the European average published by Mastercard (0.0378%).
We prevented losses from fraud in the amount of HUF 2.1 billion.
Suspected money laundering was reported 262 times during the year. Expected loss from financial fraud amounted to HUF 680 million, while losses prevented to HUF 138 billion; expected loss relating to branches, ATM equipment and facilities and equipment to HUF 6 million, with prevented losses amounting to HUF 65 million.

Fight against corruption and against the practice of bribery

The Code of Ethics and the Anti-Corruption Policy of OTP Bank contains provisions on the fight against corruption and against the practice of bribery, also on the acceptance of individual differences and the denial of discrimination (https://www.otpbank.hu/portal/en/EthicalDeclaration, https://www.otpbank.hu/static/portal/sw/file/OTP_EtikaiKodex_EN.pdf, https://www.otpbank.hu/static/portal/sw/file/OTP_Korrupcioellenes_Politika_202007.pdf).
As it can be read in the foreword of the Code and the Anti-Corruption Policy as well, the Bank and its management have adopted the principle of zero tolerance towards corruption and bribery, taking a definite stance against all forms of corruption and giving full support to the fight against corruption. In addition, the Code states that "As an ethical and compliant institution, the Bank and its management are fully committed to ensuring observance of all relevant legislation, including anti-corruption statutes".
The Bank has set up an ethics reporting system (whistleblowing), which is for the reporting and the handling of the reports on suspected or actual violation of the values set forth in the Code of Ethics, where anonymous reporting of ethics issues is also possible. The Bank conducts inquiries for the purpose of detecting, preventing anomalies in connection with reports made or anomalies it became aware of otherwise.
Through the Bank's ethics reporting system a total of 23 reports were received in 2020, 5 of them was reclassified as complaints and 3 case's investigation resulted in declaring ethics offense – though not due to corruption, bribery or discrimination.
The Bank has created and maintains its Code of Ethics to keep reputational risk and financial losses, which may incur in relation to corruption, bribery and discrimination, on a minimum level. Both employees and newcomers receive education on the Code of Ethics, and in addition, the acceptance to be bound by it is a prerequisite for their employment.
Any requests from third parties affecting human rights are treated by the Bank as a priority.
We manage the risks regarding the fight against corruption and bribery within the framework of our operational risk management process. Our quarterly compliance reports cover the changes in risks as well as the steps necessary steps to manage them. The reports are presented to the Management Committee and the Board of Directors; the annual report is also submitted to the Supervisory Board.

Citizenship

As one of the most generous charitable donors in Hungary, OTP Bank gave a total of HUF 3.7 billion in charitable donations. Playing an active role in managing the hardship generated by the coronavirus pandemic was a priority for us in 2020. Our Bank gave HUF 1.7 billion in donations to healthcare institutions, financing the acquisition of medical devices at several hospitals, including some operating in disadvantaged areas of the country; we also handed out 20 ventilators as donations in kind.

We aim to provide genuine and effective help by supporting programmes and causes that serve the interests of society. We cooperate with a number of local non-governmental organisations, concentrating our donated funds and monitoring their usage and the results achieved. Besides our support to the healthcare sector, our efforts were focused on the following areas:

- developing financial literacy, attitude-shaping;
- sponsoring culture and the arts: creating and preserving values;
- equal opportunities: helping the disadvantaged and those in need;
- sports.

During the pandemic, only a limited set of our voluntary programmes remained possible; in 2020 1,400 employees spent 5,500 hours doing voluntary work.

The Humanitas Social Foundation supports vulnerable communities and individuals with a focus on healthcare and education; donation recipients are selected through an application process. Its most important activity in 2020 involved priority support to hospitals.

The OTP Fáy András Foundation provides financial and economic education services, a key element of which is operating the OK Educational and Innovation Centre.

The activities of the Foundation in 2020 were determined mostly by the coronavirus pandemic and the refurbishment of the educational centre in Budapest, which had been started in 2019. 2,212 persons attended classroom training, instead of which emphasis shifted to digital education programmes. The Fáy digital educational programme was created for students in Years 5 to 12 and comprises live presentations, online videos, e-learning materials and a games app. The learning materials produced during the year were used by 2,000 students by the end of the year, while the games app (Platypus: A Finlit Story) had over 30 thousand downloads. The app is available without any limitations and free of charge even outside the school context.

Four age-specific outdoor training programmes, each two hours long, were developed to meet the needs of schools. During the year, the Centre also ran a regional educational programme as well as summer camps, and also developed adult educational materials. In order to shape social attitudes and raise awareness, three short films were broadcast 800 times on national commercial channels; these films touched on the subjects of self-provision, digital banking solutions and consumer empowerment. The refurbishment of the OK Educational and Innovation Centre was completed, ensuring that the Foundation can deliver its educational programmes with even greater capacities and relying on an even more modern infrastructure.

Our aim with the short film Keep it in the Family! was also to improve financial literacy and shape attitudes; in this film, two sets of parents and children spoke about money and their relationship with it. The video is available online and has been viewed more than 400,000 times. We also joined the "Life without Leftovers!" campaign of the Hungarian Food Bank Association, which encourages reducing food waste.

Responsible employment

Our employees play a key role in OTP Bank's success. The pandemic has forced us to adopt unprecedented measures to protect the safety of our employees. We created the conditions for work from home for thousands of our employees within a short timeframe, and introduced emergency measures relating to working on site in our offices. We also helped our employees recharge their emotional, mental and physical batteries in these difficult working conditions.

OTP Bank's employees:

	31 december 2020			31 december 2019		
	Total	Men	Women	Total	Men	Women
Employees, total (individuals)	9,826	3,402	6,424	9,318	2,975	6,343
Distribution by gender	100%	34.6%	65.4%	100%	31.9%	68.1%
Turnover rate*	10.5%	9.3%	11.2%	13.0%	13.2%	12.8%

The central objective of our human resource strategy is to intensify employee experience and commitment. Development projects furthering the achievement of the goals set in accordance with predefined priorities were implemented in 2020, supporting, among others, a consistent and relevant management development process, talent and succession planning with talent identification and selection and the measurement of competencies along consistent principles, and also the development of performance management, with clear targets and continuous feedback. The growth and development of our employees is a priority for us. All our employees attend professional training courses and competency development, based on their performance assessments.

Ethical conduct and compliance with the law remain core principles in our human resource management as well. OTP Bank analyses and manages the risks pertaining to employment within its operational risk management process. The interests of our employees are represented by their trade union, with a Collective Agreement setting out the rights and obligations of every employee.

In our Code of Ethics, our Bank declares its commitment to providing a safe and healthy working environment and states its expectation of mutual respect between executive officers and employees, including the prohibition of discrimination and harassment. We consistently apply the principle of "equal pay for equal work", including providing equal pay to men and women for the same position and performance. Within the objective limitations of specific job descriptions, we allow for flexible working hours and part-time employment options.

We encourage healthy lifestyle choices, offering a complex health insurance package, and subsidising recreation and sports activities.

We regularly measure employee satisfaction. In 2020, we surveyed head office employees to find out their experience of the pandemic. The employees judged the Bank's performance as very good, both in terms of how efficiently we were dealing with the situation (96%) and how we communicated (90%). As a pilot, we measured engagement within a certain subset of our staff. The 86% engagement score is high, even in comparison with the international benchmarks.

Short description of the business model of the company

OTP Bank is the market-leading credit institution in Hungary. As for its business model, the Bank offers high-quality financial services to retail, private banking, micro and small business, medium and large corporate, as well as municipality clients through both its branch network and its steadily developing digital channels. The Bank provides comprehensive retail and corporate banking services: its activities include deposit collection from customers and raising money from the money and capital markets. On the asset side, OTP Bank offers mortgage loans, consumer credits, working capital and investment loans to companies, as well as loans to municipalities, whereas its liquidity reserves are invested in money and capital market instruments. Moreover, the Bank provides a wide range of state-of-the-art services, including the areas of wealth management, investment services, payment services, treasury and other services. In addition, OTP Bank's Hungarian subsidiaries deliver a wide range of further financial services. The Bank owns foreign subsidiaries in many countries of Central and Eastern Europe through capital investments.

* Compared to the end-of-year headcount; includes termination of employment both by employee and by employer, as well as retirement.

Non-financial performance indicators

- Internal audit: 181 closed investigations, 1,127 proposals, 1,126 accepted proposals;
- Compliance with Budapest Stock Exchange (BSE) Recommendations (yes/no ratio): 72 yes, 0 no;
- Compliance: 19 closed consumer protection related investigations, 4,838 reports due to suspicion of money laundering;
- Bank security: expected damages arising from crimes detected: HUF 680 million, prevented damages: HUF 813 million; reported criminal charges on suspicion of money laundering: 471; the ratio of bank card abuses 0.0058% which is better than the European average (European average 0.0378%, world average 0.0679%);
- Ethics issues: 23 ethics reports, establishing ethics offense in 3 cases.

LIST OF NON-AUDIT SERVICES BY SERVICE CATEGORIES USED BY THE BANK

The statutory audit of OTP Bank is carried out by Deloitte Auditing and Consulting Ltd., in addition to which the following services were contracted:

- Issue of Comfort letters;
- Engagements to perform agreed-upon procedures regarding financial information (AUP according to ISRS 4400);
- Assurance engagements other than audits or reviews of historical financial information (ISAE 3000);
- Engagements carried out according to standards on review engagements (ISRE 2400, 2410).

Footnotes to the table 'consolidated net profit breakdown by subsidiaries (IFRS)'

General note: regarding OTP Core and other subsidiaries, profit after tax is calculated without received dividends and net cash transfers (and other adjustment items). Dividends and net cash transfers received from non-group member companies are shown on a separate line in one sum in the table, regardless to the particular receiver or payer group member company.

(1) Aggregated adjusted after tax profit of OTP Core and foreign banks.

(2) OTP Core is an economic unit for measuring the result of core business activity of OTP Group in Hungary. Financials of OTP Core are calculated from the partially consolidated IFRS financial statements of certain companies engaged in OTP Group's operation in Hungary. These companies include OTP Bank Hungary Plc., OTP Mortgage Bank Ltd., OTP Building Society Ltd., OTP Factoring Ltd., OTP Financial Point Ltd., and companies providing intragroup financing; OTP Bank Employee Stock Ownership Plan Organization was included from 4Q 2016; OTP Card Factory Ltd., OTP Facility Management Llc., MONICOMP Ltd. and OTP Real Estate Lease Ltd. were included from 1Q 2017 (from 1Q 2019 OTP Real Estate Lease Ltd. was eliminated from OTP Core); OTP Mobile Service Llc. and OTP Ingatlan-pont Llc. were included from 1Q 2019; OTP eBIZ Ltd. was included from 1Q 2020. The consolidated accounting results of these companies are segmented into OTP Core and Corporate Centre. Latter is a virtual entity.

(3) The result and balance sheet of OTP Factoring Bulgaria EAD is included. From 1Q 2019 Expressbank AD and its subsidiaries, OTP Leasing EOOD and Express Factoring EOOD (altogether: Express Group) were included into the Bulgarian operation. From 1Q 2019 the statement of recognised income and balance sheet of DSK Leasing AD was included.

(4) From 1Q 2019 the statement of recognised income and balance sheet of OTP Leasing d.d. and SB Leasing d.o.o. was included. In February 2020 the company name of OTP banka Hrvatska dioničko društvo was changed to OTP banka dioničko društvo.

(5) The financial performance of OTP Factoring Serbia d.o.o is included. From 1Q 2019 the statement of recognised income and balance sheet of OTP Lizing d.o.o and OTP Services d.o.o. was included. The balance sheet of the newly acquired OTP banka Srbija was included in 3Q 2019, its P&L from 4Q 2019.

(6) The statement of recognised income and balance sheet of OTP Faktoring SRL was included. From 1Q 2019 the statement of recognised income and balance sheet of OTP Leasing Romania IFN S.A. was included.

(7) Figures are based on the aggregated financial statements of OTP Bank JSC, LLC OTP Leasing Ukraine, and OTP Factoring Ukraine LLC.

(8) The statement of recognised income and balance sheet of LLC MFO "OTP Finance" is included in the Russian performance.

(9) From 3Q 2019 the statement of recognised income and balance sheet of Podgorička banka was included.

(10) P&L data and related indicators are adjusted for the special banking tax and the Slovakian Deposit Protection Fund contributions being introduced again in 2014, as well as the contribution into the Resolution Fund. Including the financial performance of OTP Faktoring Slovensko s.r.o. The sale of the Slovakian subsidiary was concluded at the end of November 2020.

(11) Until the end of 2019 the after tax profit of Merkantil Bank without dividends, net

cash transfer and other adjustment items, since 1Q 2020 the sub-consolidated after tax profit of Merkantil Group (Merkantil Bank Ltd., Merkantil Bérlet Ltd., OTP Real Estate Leasing Ltd., NIMO 2002 Ltd., SPLC-P Ltd., SPLC Ltd.) was presented.

(12) LLC AMC OTP Capital, OTP Asset Management SAI S.A. (Romania), DSK Asset Management EAD (Bulgaria).

(13) OTP Buildings s.r.o. (Slovakia), Velvin Ventures Ltd. (Belize), R.E. Four d.o.o., Novi Sad (Serbia), SC Aloha Buzz SRL, SC Favo Consultanta SRL, SC Tezaur Cont SRL (Romania), Cresco d.o.o. (Croatia), OTP Osiguranje d.d. (Croatia), OTP Solution Fund (Ukraine).

(14) Within OTP Group, the Corporate Centre acts as a virtual entity established by the equity investment of OTP Core for managing the wholesale financing activity for all the subsidiaries within OTP Group but outside OTP Core. Therefore the balance sheet of the Corporate Centre is funded by the equity and intragroup lending received from OTP Core, the intragroup lending received from other subsidiaries, and the subordinated debt and senior notes issued by OTP Bank. From this funding pool, the Corporate Centre is to provide intragroup lending to, and hold equity stakes in OTP subsidiaries outside OTP Core. Main subsidiaries financed by Corporate Centre are as follows: Hungarians: Merkantil Bank Ltd., Merkantil Leasing Ltd., OTP Fund Management Ltd., OTP Real Estate Fund Management Ltd., OTP Life Annuity Ltd; foreigners: banks, leasing companies, factoring companies.

(15) Total Hungarian subsidiaries: sum of the adjusted after tax results of Hungarian group members, Corporate Centre and related eliminations.

(16) Total Foreign subsidiaries: sum of the adjusted after tax profits of foreign subsidiaries.

Calculation of the adjusted lines of IFRS profit and loss statements, as well as the adjusted balance sheet lines presented in the business report, and the methodology for calculating the FX-adjusted volume changes

In order to present Group level trends in a comprehensive way in the Report, the presented consolidated and separate profit and loss statements of this report were adjusted in the following way, and the adjusted P&Ls are shown and analysed in the Report. Consolidated accounting figures together with Separate accounting figures of OTP Bank are still disclosed in the Supplementary Data section.

Adjustments affecting the income statement:

- The after tax effect of adjustment items (certain, typically non-recurring items from banking operations' point of view) are shown separately in the Statement of Recognised Income. The following adjustment items emerged in the period under review and the previous year: received dividends, received and paid cash transfers, the effect of goodwill/investment impairment charges, special tax on financial institutions, the expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia, the impact of fines imposed by the Hungarian Competition Authority, the effect of acquisitions, and the one-off impact of regulatory changes related to FX consumer contracts in Serbia.
  Beside the Slovakian banking levy, the total amount of the special banking tax includes and the Slovakian Deposit Protection Fund contributions being introduced again in 2014, and the contribution into the Resolution Fund in Slovakia, too. Within banking taxes, the special tax booked by the Romanian subsidiary was also included in 4Q 2019.
- Until 4Q 2017 other non-interest income elements stemming from provisioning release in connection with provisions on loans originated before the acquisitions of the

subsidiaries have been reclassified to and deducted from the volume of Provision for impairment on loan and placement losses line in the income statement. Starting from 1Q 2018 this income from the release of pre-acquisition provisions was presented amongst the Provision for impairment on loan and placement losses line both in the accounting and adjusted P&L structure.

- In 4Q 2019 the following items have been moved from the Other operating expenses line among the Net interest income after loss allowance, impairment and provisions line: Release of loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost, Provision for commitments and guarantees given, Release of impairment of assets subject to operating lease and of investment properties. In the adjusted P&L structure these items are presented amongst the Other provisions (adj.) line (through the Structural correction between Provision for loan losses and Other provisions adjustment line).
- Other non-interest income is shown together with Gains and losses on real estate transactions, Net insurance result, Gains and losses on derivative instruments, and Gains and losses on non-trading securities mandatorily at fair value through profit or loss lines in 2019, but without the above mentioned income from the release of pre-acquisition provisions and without received cash transfers. However other non-interest expenses stemming from non-financial activities are added to the adjusted net other non-interest income line, therefore the latter incorporates the net amount of other non-interest income from non-financial activities.
- OTP Bank's share in the change in the shareholders' equity of companies consolidated with equity method is reclassified from the After tax dividends and net cash transfers line to the Net other non-interest result (adj.) without one-offs line. In the addition to this, OTP Bank has changed the way how private equity funds managed by PortfoLion are recorded. As a result of this, as opposed to the previous method of recording the funds at book value (initial book value less impairments), starting from 3Q 2019 the funds are evaluated based on their net asset value. The change in the carrying value was reclassified to the Net other non-interest result (adj.) without one-offs line in the adjusted P&L structure. Furthermore, received cash transfers within the framework of the subsidy programme targeting the expansion of POS network in Hungary were reclassified from the After tax dividends and net cash transfers line to the Net other non-interest result (adj.) without one-offs line.
- Other provisions are separated from other expenses and shown on a separate line in the adjusted profit or loss statement.
- Other administrative expenses have been adjusted in the following way in order to create a category comprising administrative cost items exclusively. Other costs and expenses and other non-interest expenses were included into the adjusted Other non-interest expenses. At the same time, the following cost items were excluded from adjusted other non-interest expenses: paid cash transfers (except for movie subsidies and cash transfers to public benefit organisations, whereas from 2019 certain part of cash transfers to public benefit organizations was presented amongst net fees and commissions), Other other non-interest expenses stemming from non-financial activities, and special tax on financial institutions.
- Tax deductible transfers (offset against corporate taxes) paid by Hungarian group members were reclassified from Other non-interest expenses to Corporate income tax. As a result, the net P&L effect of these transfers (i.e. the paid transfer less the related corporate tax allowances) is recognised in the corporate income tax line of the adjusted P&L. The amount of tax deductible transfers offset against the special tax on financial institutions is shown on a net base on the special tax on financial institutions line.
- The financial transaction tax paid from the beginning of 2013 in Hungary is reclassified

from other (administrative) expenses to net fee and commission income, both on consolidated and OTP Core level.

- OTP Group is hedging the revaluation result of the FX provisions on its FX loans and interest claims by keeping hedging open FX positions. In the accounting statement of recognized income, the revaluation of FX provisions is part of the risk costs (within line "Provision for loan losses"), other provisions and net interest income lines, whereas the revaluation result of the hedging open FX positions is made through other non-interest income (within line "Foreign exchange result, net"). The two items have the same absolute amount but an opposite sign. As an adjustment to the accounting statement of income, these items are eliminated from the adjusted P&L. By modifying only the structure of the income statement, this correction does not have any impact on the bottom line net profits.
- The Compensation Fund (established in Hungary in order to indemnify the victims of Quaestor and Hungarian Securities Ltd.) contributions are recognized on the Other administrative expenses line of the accounting income statement, and are presented on the financial transaction tax and/or Special tax on financial institutions line the in the adjusted P&L structure (due to the tax deductibility).
- In case of OTP Banka Slovensko and OTP Bank Romania the total revaluation result of intra-group swap deals – earlier booked partly within the net interest income, but also on the Foreign exchange gains and Net other non-interest result lines within total Other non-interest income – is presented on a net base on the net interest income line.
- Due to the introduction of IFRS 16 from 2019, certain items previously presented on the Other non-interest expenses line (rental fees) were moved to the interest expenses and depreciation lines in the accounting income statement. These items were shifted back to the Other non-interest expenses line in the adjusted P&L structure.
- Staring from 2020 the currency exchange result was shifted in the accounting P&L structure from the FX result to the net fees and commissions line, retroactively for the 2019 base period as well. In the adjusted P&L structure this
- Performance indicators (such as cost/income ratio, net interest margin, risk cost to average gross loans as well as ROA and ROE ratios etc.) presented in this report are calculated on the basis of the adjusted profit and loss statement excluding adjustment items (unless otherwise indicated).
- Within the report, FX-adjusted statistics for business volume developments and their product breakdown, as well as the FX-adjusted stock of allowances for loan losses are disclosed, too. For FX adjustment, the closing cross currency rates for the current period were used to calculate the HUF equivalent of loan and deposit volumes in the base periods. Thus the FX-adjusted volumes will be different from those published earlier. Regarding the FX-adjusted volume change of DPD90+ loans (adjusted for sales and write-offs), instead of the previously applied 3Q 2009 FX rates, from 4Q 2020 onwards the actual end of period FX rates are used for calculating the FX-adjusted figures.

Adjustments affecting the balance sheet:

- On 17 February 2020 OTP Bank announced the signing of the sale agreement of its Slovakian subsidiary. According to IFRS 5 the Slovakian bank was presented as a discontinued operation in the consolidated income statement and balance sheet. With regards to the consolidated accounting balance sheet, all assets and liabilities of the Slovakian bank was shown on one-one line of the 2019 and 9M 2020 balance sheet (there was no change in the 2018 closing balance sheet structure, whereas by the end of 4Q 2020 the Slovakian entity was deconsolidated). As for the consolidated accounting income statement, the Slovakian contribution for 2018, 2019 and 2020 (in 2020 the January-October contribution was consolidated) was shown separately from the result of continued operation, on the Loss from discontinued operation line, i.e. the particular P&L lines in the 'continuing operations' section of the accounting P&L don't incorporate the contribution from the Slovakian subsidiary. As opposed to this, the adjusted financial statements presented in the Stock Exchange Report incorporated the Slovakian banks' balance sheet and P&L contribution in the relevant respective lines, in line with the structure of the financial statements monitored by the management.

- At the end of 2020, OTP Osiguranje d.d. was presented as asset classified as held for sale in the accounting financial statements. Accordingly, its assets and liabilities were shown on a separate line in the consolidated balance sheet. Regarding the 2020 accounting statement of recognized income, the entity's annual result was presented on the Gains from held for trading operations line, therefore the particular P&L lines in the 'continuing operations' section of the accounting P&L don't incorporate the contribution from this entity. As opposed to this, the adjusted financial statements presented in the Stock Exchange Report incorporated the company's balance sheet and P&L contribution in the relevant respective lines, in line with the structure of the financial statements monitored by the management.
- Finance lease receivables – earlier presented within customer loans – are shown on a separate line in the accounting balance sheet from 2019. As for the adjusted balance sheet, net customer loans continue to include the stock of finance lease receivables.
- In the adjusted balance sheets presented in the analytical section of the report, the total amount of accrued interest receivables related to Stage 3 loans under IFRS 9 were netted with the provisions created in relation to the total exposure toward those particular clients, in case of the affected Group members. Therefore, this adjustment made on the accounting balance sheet has an impact on the consolidated gross customer loans and allowances for loan losses.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Adjustments on the Consolidated Statement of Profit or Loss (IFRS):

	2020 HUF million	2019 HUF million
Net interest income	**782,671**	**699,041**
(-) Revaluation result of FX provisions	(57)	30
(+) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian and Slovakian operations	337	76
(-) Netting of interest revenues on DPD90+ loans with the related provision (booked on the Provision for loan losses line) at OTP Core and CKB	5,951	3,135
(-) Effect of acquisitions	(600)	1,583
(-) Initial NPV gain on the monetary policy interest rate swap (MIRS) deals	0	0
(-) Reclassification due to the introduction of IFRS 16	(1,623)	(1,652)
(-) Netting of the interest subsidy repaid by OTP Mortgage Bank to the State by the already created other provision for that purpose (and other related items) in 3Q 2019	0	(1,535)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	8,755	10,733
(-) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	15	
(-) Adjustment in 2019 due to the reclassification of amounts related to mandatorily measured at fair value through profit or loss		1,992
Net interest income (adj.)	**788,079**	**706,298**
Net fees and commissions	**397,633**	**374,180**
(+) Financial Transaction Tax	(61,588)	(61,920)
(-) Effect of acquisitions	(145)	(42)
(+) Shifting of certain cash transfers to public benefit organisations to the Net fees and commissions line	0	0
(-) Netting of the interest subsidy repaid by OTP Mortgage Bank to the State by the already created other provision for that purpose (and other related items) in 3Q 2019	0	(30)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	3,210	3,906
(-) Structural shift of income from currency exchange from net fees to the FX result	46,290	33,736
Net fees and commissions (adj.)	**293,112**	**282,504**
Foreign exchange result	**7,864**	**5,734**
(-) Revaluation result of FX positions hedging the revaluation of FX provisions	11,195	(5,166)
(-) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian and Slovakian operations	(1,964)	(477)
(-) Effect of acquisitions	0	1
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	3	66
(+) Structural shift of income from currency exchange from net fees to the FX result	46,290	33,736
Foreign exchange result (adj.)	**44,927**	**45,177**
Gain/loss on securities, net	**16,106**	**11,611**
(-) Shifting of Non-trading securities mandatorily at fair value through profit or loss line to Net other non-interest income from 1Q 2019 until 4Q 2019	-	1,914
(-) Effect of acquisitions	(98)	
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	349	
Gain/loss on securities, net (adj.) with one-offs	**16,553**	**9,697**
(-) Revaluation result of the treasury share swap agreement (booked as Gain on securities, net [adj.] at OTP Core)	2,360	(2,675)
Gain/loss on securities, net (adj.) without one-offs	**14,193**	**12,373**
Result of discontinued operation and gains from disposal of subsidiaries classified as held for sale	**5,590**	**(4,668)**
(-) Effect of acquisitions	7,496	(6,037)
Result of discontinued operation and gains from disposal of subsidiaries classified as held for sale (adj.)	**(1,907)**	**1,369**
Gains and losses on real estate transactions	**3,631**	**8,231**
Result of discontinued operation and gains from disposal of subsidiaries classified as held for sale (adj.)	**(1,907)**	**1,369**
(+) Other non-interest income	**29,109**	**102,015**
(+) Gains and losses on derivative instruments	**11,339**	**1,048**
(+) Net insurance result	**721**	**849**
(+) Losses on loans measured mandatorily at fair value through other comprehensive income and on securities at amortized cost	**(2,396)**	**(849)**
(-) Received cash transfers	65	174
(+) Other other non-interest expenses	(5,800)	(6,778)
(+) Change in shareholders' equity of companies consolidated with equity method, and the change in the net asset value of the private equity funds managed by PortfoLion	128	1,862
(-) Investment impairment in relation to the sale of Express Life Bulgaria (presented on the Goodwill/investment impairment charges adjustment line on consolidated level)	0	(163)
(-) Effect of acquisitions	7,264	79,538
(-) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian and Slovakian operations	2,301	553
(-) One-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	(226)	(277)
(-) Impact of fines imposed by the Hungarian Competition Authority	823	0
(-) Netting of refunds related to legal cases (accounted for on the Net other non-interest result line) with the release of provisions created earlier for these cases (accounted for on the Other provisions line) from 1Q 2017 at OTP Bank Romania	(216)	(483)

Adjustments on the Consolidated Statement of Profit or Loss (IFRS) – continued	2020 HUF million	2019 HUF million
(+) Shifting of Non-trading securities mandatorily at fair value through profit or loss line to Net other non-interest income from 1Q 2019 until 4Q 2019	–	1,914
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	3,149	(1,072)
(–) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	(1,646)	
(+) Adjustment in 2019 due to the reclassification of amounts related to mandatorily measured at fair value through profit or loss		2,131
Net other non-interest result (adj.) with one-offs	**29,610**	**31,376**
(–) Gain on the repurchase of own Upper and Lower Tier2 Capital (booked as Net other non-interest result [adj.] at OTP Core and at the Corporate Centre)	0	0
Net other non-interest result (adj.) without one-offs	**29,610**	**31,376**
Provision for impairment on loan and placement losses	**(200,315)**	**(44,605)**
(+) Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	**(3,262)**	**(4,376)**
(+) Loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost	**(7,309)**	**9**
(+) Provision for commitments and guarantees given	**(8,662)**	**(7,995)**
(+) Impairment of assets subject to operating lease and of investment properties	**877**	**280**
(+) Non-interest income from the release of pre-acquisition provisions	–	–
(–) Revaluation result of FX provisions	(10,997)	5,176
(–) One-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	459	263
(+) Netting of interest revenues on DPD90+ loans with the related provision (booked on the Provision for loan losses line) at OTP Core and CKB	5,951	3,135
(–) Effect of acquisitions	(2,149)	(19,868)
(–) One-off impact of regulatory changes related to FX consumer contracts in Serbia	0	(2,127)
(–) Structural correction between Provision for loan losses and Other provisions	(15,094)	(7,705)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	(3,024)	(46)
(–) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	(29,543)	
(–) Adjustment in 2019 due to the reclassification of amounts related to mandatorily measured at fair value through profit or loss	–	139
Provision for impairment on loan and placement losses (adj.)	**(158,421)**	**(29,474)**
Dividend income	**527**	**7,955**
(+) Received cash transfers	65	174
(+) Paid cash transfers	(12,768)	(13,195)
(–) Sponsorships, subsidies and cash transfers to public benefit organisations	(12,508)	(13,139)
(–) Dividend income of swap counterparty shares kept under the treasury share swap agreement	0	5,710
(–) Change in shareholders' equity of companies consolidated with equity method, and the change in the net asset value of the private equity funds managed by PortfoLion	128	1,862
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	8	3
After tax dividends and net cash transfers	**213**	**505**
Depreciation and goodwill impairment charges	**(92,762)**	**(81,935)**
(–) Goodwill impairment charges	0	(4,887)
(–) Effect of acquisitions	(7,415)	(7,881)
(–) Reclassification due to the introduction of IFRS 16	(16,447)	(14,280)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	(1,385)	(1,495)
Depreciation (adj.)	**(70,286)**	**(56,383)**
Personnel expenses	**(308,643)**	**(276,755)**
(–) Effect of acquisitions	(2,785)	(3,777)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	(6,638)	(7,024)
Personnel expenses (adj.)	**(312,495)**	**(280,002)**
Income taxes	**(27,376)**	**(49,902)**
(–) Corporate tax impact of goodwill/investment impairment charges	886	(3,378)
(–) Corporate tax impact of the special tax on financial institutions	1,773	1,623
(+) Tax deductible transfers (offset against corporate taxes)	(8,083)	(3,802)
(–) Corporate tax impact of the effect of fines imposed by the Hungarian Competition Authority	(74)	0
(–) Corporate tax impact of the effect of acquisitions	497	(5,713)
(–) Corporate tax impact of the one-off impact of regulatory changes related to FX consumer contracts in Serbia	0	483
(–) Netting of the interest subsidy repaid by OTP Mortgage Bank to the State by the already created other provision for that purpose (and other related items) in 3Q 2019 (corporate tax impact)	0	146
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	(80)	(56)
(–) Corporate tax impact of the expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	2,913	
Corporate income tax (adj.)	**(41,534)**	**(46,921)**

Adjustments on the Consolidated Statement of Profit or Loss (IFRS) – continued	2020 HUF million	2019 HUF million
Other operating expense	**(39,447)**	**(44,758)**
(-) Other costs and expenses	(7,506)	(9,172)
(-) Other non-interest expenses	(18,568)	(19,973)
(-) Effect of acquisitions	1,022	(7,575)
(-) Revaluation result of FX provisions	(141)	(40)
(-) One-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	(233)	14
(-) Netting of refunds related to legal cases (accounted for on the Net other non-interest result line) with the release of provisions created earlier for these cases (accounted for on the Other provisions line) from 1Q 2017 at OTP Bank Romania	216	483
(-) Netting of the interest subsidy repaid by OTP Mortgage Bank to the State by the already created other provision for that purpose (and other related items) in 3Q 2019	0	1,420
(+) Structural correction between Provision for loan losses and Other provisions	(15,094)	(7,705)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	(243)	(12)
(-) Expected one-off negative effect of the debt repayment moratorium in Hungary and Serbia	0	
Other provisions (adj.)	**(29,574)**	**(17,633)**

Other general expenses	**(306,263)**	**(282,528)**
(+) Other costs and expenses	(7,506)	(9,172)
(+) Other non-interest expenses	(18,568)	(19,973)
(-) Paid cash transfers	(12,768)	(13,195)
(+) Film subsidies and cash transfers to public benefit organisations	(12,508)	(13,139)
(-) Shifting of certain cash transfers to public benefit organisations to the Net fees and commissions line	0	0
(-) Other other non-interest expenses	(5,800)	(6,778)
(-) Special tax on financial institutions (recognised as other administrative expenses)	(19,138)	(17,792)
(-) Tax deductible transfers (offset against corporate taxes)	(8,083)	(3,802)
(-) Financial Transaction Tax	(61,588)	(61,920)
(-) Effect of acquisitions	(9,940)	(10,963)
(+) Reclassification due to the introduction of IFRS 16	(18,069)	(15,933)
(+) Presentation of the contribution from discontinued operation on the adjusted P&L lines	(4,105)	(5,003)
Other non-interest expenses (adj.)	**(249,702)**	**(231,298)**

Adjustments of Consolidated IFRS Balance Sheet Lines:

	2020 HUF million	2019 HUF million
Cash, amounts due from Banks and balances with the National Banks	**2,432,312**	**1,784,378**
(+) Allocation of Assets classified as held for sale among balance sheet lines	3	57,586
Cash, amounts due from Banks and balances with the National Banks (adjusted)	**2,432,314**	**1,841,963**
Placements with other banks, net of allowance for placement losses (including net repo receivables in 2019)	**1,148,744**	**410,078**
(+) Allocation of Assets classified as held for sale among balance sheet lines	244	354
Placements with other banks, net of allowance for placement losses (adjusted)	**1,148,987**	**410,433**
Financial assets at fair value through profit or loss	**234,006**	**251,991**
(+) Allocation of Assets classified as held for sale among balance sheet lines	1,188	
Financial assets at fair value through profit or loss (adjusted)	**235,194**	**251,991**
Securities at fair value through other comprehensive income	**2,136,709**	**2,426,779**
(+) Allocation of Assets classified as held for sale among balance sheet lines	3,410	759
Securities at fair value through other comprehensive income (adjusted)	**2,140,118**	**2,427,537**
Gross customer loans (incl. loans at amortized cost and loans mandatorily at fair value through profit or loss) (incl. accrued interest receivables related to loans)	**13,326,189**	**11,603,116**
Gross finance lease receivables	**1,075,742**	**982,853**
Gross customer loans (incl. finance lease receivables and accrued interest receivables related to loans)	**14,401,930**	**12,585,969**
(-) Accrued interest receivables related to DPD90+/Stage 3 loans	38,650	35,450
(+) Allocation of Assets classified as held for sale among balance sheet lines	0	391,490
Gross customer loans (adjusted)	**14,363,281**	**12,942,009**
Allowances for loan losses (incl. impairment of finance lease receivables)	**(873,344)**	**(706,907)**
(-) Allocated provision on accrued interest receivables related to DPD90+/Stage 3 loans	(38,650)	(35,450)
(+) Allocation of Assets classified as held for sale among balance sheet lines	0	(23,033)
Allowances for loan losses (adjusted)	**(834,695)**	**(694,490)**
Securities at amortized costs	**2,624,921**	**1,968,072**
(+) Allocation of Assets classified as held for sale among balance sheet lines	1,031	27,555
Securities at amortized costs (adjusted)	**2,625,952**	**1,995,627**
Tangible and intangible assets, net	**589,743**	**595,128**
(+) Allocation of Assets classified as held for sale among balance sheet lines	135	10,545
Tangible and intangible assets, net (adjusted)	**589,878**	**605,673**
Other assets (including net repo receivables in 2020)	**588,378**	**785,456**
(+) Allocation of Assets classified as held for sale among balance sheet lines	(6,010)	(465,255)
Other assets (adjusted)	**582,368**	**320,201**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks, and Financial liabilities designated at fair value through profit or loss (including repo liabilities in 2019)	**1,219,446**	**844,261**
(+) Allocation of Liabilities directly associated with assets classified as held for sale among balance sheet lines	0	1,898
Amounts due to banks, the National Governments, deposits from the National Banks and other banks, and Financial liabilities designated at fair value through profit or loss (adjusted)	**1,219,446**	**846,158**
Deposits from customers	**17,890,863**	**15,171,308**
(+) Allocation of Liabilities directly associated with assets classified as held for sale among balance sheet lines	0	351,346
Deposits from customers (adjusted)	**17,890,863**	**15,522,654**
Other liabilities (including repo liabilities in 2020)	**949,502**	**1,171,805**
(+) Allocation of Liabilities directly associated with assets classified as held for sale among balance sheet lines	0	(353,244)
Other liabilities (adjusted)	**949,502**	**818,561**
Subordinated bonds and loans	**274,704**	**249,938**
(+) Allocation of Liabilities directly associated with assets classified as held for sale among balance sheet lines	0	
Subordinated bonds and loans (adjusted)	**274,704**	**249,938**

Statement of Profit or Loss of OTP Bank Plc., according to IFRS standards as adopted by the european union (separate)*:

	2020 HUF million	2019 HUF million	Change %
NET INTEREST INCOME	**221,666**	**204,512**	**8**
Interest incomes and similar to interest incomes	**321,296**	**323,896**	**(1)**
Interest expenses total	**(99,630)**	**(119,384)**	**(17)**
Risk cost total	**(66,765)**	**(39,881)**	**67**
Loss allowance on loan, placement and repo receivables losses	(61,310)	(29,056)	111
Loss allowance/(Release of loss allowance) on securities at fair value through other comprehensive income and on securities at amortised cost	(1,848)	401	(561)
Provision for loan commitments and financial guarantees given	(3,202)	(5,794)	(45)
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	(405)	(5,432)	(93)
NET INTEREST INCOME AFTER RISK COST	**154,901**	**164,631**	**(6)**
MODIFICATION LOSS	**(17,358)**	**–**	
NET PROFIT FROM FEES AND COMMISSIONS	**219,031**	**213,363**	**3**
Income from fees and commissions	**259,781**	**248,954**	**4**
Expenses from fees and commissions	**(40,750)**	**(35,591)**	**14**
NET OPERATING INCOME	**60,632**	**130,358**	**(53)**
Foreign exchange (losses) and gains	(4,518)	3,288	(237)
Gains on securities, net	17,955	8,188	119
from this: gain from derecognition of securities at amortised cost	360	714	(50)
Gains on financial instruments at fair value through profit or loss	(671)	1,260	(153)
Gains on deivative instruments, net	7,057	4,715	50
Dividend income	60,973	78,887	(23)
Other operating income	7,900	7,505	5
Other operating expenses	(28,064)	26,515	(206)
OTHER ADMINISTRATIVE EXPENSES	**(323,960)**	**(305,158)**	**6**
Personnel expenses	(118,498)	(115,035)	3
Depreciation and amortization	(38,948)	(29,925)	30
Other general expenses	(166,514)	(160,198)	4
PROFIT BEFORE INCOME TAX	**93,246**	**203,194**	**(54)**
Income tax	(772)	(9,840)	(92)
NET PROFIT FOR THE YEAR	**92,474**	**193,354**	**(52)**

* The rows of the table are based on audited numbers, but the structure of the table can differ from the IFRS financial statements presented in the Annual Report (certain rows might be merged or represent different level of aggregation).

Statement of Financial Position of OTP Bank Plc., according to IFRS standards as adopted by the European Union (separate)*:

	2020 HUF million	2019 HUF million	Change %
Cash, amounts due from banks and balances with the National Bank of Hungary	579,120	289,686	100
Placements with other banks, net of allowance for placement losses	1,535,884	1,560,142	(2)
Repo receivables	183,364	45,539	303
Financial assets at fair value through profit or loss	160,483	172,229	(7)
Financial assets at fair value through other comprehensive income	911,950	1,485,977	(39)
Securities at amortised cost	2,007,692	1,447,224	39
Loans at amortised cost and mandatorily measured at fair value through profit or loss	3,898,697	3,315,069	18
Investments in subsidiaries	1,548,972	1,542,538	0
Property and equipment	77,974	77,754	0
Intangible assets	57,639	53,282	8
Right of use assets	13,479	13,607	(1)
Investments properties	1,936	2,381	(19)
Current tax assets	593	-	
Derivative financial assets designated as hedge accounting relationships	6,817	16,677	(59)
Other assets	169,794	116,699	45
TOTAL ASSETS	**11,154,394**	**10,138,804**	**10**
Amounts due to banks and deposits from the National Bank of Hungary and other banks	766,977	738,054	4
Repo liabilities	109,612	462,621	(76)
Deposits from customers	7,895,735	6,573,550	20
Leasing liabilities	14,106	13,660	3
Liabilities from issued securities	28,435	43,284	(34)
Financial liabilities at fair value through profit or loss	25,902	28,861	(10)
Derivative financial liabilities designated as held for trading	99,987	83,088	20
Derivative financial liabilities designated as hedge accounting relationships	3,104	10,023	(69)
Deferred tax liabilities	3,062	5,875	(48)
Current tax liabilities	-	2,896	
Other liabilities	224,897	243,780	(8)
Subordinated bonds and loans	304,243	279,394	9
TOTAL LIABILITIES	**9,476,060**	**8,485,086**	**12**
Share capital	28,000	28,000	0
Retained earnings and reserves	1,697,133	1,628,354	4
Treasury shares	(46,799)	(2,636)	
TOTAL SHAREHOLDERS' EQUITY	**1,678,334**	**1,653,718**	**1**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**11,154,394**	**10,138,804**	**10**

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Statement of Profit or Loss of OTP Bank Plc., according to IFRS standards as adopted by the European Union (consolidated)*:

	2020 HUF million	2019 HUF million	Change %
CONTINUING OPERATIONS			
Interest income calculated using the effective interest method	841,901	762,639	10
Income similar to interest income	135,986	133,497	2
Interest incomes	977,887	896,136	9
Interest expenses	(195,216)	(197,095)	(1)
NET INTEREST INCOME	**782,671**	**699,041**	**12**
Risk cost total	**(218,670)**	**(56,687)**	**286**
Loss allowance/Release of loss allowance on loans, placements and repo receivables	(200,315)	(44,605)	349
Loss allowance/Release of loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost	(3,262)	(4,376)	(25)
Loss allowance/Release of loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost	(7,309)	9	
Provision for commitments and guarantees given	(8,662)	(7,995)	8
Impairment/(Release of impairment) of assets subject to operating lease and of investment properties	878	280	214
NET INTEREST INCOME AFTER LOSS ALLOWANCE, IMPAIRMENT AND PROVISIONS	**564,001**	**642,354**	**(12)**
Income from fees and commissions	486,529	447,084	9
Expense from fees and commissions	(88,896)	(72,903)	22
Net profit from fees and commissions	**397,633**	**374,181**	**6**
Foreign exchange gains/losses, net	19,204	6,782	183
Foreign exchange result	7,864	5,734	37
Gains and losses on derivative instruments	11,339	1,048	982
Gains/Losses on securities, net	16,106	11,611	39
Gains/Losses on financial assets/liabilities measured at fair value through profit or loss	(2,396)	(849)	182
Dividend income and gain/loss from associated companies	527	7,955	(93)
Other operating income	33,461	111,093	(70)
Gains and losses on real estate transactions	3,631	8,231	(56)
Other non-interest income	29,109	102,015	(71)
Net insurance result	721	849	(15)
Other operating expense	(39,447)	(44,758)	(12)
Net operating income	**27,455**	**91,834**	**(70)**
Personnel expenses	(308,642)	(276,754)	12
Depreciation and amortization	(92,761)	(77,048)	20
Goodwill impairment	0	(4,887)	(100)
Other general expenses	(306,264)	(282,528)	8
Other administrative expenses	**(707,667)**	**(641,217)**	**10**
PROFIT BEFORE INCOME TAX	**281,422**	**467,152**	**(40)**
Income tax expense	(27,376)	(49,902)	(45)
NET PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	**254,046**	**417,250**	**(39)**
From this, attributable to:			
Non-controlling interest	220	341	(35)
Owners of the company	253,826	416,909	(39)
DISCONTINUED OPERATIONS			
Gains from disposal of subsidiaries classified as held for sale	199	0	
Loss from discontinued operation	5,391	(4,668)	(215)
PROFIT FROM CONTINUING AND DISCOUNTINUED OPERATION	**259,636**	**412,582**	**(37)**

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Statement of Financial Position of OTP Bank Plc., according to IFRS standards as adopted by the European Union (consolidated)*:

	2020 HUF million	2019 HUF million	Change %
Cash, amounts due from banks and balances with the National Banks	2,432,312	1,784,378	36
Placements with other banks, net of loss allowance for placements	1,148,743	342,922	235
Repo receivables	190,849	67,157	184
Financial assets at fair value through profit or loss	234,007	251,990	(7)
Securities at fair value through other comprehensive income	2,136,709	2,426,779	(12)
Loans at amortized cost and mandatorily at fair value through profit or loss	12,477,447	10,909,799	14
Finance lease receivables	1,051,140	969,263	8
Associates and other investments	52,443	20,822	152
Securities at amortized cost	2,624,920	1,968,072	33
Property and equipment	322,766	320,430	1
Intangible assets and goodwill	239,004	242,219	(1)
Right-of-use assets	46,283	52,950	(13)
Investment properties	38,601	41,560	(7)
Derivative financial assets designated as hedge accounting	6,820	7,463	(9)
Deferred tax assets	22,317	26,543	(16)
Current income tax receivable	38,936	12,769	205
Other assets	266,474	214,580	24
Assets classified as held for sale	6,070	462,071	(99)
TOTAL ASSETS	**23,335,841**	**20,121,767**	**16**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	1,185,315	812,911	46
Repo liabilities	117,991	488	
Financial liabilities at fair value through profit or loss	34,131	30,862	11
Deposits from customers	17,890,863	15,171,308	18
Liabilities from issued securities	464,213	393,167	18
Derivative financial liabilities held for trading	104,823	86,743	21
Derivative financial liabilities designated as hedge accounting	11,341	10,709	6
Leasing liabilities	48,451	54,194	(11)
Deferred tax liabilities	25,990	29,195	(11)
Current income tax payable	27,684	35,928	(23)
Other liabilities	607,737	592,540	3
Subordinated bonds and loans	274,704	249,938	10
Liabilities directly associated with assets classified as held for sale	5,486	362,496	(98)
TOTAL LIABILITIES	**20,798,729**	**17,830,479**	**17**
Share capital	28,000	28,000	0
Retained earnings and reserves	2,629,076	2,319,263	13
Treasury shares	(124,080)	(60,931)	104
Non-controlling interest	4,116	4,956	(17)
TOTAL SHAREHOLDERS' EQUITY	**2,537,112**	**2,291,288**	**11**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**23,335,841**	**20,121,767**	**16**

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