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This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of OTP Bank Nyrt.

Report on the audit of the separate financial statements

Opinion

We have audited the accompanying 2021 separate financial statements of OTP Bank Nyrt. ("the Company") included in the accompanying Nem_konsz_IFRS_beszamolo_20211231_hun03.11.xhtml[1] digital file, which comprise the separate statement of financial position as at 31 December 2021 - showing a balance sheet total of HUF 13,710,471 million and a total comprehensive income for the year of HUF 87,935 million -, the related separate profit or loss, separate statement of comprehensive income, separate statement of changes in equity, separate statement of cash flows for the year then ended and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion the separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2021 and of its financial performance and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRSs") and have been prepared, in all materials respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Hungarian Accounting Law") relevant for separate financial statements prepared in accordance with EU IFRSs.

Basis for opinion

We conducted our audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the separate financial statements" section of our report.

[1] Digital identification of the above referred Nem_konsz_IFRS_beszamolo_20211231_hun03.11.xhtml separate financial statements, using SHA 256 HASH algorithm is 7B70D0042C4F288106C404CF838A2307C84AF2D88D6DE5A53C3599286E52C4ED

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We are independent of the Company in accordance with the applicable ethical requirements according to relevant laws in effect in Hungary and the policy of the Chamber of Hungarian Auditors on the ethical rules and disciplinary proceedings and, concerning matters not regulated by any of these, with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Note 47 of notes to the separate financial statements, which describes the risk and potential impact of the Ukrainian-Russian conflicts on the Company and the entire OTP Group's operation in Ukraine and Russia. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the separate financial statements section" of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying separate financial statements.

<u>Determination of expected credit losses relating to loans at amortised cost</u>

Material misstatements due to fraudulent financial reporting often result from understatement of expected credit losses. Credit impairment is a highly subjective area due to the level of judgement	We involved valuation specialists to assist us in performing our audit procedures on ECL and related credit impairments. Our audit procedures included among others the following procedures.

applied by management in determining expected credit losses ("ECL"). The identification of impairment and the determination of the recoverable amount are an inherently uncertain process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, and expected net selling prices of collaterals. The portfolios which give rise to the greatest uncertainty are typically those where impairments are derived from estimates of future cash flows and realizable value of collateral, calculated using collective impairment models, are unsecured or are subject to potential collateral shortfalls. These models require the significant periodic judgment of management regarding correct segmentation, the identification of significant changes in credit risk, the inclusion of forward-looking elements as well as the application of management overlay to reflect on circumstances beyond the modelling capabilities.

Due to the significance of loans at amortised cost (representing 29% of Total Assets as of 31 December 2021) and the related estimation uncertainty, this is considered a key audit matter.

We assessed the design and tested the operating effectiveness of internal controls over the approval, recording and monitoring of loans at amortized cost and controls over ECL calculations including the quality of underlying data and applications. We assessed the controls over the general IT environment of the applications relevant from audit perspective related to the determination of ECL.

For ECL calculated on an individual basis, we tested the assumptions used by the management underlying the impairment identification and quantification focusing on loan cases with the most significant potential impact on the separate financial statements. We also assessed the management's assumptions on the expected future cash flows, including the value of realisable collateral and estimates of recovery on default based on our own understanding and available market information.

For ECL calculated on collective basis we evaluated the model governance, methodologies, inputs and management assumptions used (probability of default, loss given default, significant changes in credit risk and forward-looking elements).

We considered the regulatory measures on the assumptions applied by the Company for ECL estimation purposes.

We also assessed whether the disclosures in the separate financial statements appropriately reflect the Company's exposure to credit risk and are compliant with the EU IFRSs.

The Company's disclosures about its risk management policies are included in Note 2.12 and 36.1 Credit risk which specifically explains the key assumptions used when determining credit risk and their evaluation are detailed in Note 11 Loans and Note 30 Risk cost.

General Information Technology controls over the financial reporting process

A significant part of the Company's financial reporting process, including revenue recognition is significantly reliant on IT systems with embedded automated processes and controls over the capture, storage and extraction of information. A fundamental component of these processes and controls is ensuring appropriate user access and change management protocols exist and are being adhered to.

These protocols are important because they ensure that access and changes to IT systems and related data are made and authorized in an appropriate manner.

As our audit of the financial statements sought to place a high level of reliance on IT systems and application controls related to financial reporting, a high proportion of the overall audit effort has been carried out regarding to understand and test IT infrastructure and applications including relevant application controls. Furthermore, the complexity of IT systems and nature of application controls requires special technology expertise and specialized skills to be involved in the audit we therefore consider this as a key audit matter.

We focused our audit on those IT systems and controls that are significant for the Company's financial reporting. As audit procedures over the IT systems and application controls require specific expertise, we involved IT audit specialists to assist us in performing our audit procedures. Our audit procedures included among others the following procedures.

We understood and assessed the overall IT control environment and the controls in place which included controls over access to systems and data, as well as system changes. We adjusted our audit approach based on the financial significance of the system and whether there were automated procedures supported by that system.

As part of our audit procedures we tested the operating effectiveness of controls over appropriate access rights to assess whether only appropriate users had the ability to create, modify or delete user accounts for the relevant in-scope applications. We also tested the operating effectiveness of controls around system development and program changes to establish that changes to the system were appropriately authorized, developed and implemented. Additionally, we assessed and tested the design and operating effectiveness of the application controls embedded in the processes relevant to our audit.

jogosultság birtokában és megfelelően kerüljön sor.
Mivel könyvvizsgálatunk nagy mértékben kívánt támaszkodni a pénzügyi beszámoláshoz kapcsolódó informatikai rendszerekre és automatizált kontrollokra, a könyvvizsgálati munka jelentős részét erre a területre koncentráltuk, az IT rendszerek összetettsége és az automatizált kontrollok jellege pedig speciális szakértelmet igényelt. Mindezek alapján ezt a területet a könyvvizsgálat szempontjából kulcsfontosságú kérdésnek minősítjük.

Könyvvizsgálati eljárásaink részeként ellenőriztük a jogosultságok feletti ellenőrzés hatékonyságát és meggyőződtünk arról, hogy a vizsgált alkalmazásokban kizárólag megfelelő jogosultsággal rendelkező felhasználók tudnak felhasználói profilokat létrehozni, módosítani vagy törölni. A rendszerfejlesztéssel és programváltoztatással kapcsolatos kontrollok hatékonyságát is ellenőriztük, hogy meggyőződhessünk a rendszerben eszközölt változások jóváhagyásának, kifejlesztésének és bevezetésének megfelelőségéről. Ezen kívül a könyvvizsgálat szempontjából fontos folyamatokba épített automatizált kontrollok kialakítását és működésük hatékonyságát is ellenőriztük. A Társaság közzététele az informatikai rendszerekről, valamint a kapcsolódó kontroll környezetről az üzleti jelentés Belső kontrollok rendszere és IT kontrollok pontjában található.

Egyéb kérdések

A Társaság 2020-i évi egyedi pénzügyi kimutatásait más könyvvizsgáló auditálta, aki arról 2021. március 17-én korlátozás nélküli véleményt bocsátott ki.

A Társaság vezetése felelős a Bizottság (EU) 2019/815. (2018. december 17.) rendelete („ESEF-rendelet") 3. cikkében meghatározott követelményeknek megfelelő formátumú egyedi pénzügyi kimutatások prezentálásáért. Az elvégzett könyvvizsgálatunk az egyedi pénzügyi kimutatásokat tartalmazó - jelentésünkben elektronikusan azonosított - digitális fájl ember által olvasható tartalmára terjedt ki, könyvvizsgálatunk hatóköre nem terjedt ki annak vizsgálatára és ennek megfelelően nem mondunk véleményt arról, hogy a digitalizált információ minden lényeges szempontból megfelel-e az ESEF-rendelet követelményeinek.

In our opinion, the business report of the Company, including the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law for 2021 is consistent, in all material respects, with the 2021 separate financial statements of the Company and the relevant requirements of the Hungarian Accounting Law.

Since no other legal regulations prescribe for the Company further requirements with regard to its business report, we do not express opinion in this regard.

We also confirm that the Company have made available the information required according to Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law and that the business report includes the non-financial statement as required by Section 95/C of the Hungarian Accounting Law.

Further to the above, based on the knowledge we have obtained about the Company and its environment in the course of the audit we are required to report whether we have identified any material misstatement in the business report, and if so, the nature of the misstatement in question. We have nothing to report in this regard.

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

Responsibilities of management and those charged with governance for the separate financial statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with EU IFRSs and for the preparation in accordance with the supplementary requirements of the Hungarian Accounting Law relevant for separate financial statements prepared in accordance with EU IFRSs, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ► Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ► Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ► Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ► Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ► Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters.

Report on other legal and regulatory requirements

Reporting requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014:

Appointment and Approval of Auditor

We were appointed as the statutory auditor of the Company by the General Assembly of Shareholders of the Company on 16 April 2021. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for one year.

Consistency with Additional Report to Audit Committee

Our audit opinion on the separate financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued in accordance with Article 11 of the Regulation (EU) No. 537/2014 on the same date as the date of this report.

Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 were provided by us to the Company and its controlled undertakings and we remained independent from the Company in conducting the audit.

In addition to statutory audit services and services disclosed in the business report and in the separate financial statements, no other services were provided by us to the Company and its controlled undertakings.

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The engagement partner on the audit resulting in this independent auditor's report is Kónya Zsolt.

Budapest, 17 March 2022

The original Hungarian version has been signed.

Kónya Zsolt
Engagement partner
Ernst & Young Kft.
1132 Budapest, Váci út 20.
Registration No. 001165

Nagyváradiné Szépfalvi Zsuzsanna
Registered auditor
Chamber membership No.: 005313

Statement of financial position
(separate, in accordance with IFRS, as at 31 December 2021, in HUF mn)

	Note	2021	2020 Reclassified
Cash, amounts due from banks and balances with the National Bank of Hungary	5	474,945	579,120
Placements with other banks, net of allowance for placement losses	6	2,567,212	1,535,884
Repo receivables	7	33,638	183,364
Financial assets at fair value through profit or loss	8	246,462	160,483
Financial assets at fair value through other comprehensive income	9	641,939	911,950
Securities at amortised cost	10	3,071,038	2,007,692
Loans at amortised cost	11	4,032,465	3,417,760
Loans mandatorily measured at fair value through profit or loss	11	662,012	480,937
Investments in subsidiaries	12	1,573,008	1,548,972
Property and equipment	13	81,817	77,974
Intangible assets	13	62,161	57,639
Right of use assets	35	17,231	13,479
Investment properties	14	4,328	1,936
Current tax assets	34	–	593
Derivative financial assets designated as hedge accounting relationships	15	17,727	6,817
Other assets	16	224,488	169,794
TOTAL ASSETS		**13,710,471**	**11,154,394**
Amounts due to banks and deposits from the National Bank of Hungary and other banks	17	1,051,203	766,977
Repo liabilities	18	86,580	109,612
Deposits from customers	19	9,948,532	7,895,735
Leasing liabilities	35	17,932	14,106
Liabilities from issued securities	20	22,153	28,435
Financial liabilities at fair value through profit or loss	21	20,133	25,902
Derivative financial liabilities designated as held for trading	22	192,261	99,987
Derivative financial liabilities designated as hedge accounting relationships	23	18,690	3,104
Deferred tax liabilities	34	1,507	3,062
Current tax liabilities	34	4,776	1,464
Provisions	24	21,527	19,906
Other liabilities	24	238,437	203,527
Subordinated bonds and loans	25	271,776	304,243
TOTAL LIABILITIES		**11,895,507**	**9,476,060**
Share capital	26	28,000	28,000
Retained earnings and reserves	27	1,845,836	1,697,133
Treasury shares	28	(58,872)	(46,799)
TOTAL SHAREHOLDERS' EQUITY		**1,814,964**	**1,678,334**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**13,710,471**	**11,154,394**

Budapest, 17 March 2022

The accompanying notes to separate financial statements on pages 138 to 247 form an integral part of these separate financial statements.

Statement of profit or loss

(separate, in accordance with IFRS, for the year ended 31 December 2021, in HUF mn)

	Note	2021	2020 Reclassified
Interest Income			
Interest income calculated using the effective interest method	29	302,373	239,633
Income similar to interest income	29	105,663	81,663
Interest income and similar to interest income total		**408,036**	**321,296**
Interest Expense			
Interest expenses total	**29**	**(155,491)**	**(99,630)**
NET INTEREST INCOME		**252,545**	**221,666**
Loss allowance on loan, placements and repo receivables losses	6, 7, 11, 30	(38,841)	(57,671)
Loss allowance on securities at fair value through other comprehensive income and on securities at amortised cost	9, 10, 30	(1,484)	(1,848)
Provision for loan commitments and financial guarantees given	24, 30	(130)	(3,202)
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	45.4	(16,255)	(405)
Risk cost total		**(56,710)**	**(63,126)**
NET INTEREST INCOME AFTER RISK COST		**195,835**	**158,540**
LOSSES ARISING FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST	**32**	**(2,700)**	**(3,279)**
MODIFICATION LOSS	**4**	**(7,017)**	**(17,358)**
Income from fees and commissions	31	300,803	259,781
Expenses from fees and commissions	31	(52,276)	(40,750)
NET PROFIT FROM FEES AND COMMISSIONS		**248,527**	**219,031**
Foreign exchange losses	32	(5,638)	(4,518)
Gains on securities, net	32	2,104	17,595
Losses on financial instruments at fair value through profit or loss	32	(6,494)	(671)
Gains on derivative instruments, net	32	3,436	7,057
Dividend income	32	99,037	60,973
Other operating income	33	11,265	7,900
Other operating expenses	33	(41,636)	(28,064)
NET OPERATING INCOME		**62,074**	**60,272**
Personnel expenses	33	(136,126)	(118,498)
Depreciation and amortization	33	(40,692)	(38,948)
Other administrative expenses	33	(178,611)	(154,165)
OTHER ADMINISTRATIVE EXPENSES		**(355,429)**	**(311,611)**
PROFIT BEFORE INCOME TAX		**141,290**	**105,595**
Income tax	**34**	**(15,951)**	**(13,121)**
NET PROFIT FOR THE YEAR		**125,339**	**92,474**
Earnings per share (in HUF)			
Basic	43	455	333
Diluted	43	455	333

Statement of comprehensive income

(separate, in accordance with IFRS, for the year ended 31 December 2021, in HUF mn)

	Note	2021	2020
NET PROFIT FOR THE YEAR		**125,339**	**92,474**
Items that may be reclassified subsequently to profit or loss			
Fair value adjustment of debt instruments at fair value through other comprehensive income		(37,163)	(14,459)
Deferred tax related to fair value adjustment of debt instruments at fair value through other comprehensive income	34	3,410	1,262
Gains/(Losses) on separated currency spread of financial instruments designated as hedging instrument		1,681	(1,526)
Deferred tax related to (losses)/gains on separated currency spread of financial instruments designated as hedging instrument	34	(151)	137
(Losses)/Gains on derivative financial instruments designated as cash-flow hedge		(6,307)	(296)
Deferred tax related to gains on derivative financial instruments designated as cash-flow hedge	34	-	27
Items that will not be reclassified to profit or loss			
Fair value adjustment of equity instruments at fair value through other comprehensive income		1,407	(3,275)
Deferred tax related to equity instruments at fair value through other comprehensive income	**34**	**(281)**	**310**
Total		**(37,404)**	**(17,820)**
TOTAL COMPREHENSIVE INCOME		**87,935**	**74,654**

The accompanying notes to separate financial statements on pages 138 to 247 form an integral part of these separate financial statements.

Statement of changes in shareholders' equity

(separate, in accordance with IFRS, for the year ended 31 December 2021, in HUF mn)

	Note	Share Capital	Capital reserve	Retained earnings and other reserves	Treasury Shares	Total
Balance as at 1 January 2020		**28,000**	**52**	**1,628,302**	**(2,636)**	**1,653,718**
Net profit for the period		–	–	92,474	–	92,474
Other comprehensive income		–	–	(17,820)	–	(17,820)
Total comprehensive income		**–**	**–**	**74,654**	**–**	**74,654**
Share-based payment	39	–	–	3,394	–	3,394
Payments to ICES holders		–	–	(4,853)	–	(4,853)
Sale of treasury shares	28	–	–	–	41,759	41,759
Acquisition of treasury shares	28	–	–	–	(85,922)	(85,922)
Loss on treasury shares	28	–	–	(4,416)	–	(4,416)
Other transaction with owners		**–**	**–**	**(5,875)**	**(44,163)**	**(50,038)**
Balance as at 31 December 2020		**28,000**	**52**	**1,697,081**	**(46,799)**	**1,678,334**
Balance as at 1 January 2021		**28,000**	**52**	**1,697,081**	**(46,799)**	**1,678,334**
Other modification		**–**	**–**	**1,034**	**–**	**1,034**
Balance as at 1 January 2021		**28,000**	**52**	**1,698,115**	**(46,799)**	**1,679,368**
Net profit for the period		–	–	125,339	–	125,339
Other comprehensive income		–	–	(37,404)	–	(37,404)
Total comprehensive income		**–**	**–**	**87,935**	**–**	**87,935**
Share-based payment	39	–	–	3,589	–	3,589
Payments to ICES holders		–	–	(3,734)	–	(3,734)
Increase due to termination of ICES bonds		–	–	75,422	–	75,422
Sale of treasury shares	28	–	–	–	264,360	264,360
Acquisition of treasury shares	28	–	–	–	(276,433)	(276,433)
Loss on sale of treasury shares	28	–	–	(15,543)	–	(15,543)
Other transaction with owners		**–**	**–**	**59,734**	**(12,073)**	**47,661**
Balance as at 31 December 2021		**28,000**	**52**	**1,845,784**	**(58,872)**	**1,814,964**

The accompanying notes to separate financial statements on pages 138 to 247 form an integral part of these separate financial statements.

Statement of cash-flows

(separate, in accordance with IFRS, for the year ended 31 December 2021, in HUF mn)

	Note	2021	2020
OPERATING ACTIVITIES			
Profit before income tax		**141,290**	**93,246**
Net accrued interest		(2,205)	(34,365)
Depreciation and amortization	13	40,784	38,997
Loss allowance on loans and placements	30	38,841	61,310
(Release of loss allowance)/Loss allowance on securities at fair value through other comprehensive income	9	(551)	3
Impairment loss on investments in subsidiaries	12	27,420	10,042
Loss allowance on securities at amortised cost	10	2,035	1,845
(Release of loss allowance)/Loss allowance on other assets	16	(961)	3,521
Provision on off-balance sheet commitments and contingent liabilities	24	1,473	3,110
Share-based payment	39	3,589	3,394
Unrealised losses/(gains) on fair value adjustment of financial instruments at fair value through profit or loss		23,051	3,549
Unrealised losses on fair value adjustment of derivative financial instruments		30,962	4,011
Gains on securities		6,212	(6,433)
Interest expense from leasing liabilities		(214)	(257)
Foreign exchange loss		35,136	(4,476)
Gains on sale of tangible and intangible assets		82	72
Net changing in assets and liabilities in operating activities			
Net (increase)/decrease in placements with other banks and repo receivables before allowance for placement losses	6	(879,438)	(78,996)
Changes in held for trading securities	8	(24,178)	34,976
Change in securities mandatorily measured at fair value through profit or loss	8	6,687	(7,278)
Changes in derivative financial instruments at fair value through profit or loss	8	(1,303)	2,895
Net increase in loans	11	(835,520)	(499,065)
Increase in other assets, excluding advances for investments and before provisions for losses	16	(49,201)	(43,471)
Net increase/(decrease) in amounts due to banks and deposits from the National Bank of Hungary and other banks and repo liabilities	17	224,661	(363,140)
Net decrease of financial liabilities designated as fair value through profit or loss	21	(1,853)	(4,219)
Net increase in deposits from customers	19	1,989,941	1,218,775
Increase/(decrease) in other liabilities	24	114,259	(17,368)
Net increase in the compulsory reserve established by the National Bank of Hungary	5	(23,270)	(10,978)
Dividend income	12	(99,037)	(60,913)
Income tax paid		(15,259)	(12,950)
Net cash provided by operating activities		**753,433**	**335,837**
INVESTING ACTIVITIES			
Purchase securities at fair value through other comprehensive income	9	(850,030)	(1,079,151)
Proceeds from sale of securities at fair value through other comprehensive income	9	1,081,372	1,652,131
Change in derivative financial instruments designated as hedge accounting		1,341	(190)
Increase in investments in subsidiaries	12	(51,456)	(32,961)
Decrease in investments in subsidiaries	12	–	16,485
Dividend income		98,091	60,913
Increase in securities at amortised cost	10	(1,253,830)	(680,089)
Redemption of securities at amortised cost	10	214,963	122,146
Additions to property, equipment and intangible assets	13	(46,081)	(68,885)
Disposal of property, equipment and intangible assets	13	529	29,433
Net (increase)/decrease in investment properties	14	(2,484)	396
Net (used in)/provided by cash investing activities		**(807,585)**	**20,228**
FINANCING ACTIVITIES			
Leasing payments		(5,136)	(4,590)
Cash received from issuance of securities	20	5,897	7,119
Cash used for redemption of issued securities	20	(9,051)	(22,096)
Increase in subordinated bonds and loans	25	1,874	773
Decrease in subordinated bonds and loans	25	(35,518)	(5,373)
Payments to ICES holders	27	(3,735)	(4,853)
Increase of Treasury shares	28	(276,433)	(85,923)
Decrease of Treasury shares	28	248,819	37,344
Dividends paid	27	(10)	(10)
Net cash used in financing activities		**(73,293)**	**(77,609)**
Net (decrease)/increase in cash and cash equivalents		**(127,445)**	**278,456**
Cash and cash equivalents at the beginning of the year		**503,087**	**224,631**
Cash and cash equivalents at the end of the year		**375,642**	**503,087**
Interest received		*345,504*	*306,646*
Interest paid		*98,395*	*88,237*

The accompanying notes to separate financial statements on pages 138 to 247 form an integral part of these separate financial statements.

NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

1.1 General information

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

The Bank's registered office address is 16 Nádor Street, H-1051 Budapest. Internet homepage: www.otpbank.hu

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

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

These financial statements are authorised for issue on 17 March 2022 by the Board of Directors.

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

Due to Hungarian legislation audit services are statutory for OTP Bank. Disclosure information about the auditor: Ernst & Young Audit Ltd. (001165), 20 Váci Street, H-1132 Budapest. Registered under 01-09-267553 by Budapest-Capital Regional Court, as registry court. Statutory registered auditor: Zsuzsanna Nagyváradiné Szépfalvi, registration number: 005313.

Audit service fee agreed by the Annual General Meeting of the Bank for the year ended 2021 is an amount of HUF 162 million + VAT.

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

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

The structure of the Share capital by shareholders:

	2021	2020
Domestic and foreign private and institutional investors	98%	97%
Employees	1%	1%
Treasury shares	1%	2%
Total	**100%**	**100%**

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

The Bank provides a full range of commercial banking services through a nationwide network of 356 branches in Hungary.

Number of the employees of the Bank:

	2021	2020
Number of employees	10,078	9,829
Average number of employees	9,934	9,654

1.2 Basis of accounting

These Separate Financial Statements were prepared based on the assumption of the Management that the Bank will remain in business for the foreseeable future. The Bank will not be forced to halt operations and liquidate its assets in the near term at what may be very low fire-sale prices.
The Bank maintains its accounting records and prepares their statutory accounts in accordance with the commercial, banking and fiscal regulations prevailing in Hungary.
The presentation and functional currency of the Bank is the Hungarian Forint ("HUF").
The separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

1.2.1 The effect of adopting new and revised IFRS standards effective from 1 January 2021

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

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16** – Interest Rate Benchmark Reform – Phase 2 adopted by EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 4 "Insurance Contracts" – "Deferral of IFRS 9"** – adopted by EU on 15 December 2020 (effective for annual periods beginning on or after 1 January 2021),
- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 16 "Leases"** – "COVID-19-Related Rent Concessions beyond 30 June 2021" (effective for annual periods beginning on or after 1 April 2021).

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

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

- **Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments",** to IFRSs 2018–2020 Cycle" – adopted by EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 3 "Business Combinations"; IAS 16 "Property, Plant and Equipment"; IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** – adopted by the EU on 28 June 2021 Annual Improvements (effective fog annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2023).

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

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

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2** – Disclosure of Accounting policies (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors"**

– Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IAS 12 "Income Taxes"** – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 17 "Insurance Contracts"** – Initial application of IFRS 17 and IFRS 9 – Comparative Information (effective date for annual periods beginning on or after 1 January 2023).

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of the accompanying separate financial statements are summarized below:

2.1 Basis of presentation

These separate financial statements have been prepared under the historical cost convention with the exception of certain financial instruments, which are recorded at fair value. Revenues and expenses are recorded in the period in which they are earned or incurred. The Bank does not offset assets and liabilities or income and expenses unless it is required or permitted by an IFRS standard.

During the preparation of separate financial statements assets and liabilities, income and expenses are presented separately, except in certain cases, when one of the IFRS standards prescribes net presenting related to certain items (see below Note 2.8).

The presentation of separate financial statements in conformity with IFRS requires the Management of the Bank to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Future changes in economic conditions, business strategies, regulatory requirements, accounting rules and other factors could result in a change in estimates that could have a material impact on future separate financial statements.

2.2 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into HUF that is the presentation currency, at exchange rates quoted by the National Bank of Hungary ("NBH") as at the date of the separate financial statements. Income and expenses arising in foreign currencies are converted at the rate of exchange on the transaction date. Resulting foreign exchange gains or losses are recorded to the separate statement of profit or loss.

2.3 Consolidated financial statements

These financial statements present the separate financial position and results of operations of the Bank. Consolidated financial statements are prepared by the Bank and consolidated net profit for the year and shareholders' equity differs significantly from that presented in these separate financial statements. See Note 2.4 for the description of the method of accounting for investments in subsidiaries and associated companies in these separate financial statements. The consolidated financial statements and the separate financial statements will be published on the same date.

2.4 Investments in subsidiaries, associated companies and other investments

Investments in subsidiaries comprise those investments where OTP Bank, through direct and indirect ownership interest, controls the investee. Control is achieved when the Bank has power over the investee, is exposed or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

Investments in subsidiaries are recorded at the cost of acquisition, less impairment for permanent diminution in value, when appropriate. After initial measurement investments in subsidiaries are measured at cost, in the case of foreign currency denominated investments for the measurement the Bank uses the exchange rate at the date of transaction.

Impairment is determined based on the future economic benefits of the subsidiary and macroeconomic factors.

OTP Bank calculates the fair value based on discounted cash-flow model. The 3 year period explicit cash-flow model serves as a basis for the impairment test by which the Bank defines the impairment need on investment in subsidiaries based on the strategic factors and financial data of its cash-generating units.

OTP Bank in its strategic plan has taken into consideration the cautious recovery of global economic situation and outlook, the associated risks and their possible effect on the financial sector as well as the current and expected availability of wholesale funding.

2.5 Securities at amortised cost

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

2.6 Financial assets at fair value through profit or loss

2.6.1 Securities held for trading

Investments in securities are accounted for on a trade date basis and are initially measured at fair value. Securities held for trading are measured at subsequent reporting dates at fair value. Unrealised gains and losses on held for trading securities are recognized in profit or loss and are included in the separate statement of profit or loss for the period.

The Bank holds held for trading securities within the business model to obtain short-term gains, consequently realised and unrealised gains and losses are recognized in the net operating income, while interest income is recognised in income similar to interest income. The Bank applies FIFO[1] inventory valuation method for securities held for trading. Such securities consist of discounted and interest bearing Treasury bills, Hungarian Government bonds, mortgage bonds, shares in non-financial commercial companies, shares in investment funds, shares in venture capital funds and shares in financial institutions.

2.6.2 Derivative financial instruments

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

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

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

Foreign currency contracts

Foreign currency contracts are agreements to exchange specific amounts of currencies at a specified rate of exchange, at a spot date (settlement occurs two days after the trade date) or at a forward date (settlement occurs more than two days after the trade date). The notional amount of forward contracts does not represent the actual market or credit risk associated with these contracts.

Foreign currency contracts are used by the Bank for risk management and trading purposes. The Bank's risk management foreign currency contracts were used to hedge the exchange rate fluctuations of loans and deposits denominated in foreign currency.

Foreign exchange swaps and interest rate swaps

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

Interest rate swaps obligate two parties to exchange one or more payments calculated with reference to fixed or periodically reset rates of interest applied to a specific notional

[1] First In First Out

principal amount (the base of the interest calculation). Notional principal is the amount upon which interest rates are applied to determine the payment streams under interest rate swaps.
Such notional principal amounts are often used to express the volume of these transactions but are not actually exchanged between the counterparties. The Bank's interest rate swap contracts can be hedging or held for trading contracts.

Cross-currency interest rate swaps

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

Equity and commodity swaps

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

Forward rate agreements ("FRA")

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

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

Foreign exchange options

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

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

Changes in the fair value of derivatives that are designated and qualify as hedging instruments fair value hedges and that prove to be highly effective in relation to the hedged risk, are recorded in the separate statement of profit or loss along with the corresponding change in fair value of the hedged asset or liability that is attributable to the specific hedged risk. Changes in the fair value of the hedging instrument in fair value hedges are charged directly to the separate statement of profit or loss. The conditions of hedge accounting applied by the Bank are the following: formally designated as hedging relationship, proper hedge documentation is prepared, effectiveness test is performed and based on it the hedge is qualified as effective. Changes in fair value of derivatives that are designated and qualify as hedging instrument in cash-flow hedges and that prove to be highly effective in relation to hedged risk are recognized as reserve in other comprehensive income. Amounts deferred in other comprehensive income are transferred to the separate statement of profit or loss and classified as revenue or expense in the periods during which the hedged assets and liabilities effect the separate statement of recognized and comprehensive income for the period. The ineffective element of the hedge is charged directly to the separate statement of profit or loss. The Bank terminates the hedge accounting if the hedging instrument expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for hedge accounting. In case of cash-flow hedges – in line with the standard – hedge accounting is still applied as long as the underlying asset is derecognised.

2.8 Offsetting

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

2.9 Embedded derivatives

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

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

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

Derivatives that are required to be separated are measured at fair value at initial recognition and subsequently. If the Bank is unable to measure the embedded derivative separately either at acquisition or at the end of a subsequent financial reporting period, the Group shall designate the entire hybrid contract as at fair value through profit or loss. The Bank shall assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the Bank first becomes a party to the contract.

2.10 Securities at fair value through other comprehensive income ("FVOCI securities")

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

Debt instruments

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

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

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

Fair value through other comprehensive income option for equity instruments

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

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

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

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

Loans, placements with other banks and repo receivables are accounted at amortised cost, stated at the principal amounts outstanding including accrued interest, net of allowance for loan or placement losses, respectively.

In case of the above mentioned financial assets measured at amortised cost transaction fees and charges adjust the carrying amount at initial recognition and are included in effective interest calculation. In case of FVTPL loans fees and charges are recognised when incurred in the separate statement of profit or loss.

Loans, placements with other banks and repo receivables loans are derecognised when the contractual rights to the cash-flows expire or they are transferred. When a financial asset is derecognised the difference of the carrying amount and the consideration received is recognised in the profit or loss. In case of the above mentioned financial assets at amortised cost gains or losses from derecognition are presented in "Gains/losses arising from derecognition of financial assets at amortised cost" line. In case of FVTPL loans gains or losses from derecognition are presented in "Net operating income".

Change in the fair value of FVTPL loans is broken down into two components and presented in the separate statement of profit or loss as follows:

- Portion of the change in fair value arising from changes in credit risk are presented within "Risk cost" as "Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss".

- The remaining component of the change is presented in fair value within "Net operating income" as "Gains/(Losses) on financial instruments at fair value through profit or loss".

Initially, financial assets shall be recognised at fair value which is usually equal to the transaction value in case of loans and placements. However, when the amounts are not equal, the initial fair value difference should be recognized.

If the fair value of financial assets is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the initial fair value difference in the Separate Statement of Profit or Loss.

When the fair value of financial assets is based on models for which inputs are not observable, the difference between the transaction price and the fair value is deferred and only recognised in profit or loss when the instrument is derecognised or the inputs became observable.

Initial fair value of loans lent at interest below market conditions is lower than their transaction price.

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

The Bank recognises a loss allowance for expected credit losses on a financial asset at each reporting date. The loss allowance for a financial asset equals to 12-month expected credit loss or equals to the lifetime expected credit losses. The maximum period over which expected credit losses shall be measured is the maximum contractual period over which the Bank is exposed to credit risk.

If the credit risk on a financial asset has not increased significantly since initial recognition then 12-month expected credit losses, otherwise (in case of significant credit risk increase) lifetime expected credit losses should be calculated. The expected credit loss is the present value of the difference between the contractual cash-flows that are due to the Bank under the contract and the cash-flows that the Bank expects to receive.

When the contractual cash-flows of a financial asset are modified and the modification does not result in the derecognition of the financial asset the Bank recalculate the gross carrying amount of the financial asset by discounting the expected future cash-flows with the original effective interest rate of the asset. The difference between the carrying amount and the present value of the expected cash-flows is recognised as a "Modification gain or loss" in the statement of profit or loss. Interest income and amortised cost are accounted for using the effective interest rate method.

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

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

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

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

Modification of contractual cash-flows

If the net present value of the contracted cash-flows changes due to the modification of the contractual terms and it is not qualified as derecognition, modification gain or loss should be calculated and accounted for in the separate statement of profit or loss. Modification gain or loss is accounted in cases like restructuring – as defined in internal policies of the Bank – prolongation, renewal with unchanged terms, renewal with shorter terms and prescribing capital repayment rate, if it doesn't exist or has not been earlier.

The changes of net present value should be calculated on portfolio level in case of retail exposures. Each retail contract is restructured based on restructuring frameworks. The Bank has to evaluate these frameworks (and not individual contracts). The changes of net present value should be calculated individually on contract level in case of corporate portfolio.

Among the possible contract amendments, the Bank considers as a derecognition and a new recognition when the discounted present value – discounted at the original effective interest rate – of the cash-flows under the new terms is at least 10 per cent different from the discounted present value of the remaining cash-flows. In case of derecognition and new recognition the unamortised fees of the derecognised asset should be presented as Income similar to interest income. The newly recognised financial asset is initially measured at fair value and is placed in stage 1 if the derecognised financial asset was in stage 1 or stage 2 portfolio. The newly recognised financial asset will be purchased or originated credit impaired financial asset ("POCI") if the derecognised financial asset was in stage 3 portfolio or it was POCI.

The modification gain or loss shall be calculated at each contract amendments unless they are handled as a derecognition and new recognition. In case of modification the Bank recalculates the gross carrying amount of the financial asset. To do this, the new contractual cash-flows should be discounted using the financial asset's original effective interest rate (or credit-adjusted effective interest rate for POCI financial asset). Any costs or fees incurred adjust the carrying amount of the modified financial asset are amortized over the remaining term of the modified financial asset.

Purchased or originated credit impaired financial assets

Purchased or originated financial assets are credit-impaired on initial recognition. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash-flows of that financial asset have occurred.

A purchased credit-impaired asset is likely to be acquired at a deep discount. In unusual circumstances, it may be possible that an entity originates a credit-impaired asset, for example, following a substantial modification of a distressed financial asset that resulted in the derecognition of the original financial asset.

In the case of POCI financial assets, interest income is always recognized by applying the credit-adjusted effective interest rate.

For POCI financial assets, in subsequent reporting periods an entity is required to recognize:

- the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance,
- the impairment gain or loss which is the amount of any change in lifetime expected credit losses.

An impairment gain is recognized (with the parallel increase of the net amortized cost of receivable) if due to the favourable changes after initial recognition the lifetime expected credit loss estimation is becoming lower than the original estimated credit losses at initial recognition.

The POCI qualification remains from initial recognition to derecognition in the Bank's books.

2.12 Loss allowance

Loss Allowance for loans and placements with other banks and repo receivables are recognised by the Bank based on the expected credit loss model in accordance with IFRS 9. Based on the three stage model loss allowance is recognised in amount of 12 month expected credit loss from the initial recognition. Financial assets with significantly increased credit risk or credit impaired financial assets (based on objective evidences) loss allowance is recognised in amount of lifetime expected credit loss.

In case of purchased or originated credit impaired financial assets loss allowance is recognised in amount of lifetime expected credit loss since initial recognition. Impairment gain is recognised if lifetime expected credit loss for purchased or originated credit impaired financial assets at measurement date are less than the estimated credit loss at initial recognition.

Loss allowance for loan and placements are determined at a level that provides coverage for individually identified credit losses. Collective impairment loss is recognised for loans with similar credit risk characteristics when it is not possible to determine the amount of the individually identified credit loss in the absence of objective evidence. The expected cash-flows for loan portfolios are estimated based on historical loss experience.

At subsequent measurement the Bank recognises through "Loss allowance on loan, placement and repo receivables losses" in the Statement of Profit or Loss impairment gain or loss as an amount of expected credit losses or reversal that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised in accordance with IFRS 9.

If a financial asset, which previously classified in the first stage, classified subsequently in the second or third stage than loss allowance is adjusted to lifetime expected credit loss.
If a financial asset, which previously classified in the second or third stages, classified subsequently in the first stage than loss allowance is adjusted to level of 12 month expected credit loss.

Classification into risk classes

According to the requirements of the IFRS 9 standard, the Bank classifies financial assets measured at amortised cost and fair value through other comprehensive income, and loan commitments and financial guarantees into the following categories in accordance with IFRS 9:

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

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

- for the past 3 years the average annual balance of receivables under simplified approach is calculated,
- the written-off receivables under simplified approach are determined in the past 3 years,
- the loss allowance ratio will be the sum of the written-off amounts divided by the sum of the average balances,
- historical losses are adjusted to reflect information about current conditions and reasonable forecasts of future economic conditions,

- the loss allowance is multiplied by the end-of-year balance and it will be the actual loss allowance on these receivables,
- loss allowance should be recalculated annually.

The Bank assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. This might occur if the financial asset has a low risk of default, the borrower has a strong capacity to meet its contractual cash-flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash-flow obligations. The Bank considers souvereign exposures having low credit risk.

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

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

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

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

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

Expected credit losses are measured in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes,
- the time value of money, and
- reasonable and supportable information that is available without undue cost of effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2.13 Option to designate a financial asset/liability measured at fair value through profit or loss (FVTPL option)

The Bank may, at initial recognition, irrevocably designate a financial asset or liability as measured at fair value through profit or loss. The Bank may use FVTPL option in the following cases:

- if doing so eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases
- if the group of financial liabilities or assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Bank's key management personnel.

The use of the fair value option is limited only to special situations, and it can be based only on direct decision of management of the Bank.

2.14 Sale and repurchase agreements, security lending

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

2.15 Property, equipment and intangible assets

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

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

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

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

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

2.16 Inventories

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

2.17 Investment properties

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

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

2.18 Financial liabilities

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

2.19 Leases

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

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

Recognition of lease liabilities

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

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

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

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

Recognition of right-of-use assets

Right-of-use assets are initially measured at cost. The cost of a right-of-use asset comprises:

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

Right-of-use assets are presented separately in the financial statements.

2.20 Share capital

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

2.21 Treasury shares

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

2.22 Interest income, income similar to interest income and interest expense

Interest income and expenses are recognised in profit or loss in the period to which they relate, using the effective interest rate method.

For exposures categorized into stage 1 and stage 2 the interest income is recognized on a gross basis. For exposures categorized into stage 3 (using effective interest rate) and for POCI (using credit-adjusted effective interest rate) the interest income is recognized on a net basis.

The time-proportional income similar to interest income of derivative financial instruments calculated without using the effective interest method and the positive fair value adjustment of interest rate swaps are also included in income similar to interest income. Interest income of FVTPL loans is calculated based on interest fixed in the contract and presented in "Income similar to interest income" line.

Interest from loans and deposits are accrued on a daily basis. Interest income and expense include certain transaction cost and the amortisation of any discount and premium between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

All interest income and expense recognised are arising from loans, placements with other banks, repo receivables, securities at fair value through other comprehensive income, securities at amortised cost, and amounts due to banks, repo liabilities, deposits from customers, liabilities from issued securities, subordinated bonds and loans are presented under these lines of financial statements.

2.23 Fees and Commissions

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

The Bank recognise income if performance obligations related to the certain goods or service are satisfied, performed, and control over the asset is transferred to the customer, and it is probable that consideration payable will probably flow to the entity. In case of those service, where the Bank transfer control over the asset continuously, income is recognised on accrual basis. (For more details see Note 31.)

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

2.24 Dividend income

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

2.25 Income tax

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

Deferred tax assets and liabilities are presented in a net way in the statement of financial position. Current tax asset or current tax liability is presented related to income tax and innovation contribution separately in the statement of financial position.

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

The Bank recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint arrangements,

to the extent that, and only to the extent that, it is probable that:
- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

The Bank considers the availability of qualifying taxable temporary differences and the probability of other future taxable profits to determine whether future taxable profits will be available.

The Bank recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, except to the extent that both of the following conditions are satisfied:
- the Bank is able to control the timing of the reversal of the temporary difference, and
- it is probable that the temporary difference will not reverse in the foreseeable future.

The Bank only offsets its deferred tax liabilities against deferred tax assets when:
- there is a legally enforceable right to set-off current tax liabilities against current tax assets, and
- the taxes are levied by the same taxation authorities on either
  - the same taxable entity or
  - different taxable entities which intend to settle current tax liabilities and assets on a net basis.

2.26 Banking tax

The Bank is obliged to pay banking tax based on Act LIX of 2006. As the calculation is not based on the taxable profit (but the adjusted Assets total calculated based on the Separate Financial Statements for the second period preceding the current tax year), banking tax is not considered as income tax. Therefore, the banking tax is considered as an other administrative expense, not as income tax.

2.27 Off-balance sheet commitments and contingent liabilities, provisions

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

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

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

Expected credit loss model is applied for given financial guarantees and loan commitments which are under IFRS 9 the, when the provision is calculated (see more details in Note 2.12). After initial recognition the Group subsequently measures those contracts at a higher of the amount of the loss allowance or of the amount initially recognised less the cumulative amount of income recognized in accordance with IFRS 15.

2.28 Share-based payment and employee benefits

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

The Bank issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the year, based on the Bank's estimate of shares that will eventually vest.

Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on Management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The Bank has applied the requirement of IAS 19 Employee Benefits. The Bank's short-term employee benefits are wages, salaries and bonuses, premium, paid annual leave and paid sick leave and other free services (health care, reward holiday). Short-term employee benefits are expected to pay by the Bank within 12 month. These benefits are recognised as an expense and liability undiscounted in the separate financial statements.

Long-term employee benefits are mostly the jubilee reward. Long-term employee benefits are recognised as an expense and liability in the separate financial statements. Liabilities are regularly remeasured. Gains or losses due to the remeasurement are recognised in the separate statement of profit or loss.

2.29 Separate statement of cash-flows

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

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

For the purposes of reporting cash-flows "Cash, due from banks and balances with the NBH" line item excluding compulsory reserve are considered as cash and cash equivalents by the Bank. This line item shows balances of HUF and foreign currency cash amounts, and sight depos from NBH and from other banks, furthermore balances of current accounts.

Cash-flows from hedging activities are classified in the same category as the item being hedged. The unrealised gains and losses from the translation of monetary items to the closing foreign exchange rates and the unrealised gains and losses from derivative financial instruments are presented separately net in the statement of cash-flows for the monetary items which have been revaluated.

2.30 Segment reporting

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

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

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

2.31 Comparative figures

Reclassification of certain local taxes

The Bank has reviewed prescriptions related to local taxes, the determination of their tax base and their effects on payment obligation. As a result of the review the local business tax and innovation contribution have been reclassified to income tax in line with banking industry practice. In the financial statements prepared for the year ended 31 December 2021 the Bank presents these taxes as income tax and reclassified the financial information for comparative periods.

Derecognition of financial assets at amortized cost is presented separately in the separate statement of profit or loss. Those items are to be separated from those results which previously contained them. In the separate financial position there is provision for conditional liability to be separated from other liabilities which previously contained them. All these reclassifications were necessary to improve presentation.

The impact of the reclassification of comparative information is summarized in the following tables:

Statement of Financial Position:

Line item	31 December 2021	31 December 2020 after reclassification	Reclassification of amounts related to local taxes	31 December 2020 Previously presented
Current tax liabilities	4,776	1,464	1,464	-
Other liabilities	238,437	223,433	(1,464)	224,897
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**13,710,471**	**11,154,394**	**–**	**11,154,394**

Statement of Profit or Loss:

Line item	Year ended 31 December 2021	Year ended 31 December 2020 After reclassification	Reclassification of amounts related to local taxes	Year ended 31 December 2020 Previously presented
Taxes, other than income tax	(81,171)	(73,384)	(12,349)	(85,733)
Other administrative expenses	**(178,611)**	**(154,165)**	**(12,349)**	**(166,514)**
OTHER ADMINISTRATIVE EXPENSES	**(355,429)**	**(311,611)**	**(12,349)**	**(323,960)**
PROFIT BEFORE INCOME TAX	**141,290**	**105,595**	**(12,349)**	**93,246**
Income tax	(15,951)	(13,121)	12,349	(772)
NET PROFIT FOR THE YEAR	**125,339**	**92,474**	**–**	**92,474**

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

Note	Name of the Note
24	Other liabilities and provisions
33	Other operating income and expenses and other administrative expenses
34	Income tax

The Bank has reclassified the presentation of the detailed notes to the amended statement of financial position and statement of profit or loss line items for comparative information in accordance with the new values.
These amendments have been marked "Reclassified" by the Bank.

NOTE 3: SIGNIFICANT ACCOUNTING ESTIMATES AND DECISIONS IN THE APPLICATION OF ACCOUNTING POLICIES

The presentation of separate financial statements in conformity with IFRS requires the Management of the Bank to make judgements about estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on expected loss and other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period. Actual results could differ from those estimates. Significant areas of subjective judgements include:

3.1 Loss allowance on financial instruments

The Bank regularly assesses its financial instruments for impairment. Management determines the adequacy of the allowances based upon reviews of individual loans and placements, recent loss experience, current economic conditions, the risk characteristics of the various categories of loans and other pertinent factors. The use of a new, three stage model was implemented for IFRS 9 purposes. The new impairment methodology is used to classify financial instruments in order to determine whether credit risk has significantly increased since initial recognition and able to identify credit-impaired assets. For instruments with credit-impairment or significant increase of credit risk lifetime expected losses will be recognized. (For details see Note 36.1.1.)

3.2 Valuation of instruments without direct quotations

Financial instruments without direct quotations in an active market are valued using the valuation model technique. The models are regularly reviewed and each model is calibrated for the most recent available market data. While the models are built only on available data, their use is subject to certain assumptions and estimates (e.g. for correlations, volatilities, etc). Changes in the model assumptions may affect the reported fair value of the relevant financial instruments.

IFRS 13 Fair Value Measurement seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The Bank evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary, based on the facts at the beginning of the reporting period. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.

3.3 Provisions

Provision is recognised and measured for commitments to extend credit and for warranties arising from banking activities based on IFRS 9 Financial Instruments. Provision for these instruments is recognised based on the credit conversion factor, which shows the proportion of the undrawn credit line that will be probably drawn.

Other provision is recognised and measured based on IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The Bank is involved in a number of ongoing legal disputes.

Based upon historical experience and expert reports, the Bank assesses the developments in these cases, and the likelihood and the amount of potential financial losses which are appropriately provided for. (See Note 24.)

Other provision for off-balance sheet items includes provision for litigation, provision for retirement and expected liabilities and provision for Confirmed letter of credit.

A provision is recognised by the Bank when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

3.4 Business models

A business model refers how the Bank manages its financial instruments in order to generate cash-flows. It is determined at a level that reflects how groups of financial instruments are managed rather than at an instrument level.

The financial assets held by the Bank are classified into three categories depending on the business model within the financial assets are managed.

- Business model whose objective is to hold financial assets in order to collect contractual cash-flows. Some sales can be consistent with hold to collect business model and the Bank assesses the nature, frequency and significance of any sales occurring. The Bank does not consider the sale frequent when at least six months have elapsed between sales. The significant sales are those when the sales exceed 2% of the total hold to collect portfolio. Within this business model the Bank manages mainly loans and advances and long-term securities and other financial assets.
- Business model whose objective is achieved by both collecting contractual cash-flows and selling financial assets. Within this business model the Bank only manages securities.
- Business model whose objective is to achieve gains in a short-term period. Within this business model the Bank manages securities and derivative financial instrument.

If cash-flows are realised in a way that is different from the expectations at the date that the Bank assessed the business model, that does not give rise to a prior error in the Bank's financial statements nor does it change the classification of the remaining financial assets held in that business model.

When, and only when the Bank changes its business model for managing financial assets it reclassifies all affected assets. Such changes are determined by the Bank's senior management as a result of external or internal changes and must be significant to the Bank's operations and demonstrable to external parties. The Bank shall not reclassify any financial liability.

3.5 Contractual cash-flow characteristics of financial assets

Classification of a financial asset is based on the characteristics of its contractual cash-flows if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash-flows or within a business model whose objective is achieved by both collecting contractual cash-flows and selling financial assets.

The Bank should determine whether the asset's contractual cash-flows are solely payments of principal and interest on the principal amount outstanding (SPPI test). Contractual cash-flows that are solely payments of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement.

Contractual terms that introduce exposure to risks or volatility in the contractual cash-flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash-flows that are solely payments of principal and interest on the principal amount outstanding. The Bank assesses whether contractual cash-flows are solely payments of principal and interest on the principal amount outstanding for the currency in which the financial asset is denominated.

Time value of money is the element of interest that provides consideration for only the passage of time. However, in some cases, the time value of money element may be modified. In such cases, the Bank assesses the modification to determine whether the contractual cash-flows represent solely payments of principal and interest on the principal amount outstanding.

When assessing a modified time value of money element, the objective is to determine how different the undiscounted contractual cash-flows could be from undiscounted cash-flows that would arise if the time value of money element was not modified (the benchmark cash-flows). The benchmark instrument can be an actual or a hypothetical financial asset. If the undiscounted contractual cash-flows significantly – above 2% – differ from the undiscounted benchmark cash-flows, the financial asset should be subsequently measured at fair value through profit or loss.

NOTE 4: COVID-19 (in HUF mn)

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

- Effective from 13 January 2021 the National Bank of Hungary extended the available amount for the Bond Funding for Growth scheme by HUF 750 billion to HUF 1,150 billion. At the same time it decided to increase the maximum maturity of corporate bonds that can be purchased by the central bank from 20 to 30 years. Also, the central bank's exposure limit to a company group was revised from HUF 50 billion to HUF 70 billion.
- On 4 February 2021 the Prime Minister announced an interest-free loan programme for companies in trouble in the wake of the pandemic. According to Government Resolution 1038/2021. (II. 5.) the programme will be administered by the Hungarian Development Bank, and the available amount under the programme will be HUF 100 billion. Companies can take out maximum HUF 10 million each for the purpose of covering wages and social contributions, overhead costs, general operating expenses and inventory financing. Client interest rate is 0%, the loan tenor can be up to 10 years, and the servicing of the loan will start after a 3 year grace period. The scope of eligible entities was determined in agreement with the Hungarian Chamber of Commerce and Industry.
- On 1 April 2021 Moody's rating agency upgraded the outlook on the Hungarian banking sector from negative to stable
- On 6 April 2021 the NBH raised the available amount for the *Funding for Growth Go!* Scheme by HUF 500 billion to HUF 3,000 billion.
- On 18 May 2021 the Hungarian Development Bank revealed that the interest-free, maximum HUF 10 million loan for micro- and small enterprises (the so-called interest-free restart quick loan) can be applied for by companies whose revenues in 2020 plummeted by more than 30%, irrespective of the scope of activities (certain other criteria must be met).
- On 25 May 2021 the National Bank of Hungary did not touch the benchmark interest rates, but stressed that the central bank is ready to

tighten monetary conditions in a proactive manner to the extent necessary in order to ensure price stability and to mitigate inflation risks.

- On 9 June 2021 Viktor Orbán Prime Minister announced that their actual personal income tax payments (up to the tax burden of the average wage) will be refunded to families raising kids in early-2022 provided that the 2021 GDP growth surpasses 5.5%.
- According to Government Decree No. 317/2021. (VI. 9.) released on 9 June 2021 the payment moratorium was extended with unchanged conditions until 30 September 2021.
- On 9 June 2021 Viktor Orbán Prime Minister announced that once the central bank phases out its Funding for Growth scheme, the government will have to shoulder the financial burden of providing cheap (not higher than 0.5% interest rate) subsidized loans to domestic micro and small enterprises, through the Széchenyi Card programme by KAVOSZ. On 9 June László Krisán, CEO of KAVOSZ revealed the details of the *Széchenyi Card GO!* programme launched on 1 July 2021.
- On its 22 June 2021 meeting the Monetary Council embarked on a rate hike cycle: the base rate was increased by 30 bps to 0.9%. Also, effective from 24 June 2021 the National Bank of Hungary raised the one-week deposit rate to the level of the base rate.
- The Monetary Council has started to transform the use of instruments having an effect at longer maturities. Accordingly, with the exhaustion of the HUF 3,000 billion available amount, the *Funding for Growth Go!* programme will be phased out. However, the central bank continues to consider the government securities purchase programme to be crucial in its set of monetary policy instruments. The central bank will continue to use the programme by maintaining a lasting presence in the market, taking a flexible approach to changing the quantity and structure of weekly securities purchases, to the extent and for the time necessary.
- On 2 July 2021 the National Bank of Hungary recommended in its circular that financial institutions should abstain from charging prepayment fees in the case of full or partial prepayment of deferred interest and fee accumulated during the term of the moratorium. The central bank also recommended free of charge loan contract modification if borrowers voluntarily undertake higher monthy instalments in order to shorten the remaining maturity.
- On 6 July 2021 the National Bank of Hungary announced that with the aim of boosting green mortgage lending, it decided to launch the Green Mortgage Bond Purchase Programme and the FGS Green Home Programme as the first steps of the implementation of the new Green Monetary Policy Toolkit Strategy:
  The strategic goal of the Green Mortgage Bond Purchase Programme is to contribute to the development of the domestic green mortgage bond market through targeted purchases and, through this, encourage green mortgage loan activities. The central bank will review the programme when the HUF 200 billion purchase volume has been reached. Additionally, the central bank also decided to re-launch the Mortgage Bond Rollover Facility for mortgage bonds without green rating.
  The central bank will launch the Green Home Programme in October 2021 with a total limit of HUF 200 billion as part of the Funding for Growth Scheme (FGS). As in the previous phases of the FGS, the MNB will provide refinancing operation to credit institutions at 0% interest, which will be lent to residential customers at a maximum of 2.5%, fixed interest rate until the end of the maturity period. Under the scheme, loans of up to HUF 70 million and a maximum term of 25 years can be granted for constructions or purchases of new, highly energy-efficient residential real estates.
- On 23 July 2021 the European Central Bank announced that restrictions concerning dividend payments won't be prolonged beyond the previously effective deadline of 30 September 2021.
- A Government Decree was published on 23 July 2021 facilitating the VAT refund in

the case of newly built houses in brownfield sites.

- On 27 July 2021 the National Bank of Hungary raised the base rate by 30 bps to 1.2%, then on 29 July the one-week deposit rate was hiked to the same level, by the same magnitude.
- On 30 July 2021 the results of the 2021 EU-wide stress test conducted by the European Banking Authority were revealed. The fully loaded consolidated Common Equity Tier1 (CET1) ratio of OTP Bank Plc. would change to 16.3% under the baseline scenario and to 11.2% under the adverse scenario in 2023, compared to 14.2% as at the end of 2020.
- On 12 August 2021 the National Bank of Hungary announced that its management circular has been reviewed. According to one of the amendments, the central bank extended the deadline concerning restrictions on dividend payment and treasury share purchases until the end of 2021. Credit instititions might be exempted from the dividend payment ban only if they meet certain strict conditions.
- On 24 August 2021 the National Bank of Hungary raised the base rate by 30 bps to 1.5%. Additionally, the central bank decided to begin gradually withdrawing the government securities purchase programme while considering aspects of maintaining market stability. Also, the central bank increased the available amount under the Bond Funding for Growth scheme by HUF 400 billion to HUF 1,550 billion.
- Pursuant to Government Decree 536/2021. (IX. 15.) published on 15 September, the Government decided to extend the debt repayment moratorium with the following conditions:
  - The blanket moratorium was extended by an additional month, until the end of October, in an unchanged form.
  - From the beginning of November 2021 until 30 June 2022 only the eligible borrowers can participate in the moratorium provided that they submitted a request to their banks about their intention to stay.
    So, the extension beyond October is not automatic: borrowers had to submit a notification to their bank (opt-in). Eligible retail borrowers include private individuals whose income fell compared to the previous period, unemployed people, fostered workers, families raising children below the age of 25 or expecting a baby, and pensioners (for details see the relevant decree). Eligible companies shall fulfil the following criteria: more than 25% decline in revenues in the 18 months period preceding the submission of the request to participate, and if the company has not concluded a new subsidized loan contract since 18 March 2020. During the term of the one-month extension until the end of October, eligible clients could submit the necessary documents to their banks in order to stay in the scheme until June 2022, so this one-month lengthening could be regarded as technical.
- According to Government Decree 537/2021. (IX. 15.) published on 15 September, credit institutions shall re-calculate the interest deferred during the period spent in the moratorium in the case of overdraft loans and credit card exposures. The base for the re-calculation shall be the NBH's statistical data for the average annualized cash loan interest rate published for February 2020. The difference between the deferred interest booked according to the original contract and the re-calculated amount shall be refunded to the borrowers by way of crediting the borrowers' account with the due amount.
- On 21 September 2021 the National Bank of Hungary hiked the base rate by 15 bps to 1.65%. Furthermore, the NBH continued to gradually withdraw the government securities purchase programme.
- On 4 October 2021 the National Bank of Hungary launched the FGS Green Home Programme as part of its green monetary policy toolkit strategy.
- On 19 October 2021 the National Bank of Hungary increased the base rate by 15 bps to 1.8%.
- On 16 November 2021 the Monetary Council of the NBH hiked the base rate by 30 bps to

2.1%. The Deputy Governor of NBH stressed after the Monetary Council meeting that the NBH is ready to set the rate of the 1-week central bank deposit above the level of the base rate already from 18 November. Accordingly, on 18 November the NBH raised the rate of the 1-week deposit facility to 2.5%, and the central bank accepted all offers at the tender. Consequently, the 1-week deposit has become the effective rate for the banking sector determining the marginal asset yields.

- On its weekly one-week deposit tender on 25 November 2021 the NBH offered an interest rate of 2.9%.
- On 30 November 2021 the NBH's Monetary Council widened the interest rate corridor and also decided to make it asymmetric. Accordingly, the lower bound of the corridor was raised by 45 bps and the upper one by 105 bps.
- On 2 December 2021 the NBH hiked the rate of the 1-week central bank deposit by 20 bps to 3.1%.
- On 9 December 2021 the NBH hiked the rate of the 1-week central bank deposit by 20 bps to 3.3%.
- On 14 December 2021 the NBH's Monetary Council raised the base rate by 30 bps to 2.4% and made a decision to phase out both the Bond Funding for Growth programme and the government bond purchase programme.
- On 16 December 2021 the NBH hiked the rate of the 1-week central bank deposit by 30 bps to 3.6%.
- Mr. Viktor Orbán Prime Minister announced on 22 December 2021 that the government will introduce an interest rate cap for certain retail mortgage loans (for example whose pricing is linked to a reference rate, but the legislation does not apply to those with longer fixation periods) for the period between 1 January and 30 June 2022. Accordingly, the affected mortgages' reference rate cannot be higher than the relevant reference rate as at 27 October 2021. Furthermore, banks had to inform their borrowers about the interest rate risk and offer amendments to the contract until 31 January 2022. Details were laid down by Government Decree 782/2021 (XII. 24.) and Decree 1/2022 (I. 3.) by the Prime Minister's Office.
- On 23 December 2021 the NBH hiked the rate of the 1-week central bank deposit by 20 bps to 3.8%.
- In its release published on 27 December 2021 the NBH said that from 1 January 2022 Hungarian credit institutions can pay dividends and buy back shares with shareholder remuneration purposes again. Thus, the NBH did not extend these restrictions in line with the similar step taken by the ECB at the end of September.
- On 30 December 2021 the NBH hiked the rate of the 1-week central bank deposit by 20 bps to 4.0%.
- Against the initially planned 2 pps social security contribution cut effective from July 2022, the government reduced employers' taxes by 4 pps already from 1 January 2022 (the 1.5% vocational training contribution was abolished and the social contribution taxes were cut by 2.5 pps).
- On 25 January 2022 the NBH hiked the base rate by 50 bps to 2.9%.
- On 27 January 2022 the NBH hiked the rate of the 1-week central bank deposit by 30 bps to 4.3%.
- On 15 February 2022 the CSO revealed the final GDP growth figures: accordingly, in 4Q 2021 the quarterly expansion of 2.1% was stronger than expected, lifting the annual growth rate to 7.1% in 2021 as a whole (seasonally and working day adjusted). Mr. Mihály Varga (Minister of Finance) announced that the government expects 5.9% growth for 2022.

Interest rate cap

For the period between 1 January and 30 June 2022 the government introduced an interest rate cap for variable-rate retail mortgage loans, and with its decision announced on 18 February, for housing purposes financial leasing contracts, too. Accordingly, the affected exposures' reference rate cannot be higher than the relevant reference rate as at 27 October 2021. The modification loss related to the interest rate cap for variable rate mortgage loans announced on 22 December 2021 was recognized in the Bank's 2021 financial accounts. The extension of the interest rate cap to housing purposes financial leasing contracts does not have a significant negative effect.

Moratorium one-off effect

In Hungary the first phase of the moratorium on loan payments was effective from 19 March 2020 to 31 December 2020. At the end of 2020 the moratorium was extended in unchanged form for the period between 1 January 2021 and 30 June 2021. Furthermore, according to Government Decree No. 317/2021. (VI. 9.) released on 9 June 2021 the payment moratorium was extended with unchanged conditions until 30 September 2021. Pursuant to Government Decree 536/2021. (IX. 15.) published on 15 September, the Government decided to extend the debt repayment moratorium: the blanket moratorium was extended by an additional month, until the end of October, in an unchanged form. Furthermore, from the beginning of November 2021 until 30 June 2022 only the eligible borrowers can participate in the moratorium provided that they submitted a request to their banks about their intention to stay.

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, in the course of 2020 and 2021 altogether HUF 43.3 billion after tax loss emerged in Hungary and Serbia altogether. Within that amount there was a –HUF 1.7 billion (after tax) negative impact booked in December 2020 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 later retroactively disallowed by the regulator).

Loan volumes under the Hungarian payment holiday followed a declining trend till the end of October 2021, then from November the participation dropped materially due to the changes to the structure. At the end of 2021 the total household and corporate exposures remaining under the moratorium comprised HUF 245 billion at OTP Core and Merkantil Group, which made up 4.1% of the total gross loan portfolio of those two entities.

Participation in COVID moratorium:

	Current volume in moratorium	Current participation ratio
OTP Bank as at 31 December 2021	113,639	2.3%
OTP Bank as at 31 December 2020	1,059,428	26.2%

Financial assets modified during the year ended 31 December 2021 related to covid moratorium:

Modification due to prolongation of deadline of covid moratoria till 30 September.

Gross carrying amount before modification	668,312
Modification loss due to covid moratoria	(5,284)
Gross carrying amount after modification	**663,028**
Loss allowance before modification	(55,180)
Net amortised cost after modification	**607,848**

Modification due to prolongation of deadline of covid moratoria till 31 October

Gross carrying amount before modification	665,620
Modification loss due to covid moratoria	(1,292)
Gross carrying amount after modification	**664,328**
Loss allowance before modification	(58,412)
Net amortised cost after modification	**605,916**

In case of credit card and overdraft loans interest charged during the moratoria period should be refunded to the debtors in amount determined as a difference between the charged interest and a premoratoria personal loan interest at 11,99%. The Bank has managed this government measure as loan agreement modification in the financial statements.

Gross carrying amount before modification	57,892
Modification loss due to covid moratoria	(1,983)
Gross carrying amount after modification	**55,909**
Loss allowance before modification	(9,234)
Net amortised cost after modification	**46,675**

Modification due to prolongation of deadline of covid moratoria till 30 June 2022.

Gross carrying amount before modification	82,438
Modification loss due to covid moratoria	(1,614)
Gross carrying amount after modification	**80,824**
Loss allowance before modification	(23,516)
Net amortised cost after modification	**57,308**

On 24 December 2021 new regulation was issued on fixing of retail loan product's interest, under that interest rates of mortgage loans with variable interest shall be fixed at reference rates of 27 October 2021, predictably till 30 June 2022.

Gross carrying amount before modification	67,108
Modification loss due to covid moratoria	(703)
Gross carrying amount after modification	**66,405**
Loss allowance before modification	(1,625)
Net amortised cost after modification	**64,780**

NOTE 5: CASH, AMOUNTS DUE FROM BANKS AND BALANCES WITH THE NATIONAL BANK OF HUNGARY (in HUF mn)

	2021	2020
Cash on hand:		
In HUF	82,839	107,523
In foreign currency	21,182	18,899
	104,021	**126,422**
Amounts due from banks and balances with National Bank of Hungary:		
Within one year:		
In HUF	81,512	204,942
In foreign currency	289,596	247,756
	371,108	**452,698**
Loss allowance	**(185)**	**–**
Subtotal	**474,944**	**579,120**
Average amount of compulsory reserve	99,303	76,033
Total	**375,641**	**503,087**
Rate of the compulsory reserve	1%	1%

The Bank shall deposit compulsory reserve in a determined percent of its liabilities at NBH. Liabilities considered in compulsory reserve calculation are as follows:

a) deposits and loans,
b) debt instruments,
c) repo transactions.

The amount of the compulsory reserve is the multiplication of the daily average of the liabilities considered in the compulsory reserve calculation and compulsory reserve rate, which are determined by the NBH in a specific decree. The Bank is required to complete compulsory reserve requirements in average in the second month after the reserve calculation period, requirements shall be completed once a month on the last calendar day. The Bank complies with the compulsory reserve requirements by the deposit of the adequate amount of cash as the calculated compulsory reserve on the bank account at NBH in monthly average.

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

	2021	2020
Balance as at 1 January	**–**	**–**
Loss allowance	185	–
Closing balance	**185**	**–**

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

	2021	2020
Within one year:		
In HUF	1,388,709	905,241
In foreign currency	372,361	329,633
	1,761,070	**1,234,874**
Over one year		
In HUF	747,871	267,291
In foreign currency	65,761	39,538
	813,632	**306,829**
Total placements	**2,574,702**	**1,541,703**
Loss allowance on placement losses	(7,490)	(5,819)
Total	**2,567,212**	**1,535,884**

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

	2021	2020
Balance as at 1 January	**5,819**	**3,592**
Loss allowance	20,524	12,548
Release of loss allowance	(18,911)	(10,497)
Use of loss allowance	(2)	-
FX movement	60	176
Closing balance	**7,490**	**5,819**

Interest conditions of placements with other banks:

	2021	2020
Placements with other banks in HUF	0%-5.9%	0%-3.84%
Placements with other banks in foreign currency	(0.59%)-29%	(0.76%)-29%
Average interest of placements with other banks	1.63%	0.78%

NOTE 7: REPO RECEIVABLES (in HUF mn)

	2021	2020
Within one year:		
In HUF	33,710	183,656
	33,710	**183,656**
Total gross amount	**33,710**	**183,656**
Loss allowance on repo receivables	(72)	(292)
Total repo receivables	**33,638**	**183,364**

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

	2021	2020
Balance as at 1 January	**292**	**6**
Loss allowance	449	362
Release of loss allowance	(669)	(76)
Closing balance	**72**	**292**

Interest conditions of repo receivables:

	2021	2020
Repo receivables in HUF	2%-3.2%	(0.1%)-0.9%
Average interest of repo receivables	0.29%	0.09%

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

	2021	2020
Held for trading securities:		
Government bonds	30,827	6,031
Other non-interest bearing securities	1,134	1,964
Hungarian government discounted Treasury Bills	869	1,233
Corporate shares and investments	599	426
Mortgage bonds	116	–
Other securities	2,088	2,075
Subtotal	**35,633**	**11,729**
Securities mandatorily measured at fair value through profit or loss:		
Shares in investment funds	25,126	23,818
Bonds	–	5,342
Shares	2,935	2,776
Subtotal	**28,061**	**31,936**
Held for trading derivative financial instruments:		
Foreign currency swaps	38,811	41,852
Interest rate swaps	59,097	34,256
CCIRS and mark-to-market CCIRS swaps	11,649	7,359
Other derivative transactions	73,211	33,351
Subtotal	**182,768**	**116,818**
Total	**246,462**	**160,483**

Interest conditions and the remaining maturities of securities held for trading are as follows:

	2021	2020
Within one year:		
variable interest	111	78
fixed interest	4,163	2,319
	4,274	**2,397**
Over one year:		
variable interest	1,544	1,355
fixed interest	28,083	5,587
	29,627	**6,942**
Non-interest bearing securities	1,732	2,390
Total	**35,633**	**11,729**
Securities held for trading denominated in HUF	81%	71%
Securities held for trading denominated in foreign currency	19%	29%
Securities held for trading total	**100%**	**100%**
Government bonds denominated in HUF	83%	68%
Government bonds denominated in foreign currency	17%	32%
Government securities total	**100%**	**100%**
Interest rates on securities held for trading in HUF	0%–6.75%	0.5%–6.75%
Interest rates on securities held for trading in foreign currency	0%–5.75%	0.5%–6.375%
Average interest on securities held for trading	1.17%	0.63%

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

	2021	2020
Within one year:		
variable interest	–	28
Over one year:		
variable interest	–	5,314
Non-interest bearing securities	28,061	26,594
Total	**28,061**	**31,936**
Securities mandatorily measured at fair value through profit or loss denominated in HUF	67%	58%
Securities mandatorily measured at fair value through profit or loss denominated in foreign currency	33%	42%
Securities mandatorily measured at fair value through profit or loss total	**100%**	**100%**
Interest rates on securities mandatorily measured at fair value through profit or loss	–	2.49%
Average interest on securities mandatorily measured at fair value through profit or loss	–	2.49%

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

	2021	2020
Government bonds	278,876	488,459
Mortgage bonds	217,941	332,667
Interest bearing treasury bills	63,115	9,957
Other securities	64,870	65,136
listed securities	*43,759*	*42,776*
in HUF	*2,896*	*2,968*
in foreign currency	*40,863*	*39,808*
non-listed securities	*21,111*	*22,360*
in HUF	*15,487*	*16,782*
in foreign currency	*5,624*	*5,578*
Subtotal	**624,802**	**896,219**
Non-trading equity instruments		
non-listed securities	*17,137*	*15,731*
in HUF	*528*	*528*
in foreign currency	*16,609*	*15,203*
	17,137	**15,731**
Securities at fair value through other comprehensive income total	**641,939**	**911,950**

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

Name	Currency	2021	2020
Garantiqa	HUF	392	392
Hage/Közvil/Pénzügykut	HUF	136	136
OBS	EUR	13,221	12,081
VISA A Preferred	USD	3,388	3,122

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

	2021	2020
Within one year:		
variable interest	1,089	3,779
fixed interest	66,970	123,481
	68,059	**127,260**
Over one year:		
variable interest	71,344	101,555
fixed interest	485,398	667,404
	556,742	**768,959**
Non-interest bearing securities	17,138	15,731
Total	**641,939**	**911,950**
FVOCI securities denominated in HUF	73%	83%
FVOCI securities denominated in foreign currency	27%	17%
FVOCI securities total	**100%**	**100%**
Interest rates on FVOCI securities denominated in HUF	1.25%–11%	0.5%–11%
Interest rates on FVOCI securities denominated in foreign currency	0%–16%	0.625%–7.25%
Average interest on FVOCI securities	2.85%	2.17%

Certain fixed-rate mortgage bonds and other securities are hedged against interest rate risk. (See Note 45.4.)

	2021	2020
Net gain/(loss) reclassified from other comprehensive income to statement of profit or loss	(26,440)	(2,008)
Fair value of the hedged securities:		
Government bonds	201,530	399,441
Total	**201,530**	**399,441**

During the year ended 31 December 2021 and 2020 the Bank didn't sell any of equity instruments designated to measure at fair value through other comprehensive income.

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

	2021	2020
Government bonds	2,863,259	1,947,821
Other bonds	190,155	63,159
Mortgage bonds	24,309	–
Subtotal	**3,077,723**	**2,010,980**
Loss allowance	(6,685)	(3,288)
Total	**3,071,038**	**2,007,692**

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

	2021	2020
Within one year:		
variable interest	8,101	–
fixed interest	305,694	57,746
	313,795	**57,746**
Over one year:		
variable interest	5,122	–
fixed interest	2,758,806	1,953,234
	2,763,928	**1,953,234**
Total	**3,077,723**	**2,010,980**

The distribution of the securities at amortised cost by currency:

	2021	2020
Securities at amortised cost denominated in HUF	83%	99%
Securities at amortised cost denominated in foreign currency	17%	1%
Securities at amortised cost total	**100%**	**100%**
Interest rates on securities at amortised cost	0.1%-12.75%	0.5%-7%
Average interest on securities at amortised cost denominated in HUF	2.84%	2.42%

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

	2021	2020
Balance as at 1 January	**3,288**	**1,443**
Reclassification	1,281	-
Balance as at 1 January	**4,569**	**1,443**
Loss allowance	4,404	4,820
Release of loss allowance	(2,370)	(2,977)
FX movement	82	2
Closing balance	**6,685**	**3,288**

NOTE 11: LOANS (in HUF mn)

Loans measured at fair value through profit or loss:

	2021	2020
Within one year	32,091	25,732
Over one year	629,921	455,205
Loans measured at fair value through profit or loss total	**662,012**	**480,937**

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

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

	2021	2020
Within one year	2,125,908	1,793,352
Over one year	2,062,114	1,748,078
Loans at amortised cost gross total	**4,188,022**	**3,541,430**
Loss allowance on loan losses	(155,557)	(123,670)
Loans at amortised cost total	**4,032,465**	**3,417,760**

An analysis of the loan portfolio by currency:

	2021	2020
In HUF	62%	61%
In foreign currency	38%	39%
Total	**100%**	**100%**

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

	2021	2020
Loans denominated in HUF	1.5%–9.85%	1.5%–9.85%
Average interest on loans denominated in HUF	4.56%	4.20%

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

	2021	2020
Loans denominated in HUF	0%–37.5%	0%–37.5%
Loans denominated in foreign currency	(0.59%)–13%	(0.50%)–13%
Average interest on loans denominated in HUF	6.64%	6.41%
Average interest on loans denominated in foreign currency	1.48%	2.24%

For an analysis of the loan portfolio by type please see Note 36.1.

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

	2021	2020
Balance as at 1 January	**123,670**	**72,066**
Reclassification	(1,281)	–
Balance as at 1 January	**122,389**	**72,066**
Loss allowance	221,084	213,618
Release of loss allowance	(180,291)	(156,383)
Use of loss allowance	(6,951)	(6,228)
Partial write-off	(1,733)	(2,797)
FX movement	1,059	3,394
Closing balance	**155,557**	**123,670**

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

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

	2021	2020
Investments in subsidiaries:		
Controlling interest	2,006,178	1,965,197
Other	16,086	8,938
Subtotal	**2,022,264**	**1,974,135**
Impairment loss	(449,256)	(425,163)
Total	**1,573,008**	**1,548,972**

Other investments contain certain securities accounted at cost. These instruments do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

Significant subsidiaries

Investments in companies in which the Bank has a controlling interest (direct) are detailed below. All companies are incorporated in Hungary unless indicated otherwise:

	2021		2020	
	% Held (direct/indirect)	Gross book value	% Held (direct/indirect)	Gross book value
OTP Bank JSC (Ukraine)	100%	311,390	100%	311,390
DSK Bank EAD (Bulgaria)	100%	280,692	100%	280,692
OTP banka Srbija akcionarsko društvo Novi Sad (Serbia)	100%	262,759	100%	131,164
OTP banka Hrvatska d.d. (Croatia)	100%	205,349	100%	205,349
OTP Bank Romania S.A. (Romania)	100%	167,764	100%	133,987
OTP Mortgage Bank Ltd.	100%	154,294	100%	154,294
SKB Banka d.d. Ljubljana (Slovenia)	100%	107,689	100%	107,689
JSC "OTP Bank" (Russia)	98%	74,337	98%	74,335
Crnogorska komercijalna banka a.d. (Montenegro)	100%	72,784	100%	72,784
LLC Alliance Reserve (Russia)	100%	50,074	100%	50,074
Air-invest Llc.	100%	39,248	100%	36,748
OTP Holding Malta Ltd.	100%	32,359	100%	32,359
Balansz Private Open-end Investment Fund	100%	29,150	100%	29,150
Bank Center No. 1. Ltd.	100%	26,063	100%	26,063
OTP Factoring Ltd.	100%	25,411	100%	25,411
OTP banka Srbija a.d. (Serbia)	–	–	100%	127,140
Other		166,815		166,568
Total		**2,006,178**		**1,965,197**

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

	2021	2020
Balance as at 1 January	**425,163**	**427,770**
Impairment loss for the period	59,132	10,052
Reversal of impairment loss	(31,712)	(10)
Use of impairment loss	(3,327)	(12,649)
Closing balance	**449,256**	**425,163**

The Bank decided that the recoverable amount is determined based on fair value less cost of disposal. The Bank prepared impairment tests of the subsidiaries based on two different net present value calculation methods that show the same result; however they represent different economical logics. On one hand is the discount cash-flow method ("DCF") that calculates the value of the subsidiaries by discounting their expected cash-flow; on the other hand the economic value added ("EVA") method estimates the value of the subsidiaries from the initial invested capital and the present value of the economic profit that the companies are expected to generate in the future. Applying the EVA method was more practically than DCF method because it gives a more realistic picture about how the explicit period and the residual value can contribute to the value of the company.

The Bank, in its strategic plan, has taken into consideration the effects of the present global economic situation, the cautious recovery of economic situation and outlook, the associated risks and their possible effect on the financial sector as well as the current and expected availability of wholesale funding.

An analysis of the impairment loss by significant subsidiaries is as follows:

	2021	2020
OTP Bank JSC (Ukraine)	207,397	207,397
OTP Bank Romania S.A. (Romania)	77,962	38,416
OTP Mortgage Bank Ltd.	65,096	65,096
OTP banka Srbija a.d. (Serbia)	43,477	53,383
OTP Life Annuity Ltd.	10,969	10,969
Air-invest Ltd.	10,491	10,491
Monicomp Ltd.	8,632	–
Crnogorska komercijalna banka a.d. (Montenegro)	6,697	23,324
Balansz Private Open-end Investment Fund	5,566	–
OTP Real Estate Ltd.	5,557	5,557
R.E. Four d.o.o. (Serbia)	3,763	3,763
OTP Buildings s.r.o (Romania)	–	3,327
Total	**445,607**	**421,723**

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

	2021	2020
OTP Factoring Ltd.	44,000	45,463
OTP Bank JSC (Ukraine)	12,853	–
OTP banka dioničko društvo (Croatia)	12,244	–
Inga Kettő Llc.	11,000	–
OTP Holding Malta Ltd.	5,531	4,823
OTP Real Estate Investment Fund Management Ltd.	3,500	4,000
Monicomp Ltd.	1,173	3,800
Other	4,741	2,827
Subtotal	**95,042**	**60,913**
Dividend from shares held-for-trading	3,844	8
Dividend from shares fair value through other comprehensive income	151	52
Total	**99,037**	**60,973**

Significant associates and joint ventures

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

As at 31 December 2021:

List of associated entities	Carrying amount	Ownership of OTP Bank	Profit after tax	Country/ Headquarter	Activity
OTP Kockázati Fund I.	526	44.12%	(52)	Hungary/ Budapest	Trusts, funds and similar financial entities
OTP-DayOne Magvető Fund	288	22.00%	13	Hungary/ Budapest	Trusts, funds and similar financial entities
D-ÉG Thermoset Ltd. 'u.l.'	–	46.99%	–	Hungary/ Dunaújváros	Wholesale of hardware, plumbing and heating equipment and supplies
Company for Cash Services AD	392	25.00%	(183)	Bulgaria/ Sofia	Other financial service activities, except insurance and pension funding
Edrone spółka z ograniczoną odpowiedzialnością	779	17.34%	(293)	Poland/ Krakow	Computer programming activities
Graboplast Closed Co. Plc.	700	7.00%	n.a.	Hungary/ Győr	Manufacture of builders' ware of plastic
NovaKid Inc.	2,006	4.17%	(4,621)	USA/ San Francisco	Online kids English learning platform operator
Banzai Cloud Closed Co. Plc.	374	17.42%	n.a.	Hungary/ Budapest	Computer programming activities
ClodeCool Ltd.	1,770	20.15%	1	Hungary/ Budapest	Other education n.e.c.
Pepita.hu Closed Co. Plc.	516	34.00%	(132)	Hungary/ Szeghalom	Retail sale via mail order houses or via Internet
Seon Holdings Ltd.	4,756	23.86%	(4)	UK/ London	Computer programming activities
Starschema Ltd.	3,944	36.19%	n.a.	Hungary/ Budapest	Computer consultancy activities
VCC Live Group Closed Co. Plc.	1,672	49.56%	(203)	Hungary/ Budapest	Computer programming activities
Virtual Solutaion Ltd.	–	8.33%	n.a.	Hungary/ Budapest	Computer programming activities
Yieldigo s.r.o.	76	1.97%	(168)	Czech Republic/ Prague	Computer programming activities
Szallas.hu Closed Co. Plc.**	8,809	51.19%	1,278	Hungary/ Miskolc	Web portals
Cursor Insight LTD	146	6.75%	(247)	UK/ London	Computer programming activities
Fabetker Ltd.	1	20.48%	132	Hungary/ Nádudvar	Manufacture of concrete products for construction purposes
OneSoil Ag.	318	3.72%	(1,058)	Switzerland/ Zurich	Computer programming activities
Packhelp Spółka Akcyjna	2,160	1.00%	(3,038)	Poland/ Warsaw	Manufacture of corrugated paper and paperboard and of containers of paper and paperboard
Phoenix Play Invest closed Co. Plc.	3,081	21.69%	(1)	Hungary/ Budapest	Activities of holding companies
Algorithmiq Invest Closed Co. Plc.	8,996	21.69%	792	Hungary/ Budapest	Activities of holding companies
NGY Propertiers Investment SRL	12,331	14.54%	(22,567)	Romania/ Bucharest	Renting and operating of own or leased real estate

* Based on unaudited financial statements.
** The Group does not control the entity even though it holds more than half of the voting rights.

As at 31 December 2020:

List of associated entities	Carrying amount	Ownership of OTP Bank	Profit after tax	Country/ Headquarter	Activity
OTP Kockázati Fund I.	531	44.12%	(2)	Hungary/ Budapest	Trusts, funds and similar financial entities
OTP-DayOne Magvető Fund	674	22.00%	(37)	Hungary/ Budapest	Trusts, funds and similar financial entities
D-ÉG Thermoset Ltd. 'u.l.'	–	46.99%	–	Hungary/ Dunaújváros	Wholesale of hardware, plumbing and heating equipment and supplies
Company for Cash Services AD	392	25.00%	(254)	Bulgaria/ Sofia	Other financial service activities, except insurance and pension funding
Edrone spółka z ograniczoną odpowiedzialnością	497	17.34%	(79)	Poland/ Krakow	Computer programming activities
Graboplasr Closed Co. Plc.	711	7.00%	(1,349)	Hungary/ Győr	Manufacture of builders' ware of plastic
NovaKid Inc.	497	4.17%	(398)	USA/ San Francisco	Online kids English learning platform operator
Banzai Cloud Closed Co. Plc.	1,008	17.42%	13,430	Hungary/ Budapest	Computer programming activities
ClodeCool Ltd.	1,797	20.15%	132	Hungary/ Budapest	Other education n.e.c.
Pepita.hu Closed Co. Plc.	575	34.00%	3	Hungary/ Szeghalom	Retail sale via mail order houses or via Internet
Seon Holdings Ltd.	378	23.86%	37	UK/ London	Computer programming activities
Starschema Ltd.	1,310	36.19%	454	Hungary/ Budapest	Computer consultancy activities
Tresorit S.A.	1,501	7.77%	232	Luxembourg/ Luxembourg	Activities of holding companies
VCC Live Group Closed Co. Plc.	1,599	49.56%	(58)	Hungary/ Budapest	Computer programming activities
Virtual Solutaion Ltd.	72	8.33%	(86)	Hungary/ Budapest	Computer programming activities
Yieldigo s.r.o.	79	1.97%	103	Czech Republic/ Prague	Computer programming activities
Szallas.hu Closed Co. Plc.	7,456	51.19%	595	Hungary/ Miskolc	Web portals

Significant event related to investments

The Romanian Court of Registration registered a capital increase at OTP Bank Romania S.A., the Romanian subsidiary of OTP Bank. Accordingly, the registered capital of the Romanian subsidiary of OTP Bank was increased to RON 2,079,253,200 from RON 1,829,253,120.

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

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

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

OTP Bank signed an acquisition agreement with Alpha International Holdings Single Member S.A. on purchasing 100% shareholding of Alpha Bank SH.A., the Albanian subsidiary of the Greek Alpha Bank S.A. The purchase price has been agreed at Euro 55 million.

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

For the year ended 31 December 2021:

	Intangible assets	Property	Office equipment and vehicles	Vehicles	Construction in progress	Right of use assets	Total
Cost							
Balance as at 1 January	**164,875**	**72,277**	**93,878**	**160**	**9,421**	**22,443**	**363,054**
Additions	52,130	4,074	13,434	87	20,394	8,675	98,794
Disposals	(28,152)	(1,845)	(3,843)	(48)	(20,390)	–	(54,278)
Balance as at 31 December	**188,853**	**74,506**	**103,469**	**199**	**9,425**	**31,118**	**407,570**
Depreciation and Amortization							
Balance as at 1 January	**107,236**	**25,789**	**71,899**	**74**	**–**	**8,964**	**213,962**
Charge for the year	23,032	3,284	9,190	25	–	5,161	40,692
Disposals	(3,576)	(757)	(3,685)	(37)	–	(238)	(8,293)
Balance as at 31 December	**126,692**	**28,316**	**77,404**	**62**	**–**	**13,887**	**246,361**
Net book value							
Balance as at 1 January	**57,639**	**46,488**	**21,979**	**86**	**9,421**	**13,479**	**149,092**
Balance as at 31 December	**62,161**	**46,190**	**26,065**	**137**	**9,425**	**17,231**	**161,209**

For the year ended 31 December 2020:

	Intangible assets	Property	Office equipment and vehicles	Vehicles	Construction in progress	Right of use assets	Total
Cost							
Balance as at 1 January	**139,026**	**69,380**	**87,235**	**126**	**10,523**	**17,827**	**324,117**
Additions	54,651	3,858	10,766	35	13,556	4,764	87,630
Disposals	(28,802)	(961)	(4,123)	(1)	(14,658)	(148)	(48,693)
Balance as at 31 December	**164,875**	**72,277**	**93,878**	**160**	**9,421**	**22,443**	**363,054**
Depreciation and Amortization							
Balance as at 1 January	**85,744**	**22,948**	**66,506**	**56**	**–**	**4,220**	**179,474**
Charge for the year	21,492	3,192	9,495	19	–	4,750	38,948
Disposals	–	(351)	(4,102)	(1)	–	(6)	(4,460)
Balance as at 31 December	**107,236**	**25,789**	**71,899**	**74**	**–**	**8,964**	**213,962**
Net book value							
Balance as at 1 January	**53,282**	**46,432**	**20,729**	**70**	**10,523**	**13,607**	**144,643**
Balance as at 31 December	**57,639**	**46,488**	**21,979**	**86**	**9,421**	**13,479**	**149,092**

The Bank has no intangible assets with indefinite useful life.

NOTE 14: INVESTMENT PROPERTIES (in HUF mn)

For the year ended 31 December 2021 and 2020, respectively:

	2021	2020
Cost		
Balance as at 1 January	**2,577**	**3,061**
Additions result from subsequent expenditure	2,640	38
Disposals	(204)	(522)
Balance as at 31 December	**5,013**	**2,577**
Depreciation and Amortization		
Balance as at 1 January	**641**	**680**
Charge for the period	92	51
Disposals	(48)	(90)
Balance as at 31 December	**685**	**641**
Net book value		
Balance as at 1 January	**1,936**	**2,381**
Balance as at 31 December	**4,328**	**1,936**

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

Income and Expenses:

	2021	2020
Rental income	6	6
Depreciation	92	49

NOTE 15: FAIR VALUE OF DERIVATIVE FINANCIAL ASSETS DESIGNATED AS HEDGE ACCOUNTING (in HUF mn)

Positive fair value of derivative financial assets designated as hedge accounting:

	2021	2020
Interest rate swaps designated as fair value hedge	13,276	637
CCIRS designated as fair value hedge	5,471	6,180
Interest rate swaps designated as cash-flow hedge	(1,020)	–
Total	**17,727**	**6,817**

NOTE 16: OTHER ASSETS* (in HUF mn)

	2021	2020
Other financial assets		
Receivables from OTP Employee Stock Ownership Program (OTP ESOP)	84,304	53,338
Prepayments and accrued income	16,391	14,721
Receivables from investment services	16,074	9,472
Stock exchange deposit	11,643	9,667
Trade receivables	10,519	9,731
Receivables from card operations	10,423	8,453
Accrued day one gain of loans provided at below-market interest	–	14,465
Receivables from suppliers	5,812	5,885
Other	3,729	9,375
	158,895	**135,107**
Loss allowance	(5,148)	(7,928)
Other financial assets total	**153,747**	**127,179**
Other non-financial assets		
Prepayments and accrued income	44,411	17,732
Receivable related to Hungarian Government subsidies	14,281	10,622
Other	12,563	14,743
	71,255	**43,097**
Provision for impairment on other assets	(514)	(482)
Other non-financial assets total	**70,741**	**42,615**
Total	**224,488**	**169,794**

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

	2021	2020
Balance as at 1 January	**7,928**	**5,646**
Charge for the period	3,888	6,663
Release of loss allowance	(5,972)	(3,971)
Use of loss allowance	(707)	(537)
FX movement	11	127
Balance as at 31 December	**5,148**	**7,928**

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

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

	2021	2020
Balance as at 1 January	**482**	**464**
Charge for the period	86	81
Release of provision	(74)	(67)
FX movement	20	4
Balance as at 31 December	**514**	**482**

NOTE 17: AMOUNTS DUE TO BANKS AND DEPOSITS FROM THE NATIONAL BANK OF HUNGARY AND OTHER BANKS (in HUF mn)

	2021	2020
Within one year:		
In HUF	354,647	172,799
In foreign currency	81,550	41,643
	436,197	**214,442**
Over one year:		
In HUF	588,161	457,882
In foreign currency	26,845	94,653
	615,006	**552,535**
Subtotal	**1,051,203**	**766,977**
Total	**1,051,203**	**766,977**

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

	2021	2020
Within one year:		
In HUF	(2.4%)–4.5%	0%–20%
In foreign currency	(2.4%)–8.5%	(0.56%)–0.26%
Over one year:		
In HUF	(2.4%)–1.3%	(2.4%)–1.43%
In foreign currency	(2.4%)–1.5%	2.4%)–4.84%
Average interest on amounts due to banks in HUF	1.26%	0.72%
Average interest on amounts due to banks in foreign currency	1.14%	1.42%

NOTE 18: REPO LIABILITIES (in HUF mn)

	2021	2020
Within one year:		
In HUF	49,726	–
	49,726	**–**
Over one year:		
In HUF	–	73
In foreign currency	36,854	109,539
	36,854	**109,612**
Subtotal	**86,580**	**109,612**
Total	**86,580**	**109,612**

Interest rates on repo liabilities are as follows:

	2021	2020
Within one year:		
In HUF	1.5%–2.8%	–
Over one year:		
In foreign currency	(0.35%)	0.63%–3.85%
Average interest on repo liabilities in HUF	11.67%	1.21%
Average interest on repo liabilities in foreign currency	0.67%	1.05%

NOTE 19: DEPOSITS FROM CUSTOMERS (in HUF mn)

	2021	2020
Within one year:		
In HUF	7,823,118	6,412,897
In foreign currency	2,079,643	1,438,255
	9,902,761	**7,851,152**
Over one year:		
In HUF	45,771	44,583
	45,771	**44,583**
Subtotal	**9,948,532**	**7,895,735**

Interest rates on deposits from customers are as follows:

	2021	2020
Within one year in HUF	(2.48%)–7.96%	(4.58%)–7.96%
Over one year in HUF	0.01%–2.4%	0.01%–0.4%
In foreign currency	(0.6%)–17.2%	(0.58%)–15.5%
Average interest on deposits from customers in HUF	0.16%	(0.07%)
Average interest on deposits from customers in foreign currency	0.01%	(0.04%)

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

	2021		2020	
Retail deposits	**4,475,933**	**45%**	**3,840,950**	**49%**
Household deposits	4,475,933	45%	3,840,950	49%
Corporate deposits	**5,472,599**	**55%**	**4,054,785**	**51%**
Deposits to medium and large corporates	4,639,198	47%	3,301,434	42%
Municipality deposits	833,401	8%	753,351	10%
Total	**9,948,532**	**100%**	**7,895,735**	**100%**

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

	2021	2020
Within one year:		
In HUF	12,048	11,115
In foreign currency	–	1,356
	12,048	**12,471**
Over one year:		
In HUF	10,105	15,964
	10,105	**15,964**
Total	**22,153**	**28,435**

Interest rates on liabilities from issued securities are as follows:

	2021	2020
Issued securities denominated in HUF	0%-1.7%	0%-1.7%
Issued securities denominated in foreign currency	–	0.01%-1.11%
Average interest on issued securities denominated in HUF	4.9%	1.03%
Average interest on issued securities denominated in foreign currency	–	1.12%

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

On 28 May 2021 the Bank initiated term note program in the value of HUF 200 billion with the intention of issuing registered dematerialized bonds in public. The NBH approved on 8 July 2021 the prospectus of Term Note Program. The prospectus is valid for 12 months following the disclosure.

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

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

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

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

Hedge accounting

Certain issued structured securities are hedged by the Bank with interest rate swaps ("IRS") which exchange the fixed and floating interest rate with the interest rate of the securities between the parties at a notional amount that equals the nominal amount of the hedged securities. These are considered as fair value hedge relationships as they cover the interest rate risk arising from the coupons of the hedged securities. OTP Bank does not intend to be exposed to the risk embedded in the structured bonds, consequently as part of interest rate swap transaction the structured interest payments are swapped to floating interest rate. This hedging relationship meets all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument
- the effect of credit risk does not dominate the value changes that result from that economic relationship
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Bank actually hedges and the quantity of the hedging instrument that the Bank actually uses to hedge that quantity of hedged item

The cash-flows of the fixed rate securities issued by the Bank are exposed to the changes in the HUF/EUR foreign exchange rate and the volatility of the quoted interest rates of EUR and HUF. The interest rate risk and foreign exchange risk related to these securities are hedged with EUR and HUF IRS transactions, where the fixed interests were swapped to payments linked to 3 month HUF BUBOR and EURIBOR, resulting in a decrease in the interest rate and foreign exchange exposure of issued securities.

Issued securities denominated in HUF as at 31 December 2021:

	Name	Date of issuance	Maturity	Nominal value in HUF million	Amortised cost in HUF million	Interest conditions		Hedged
1	OTP_DK_22/II	29/05/2020	31/05/2022	3,173	3,164	discount		
2	OTPRF2022A	22/03/2012	23/03/2022	2,321	2,513	indexed	1.70	hedged
3	OTP_DK_25/3	31/05/2021	31/05/2025	1,216	1,138	discount		
4	OTPRF2022B	22/03/2012	23/03/2022	934	1,011	indexed	1.70	hedged
5	OTP_DK_22/I	15/12/2018	31/05/2022	993	985	discount		
6	OTP_DK_23/II	29/05/2020	31/05/2023	997	981	discount		
7	OTPRF2023A	22/03/2013	24/03/2023	899	977	indexed	1.70	hedged
8	OTPRF2022E	29/10/2012	31/10/2022	862	933	indexed	1.70	hedged
9	OTP_DK_24/3	31/05/2021	31/05/2024	883	848	discount		
10	OTPRF2022F	28/12/2012	28/12/2022	708	773	indexed	1.70	hedged
11	OTP_DK_27/II	31/05/2021	31/05/2027	795	703	discount		
12	OTP_DK_23/I	15/12/2018	31/05/2023	717	694	discount		
13	OTP_DK_26/II	31/05/2021	31/05/2026	707	644	discount		
14	OTP_DK_24/II	29/05/2020	31/05/2024	592	573	discount		
15	OTP_DK_28/I	31/05/2021	31/05/2028	669	572	discount		
16	OTP_DK_25/II	29/05/2020	31/05/2025	592	564	discount		
17	OTPX2022B	18/07/2012	18/07/2022	164	549	indexed	1.70	hedged
18	OTP_DK_24/I	30/05/2019	31/05/2024	426	400	discount		
19	OTP_DK_26/I	29/05/2020	31/05/2026	392	366	discount		
20	OTPX2023A	22/03/2013	24/03/2023	312	366	indexed	1.70	hedged
21	OTPX2024B	10/10/2014	16/10/2024	295	336	indexed	0.70	hedged
22	OTP_DK_29/I	31/05/2021	31/05/2029	403	332	discount		
23	OTPRF2022D	28/06/2012	28/06/2022	286	324	indexed	1.70	hedged
24	OTPX2022C	29/10/2012	28/10/2022	177	317	indexed	1.70	hedged
25	OTPX2022D	28/12/2012	27/12/2022	238	290	indexed	1.70	hedged
26	OTPX2024A	18/06/2014	21/06/2024	241	277	indexed	1.30	hedged
27	OTPX2024C	15/12/2014	20/12/2024	242	275	indexed	0.60	hedged
28	OTPX2023B	28/06/2013	26/06/2023	198	272	indexed	0.60	hedged
29	OTPRF2022C	28/06/2012	28/06/2022	209	266	indexed	1.70	hedged
30	OTPX2022A	22/03/2012	23/03/2022	175	236	indexed	–	hedged
31	OTP_DK_25/I	30/05/2019	31/05/2025	104	94	discount		
32	OTP_DK_27/I	29/05/2020	31/05/2027	95	87	discount		
33	OTP_DK_30/I	31/05/2021	31/05/2030	104	82	discount		
	Other			211	211	indexed		
	Subtotal issued securities in HUF			**21,330**	**22,153**			
	Total			**21,330**	**22,153**			

Issued securities denominated in foreign currency as at 31 December 2020:

	Name	Date of issuance	Maturity	Currency	Nominal value in FX million	Nominal value in HUF million	Amortised cost in FX million	Amortised cost in HUF million	Interest conditions (in % actual)	
1	OTP_VK1_21/1	20/02/2020	20/02/2021	USD	1.39	414	1.39	414	variable	0.01
2	OTP_VK1_21/2	02/04/2020	02/04/2021	USD	1.24	370	1.24	370	variable	0.01
3	OTP_VK1_21/3	14/05/2020	14/05/2021	USD	1.18	351	1.18	351	variable	0.01
4	OTP_VK1_21/4	18/06/2020	18/06/2021	USD	0.74	221	0.74	221	variable	0.01
	Subtotal issued securities in foreign currency				**4.55**	**1,356**	**4.55**	**1,356**		

Issued securities denominated in HUF as at 31 December 2020:

	Name	Date of issuance	Maturity	Nominal value in HUF million	Amortised cost in HUF million	Interest conditions		Hedged
1	OTP_DK_21/I	15/12/2018	31/05/2021	3,520	3,501	discount		
2	OTP_DK_22/II	29/05/2020	31/05/2022	3,175	3,133	discount		
3	OTPRF2021B	20/10/2011	25/10/2021	2,894	2,954	indexed	–	hedged
4	OTPRF2021A	05/07/2011	13/07/2021	2,607	2,807	indexed	–	hedged
5	OTPRF2022A	22/03/2012	23/03/2022	2,065	1,920	indexed	1.70	hedged
6	OTP_DK_23/II	29/05/2020	31/05/2023	997	970	discount		
7	OTP_DK_22/I	15/12/2018	31/05/2022	993	965	discount		
8	OTPRF2022B	22/03/2012	23/03/2022	831	772	indexed	1.70	hedged
9	OTPRF2023A	22/03/2013	24/03/2023	787	740	indexed	1.70	hedged
10	OTPRF2022E	29/10/2012	31/10/2022	761	715	indexed	1.70	hedged
11	OTP_DK_23/I	15/12/2018	31/05/2023	717	679	discount		
12	OTPRF2022F	28/12/2012	28/12/2022	623	592	indexed	1.70	hedged
13	OTP_DK_24/II	29/05/2020	31/05/2024	592	566	discount		
14	OTP_DK_25/II	29/05/2020	31/05/2025	592	555	discount		
15	OTPRF2021C	21/12/2011	30/12/2021	527	544	indexed	–	hedged
16	OTPX2022B	18/07/2012	18/07/2022	172	440	indexed	1.70	hedged
17	OTP_DK_24/I	30/05/2019	31/05/2024	426	390	discount		
18	OTPRF2021D	21/12/2011	30/12/2021	372	381	indexed	–	hedged
19	OTPX2021B	17/06/2011	21/06/2021	245	370	indexed	–	hedged
20	OTP_DK_26/I	29/05/2020	31/05/2026	392	361	discount		
21	OTPX2023A	22/03/2013	24/03/2023	324	327	indexed	1.70	hedged
22	OTPX2021D	21/12/2011	27/12/2021	259	325	indexed	–	hedged
23	OTPX2022D	28/12/2012	27/12/2022	248	299	indexed	1.70	hedged
24	OTPX2024B	10/10/2014	16/10/2024	295	284	indexed	0.70	hedged
25	OTPRF2022D	28/06/2012	28/06/2022	260	251	indexed	1.70	hedged
26	OTPX2021A	01/04/2011	01/04/2021	183	246	indexed	–	hedged
27	OTPX2024A	18/06/2014	21/06/2024	241	237	indexed	1.30	hedged
28	OTPX2022C	29/10/2012	28/10/2022	201	233	indexed	1.70	hedged
29	OTPX2024C	15/12/2014	20/12/2024	242	232	indexed	0.60	hedged
30	OTPX2023B	28/06/2013	26/06/2023	198	225	indexed	0.60	hedged
31	OTPX2022A	22/03/2012	23/03/2022	201	214	indexed	–	hedged
32	OTPRF2022C	28/06/2012	28/06/2022	190	196	indexed	1.70	hedged
33	OTPX2021C	19/09/2011	24/09/2021	231	192	indexed	–	hedged
34	OTP_DK_25/I	30/05/2019	31/05/2025	104	91	discount		
35	OTP_DK_27/I	29/05/2020	31/05/2027	95	85	discount		
36	OTPRF2021E	21/12/2011	30/12/2021	76	74	indexed	–	hedged
37	Other			213	213			
	Subtotal issued securities in HUF			**26,849**	**27,079**			
	Total			**28,205**	**28,435**			

NOTE 21: FINANCIAL LIABILITIES DESIGNATED AS FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)

	2021	2020
Within one year:		
In HUF	1,784	2,010
	1,784	**2,010**
Over one year:		
In HUF	18,349	23,892
	18,349	**23,892**
Total	**20,133**	**25,902**
Contractual amount outstanding	21,479	23,332

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

	2021	2020
Within one year:		
In HUF	0.46%–2.46%	0.51%–2.5%
Over one year:		
In HUF	0.01%–2.9%	0%–2.5%
Average interest on amounts due to banks in HUF	2.15%	2.46%

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

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

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

	2021	2020
Interest rate swaps	78,066	28,812
Foreign currency swaps	45,884	34,327
CCIRS and mark-to-market CCIRS	7,786	7,285
Other derivative contracts	60,525	29,563
Total	**192,261**	**99,987**

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

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

	2021	2020
IRS designated as fair value hedge	5,747	5,266
CCIRS designated as fair value hedge	5,325	5,865
IRS designated as cash-flow hedge	7,618	(8,027)
Total	**18,690**	**3,104**

NOTE 24: OTHER LIABILITIES* AND PROVISIONS (in HUF mn)

	2021	2020 Reclassified
Other financial liabilities		
Liabilities from investment services	87,582	62,490
Accrued expenses	27,546	15,473
Accounts payable	18,754	24,121
Liabilities due to short positions	16,904	9,131
Liabilities from customer's credit card payments	14,574	11,195
Accrued day one gain of loan liabilities at below-market interest	–	14,391
Other	11,383	13,249
Other financial liabilities total	**176,743**	**150,050**
Other non-financial liabilities		
Technical accounts	41,186	37,304
Current income tax payable	10,080	8,216
Social contribution	4,516	3,746
Accrued expenses	3,062	2,902
Other	2,850	1,309
Other non-financial liabilities total	**61,694**	**53,477**
Other liabilities total	**238,437**	**203,527**

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

	2021	2020
Provision for losses on other off-balance sheet commitments and contingent liabilities	17,768	17,490
Provisions in accordance with IFRS 9	**17,768**	**17,490**
Provision for litigation	259	199
Provision for retirement pension and severance pay	975	1,300
Provision on other long-term employee benefits	–	723
Provision on other liabilities	2,525	194
Provisions in accordance with IAS 37	**3,759**	**2,416**
Total	**21,527**	**19,906**

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

	2021	2020
Opening balance	**17,490**	**14,288**
Provision for the period	47,626	56,863
Release of provision for the period	(47,496)	(54,044)
FX revaluation	148	383
Closing balance	**17,768**	**17,490**

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

	2021	2020
Opening balance	**2,416**	**2,508**
Provision for the period	14,286	20,970
Release of provision	(11,608)	(21,062)
Use of provision	(1,335)	–
Closing balance	**3,759**	**2,416**

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

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

	2021	2020
Within one year:		
In foreign currency	2,841	2,972
Over one year:		
In foreign currency	268,935	301,271
Total	**271,776**	**304,243**

Interest rates on subordinated bonds and loans are as follows:

	2021	2020
Subordinated bonds and loans denominated in foreign currency	2.5%-2.9%	2.5%-2.9%
Average interest on subordinated bonds and loans denominated in foreign currency	2.74%	2.85%

Subordinated loans and bonds are detailed as follows as at 31 December 2021:

Type	Nominal value	Date of issuance	Date of maturity	Issue price	Interest conditions	Current interest rate
Subordinated bond	EUR 231 million	7 November 2006	Perpetual	99.375%	Three-month EURIBOR + 3%, variable (payable quarterly)	2.428%
Subordinated bond	EUR 500 million	15 July 2019	15 July 2029	99.738%	Fixed 2.875% annual in the first 5 years and callable after 5 years, variable after year 5 (payable annually) calculated as a sum of the initial margin (320 bps) and the 5 year mid-swap rate prevailing at the and of the 5 year.	2.875%

NOTE 26: SHARE CAPITAL (in HUF mn)

	2021	2020
Authorized, issued and fully paid:		
Ordinary shares	28,000	28,000

The nominal value of the shares is HUF 100 per shares. All of the shares are ordinary shares representing the same rights to the shareholders. Furthermore there are no restrictions on the distribution of dividends and the repayment of capital.

NOTE 27: RETAINED EARNINGS AND RESERVES (in HUF mn)

Based on the instructions of Act C of 2000 on accounting ("Act on Accounting") financial statements of the Bank are prepared in accordance with IFRS as issued by the IASB as adopted by the EU.

In 2021, the Bank did not pay dividend based on the earlier NBH warnings issued due to covid moratoria. In 2022 dividend of HUF 119 billion from the profit of the years 2019 and 2020 and HUF 1 billion from the profit of the year 2021 (totally HUF 120 billion) are expected to be proposed by the Management, which means HUF 425,89 (for the year 2019 and 2020) and HUF 3,57 (for the year 2021) dividend per share payable to shareholders. In the opinion of the Management dividend is still considered to be payable, which will be decided on the Bank's Board meeting in March taken in consideration the Russian-Ukrainian conflict.

Based on paragraph 114/B of Act on Accounting Equity Correlation Table is prepared and disclosed as a part of the explanatory notes for the reporting date by the Bank.

On 19 October 2006 the Bank sold 14.5 million Treasury shares owned by OTP Group through an issue of Income Certificates Exchangeable for Shares ("ICES"). Within the transaction 10 million shares owned by OTP Bank and 4.5 million OTP shares owned by OTP Fund Management Ltd. were sold during the underwriting period of ICES on the weighted average market price (HUF 7,080) of the Budapest Stock Exchange. The shares have been purchased by Opus Securities S.A. ("OPUS"), which issued an exchangeable bond with a total face value of EUR 514,274,000 backed by those shares. The exchangeable bonds have been sold at a 32% premium over the selling price of the shares. The EUR denominated exchangeable bonds were perpetual and the investors could exercise the conversion right between year 6 and 10. The bonds carry a fixed coupon of 3.95% during the first 10 years thereafter the Issuer had the right to redeem the bonds at face value. Following the year 10, the bonds carry a coupon of 3 month EURIBOR +3%. OTP Bank had discretional right to cancel the payments. The interest payable was non-cumulative.

Due to the conditions described above, ICES was accounted as an equity instrument and therefore any payment was accounted as equity distribution paid to ICES holders.

On 14 September 2021 the Bank claimed to terminate the subordinated swap agreement related to ICES transaction as at 29 October 2021, and to exercise its option for repurchasing approximately 14.5 million OTP ordinary shares held by Opus at market price based on the agreement. On the same day the Bank recognised liability due to Opus as a reduction of EUR 514 million in the shareholder's equity.

Treasury shares were repurchased on 29 October 2021 on a price HUF 18.118 and on the same day the swap transaction was financially settled. As a result of the closure of the subordinated swap agreement the Bank's shareholder's equity increased by HUF 75.422 million as follows:

	HUF million	
Recognition of liability against shareholder's equity	179,767	equity decrease
Payment of price for treasury shares by Opus	262,648	equity increase
Tax effect accounted in retained earnings	7,459	equity decrease

Approximately 12 million treasury shares were sold to OTP SECOP I. ('OTP Special Employee Stock Ownership Program') and OTP SECOP II.

Equity correlation table shall contain the opening and closing balances of the share-holder's equity in accordance with IFRS, furthermore deducted from this the opening and closing balances of the specified equity elements. Equity correlation table shall contain also untied retained earnings available for the payment of dividends, covering retained earnings from the last financial year for which accounts have been adopted comprising net profit for the period of that financial year minus cumulative unrealized gains claimed in connection with any increase in the fair value of investment properties, as provided in IAS 40 – Investment Property, reduced by the cumulative income tax accounted for under IAS 12 – Income Taxes.

Share capital

Share capital is the portion of the Bank's equity that has been obtained by the issue of shares in the corporation to a shareholder, usually for cash.

Share-based payment reserve

Share-based payment reserve represents the increase in the equity due to the goods or services were received by the Bank in an equity-settled share-based payment transaction, valued at the fair value of the goods or services received.

Retained earnings

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

Put option reserve

OTP Bank Plc. and MOL Plc. entered into a share swap agreement in 16 April 2009, whereby OTP has changed 24,000,000 OTP ordinary shares for 5,010,501 "A series" MOL shares. The final maturity of the share swap agreement is 11 July 2022, until which any party can initiate cash or physical settlement of the transaction.
Put option reserve represents the written put option over OTP ordinary shares were accounted as a deduction from equity at the date of OTP-MOL share swap transaction.

Other comprehensive income

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

General reserve

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

Tied-up reserve

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

The equity correlation table of the Bank based on paragraph 114/B of Act on Accounting as at 31 December 2021:

31 December 2021 Closing balance	Share Capital	Capital reserve	Share-based payment reserve	Retained earnings and reserves	Option reserve	Treasury Shares	Revaluation reserve	Tied-up reserve	Net profit for the year	Total
Components of Shareholder's equity in accordance with IFRS	**28,000**	**52**	**46,162**	**1,855,090**	**(55,468)**	**(58,872)**	**–**	**–**	**–**	**1,814,964**
Unused portion of reserve for developments	–	–	–	(497)	–	–	–	497	–	–
Other comprehensive income	–	–	–	(5,078)	–	–	5,078	–	–	–
Option reserve	–	(55,468)	–	–	55,468	–	–	–	–	–
Treasury shares	–	(58,872)	–	–	–	58,872	–	–	–	–
Share based payments	–	46,162	(46,162)	–	–	–	–	–	–	–
Net profit for the year	–	–	–	(125,339)	–	–	–	–	125,339	–
General reserve	–	–	–	(117,905)	–	–	–	117,905	–	–
Components of Shareholder's equity in accordance with paragraph 114/B of Act on Accounting	**28,000**	**(68,126)**	**–**	**1,606,271**	**–**	**–**	**5,078**	**118,402**	**125,339**	**1,814,964**

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

31 December 2021 Closing balance	Share Capital	Capital reserve	Share-based payment reserve	Retained earnings and reserves	Option reserve	Treasury Shares	Revaluation reserve	Tied-up reserve	Net profit for the year	Total
Components of Shareholder's equity in accordance with IFRS	**28,000**	**52**	**42,573**	**1,709,976**	**(55,468)**	**(46,799)**	**–**	**–**	**–**	**1,678,334**
Unused portion of reserve for developments	–	–	–	(998)	–	–	–	998	–	–
Other comprehensive income	–	–	–	(44,356)	–	–	44,356	–	–	–
Portion of supplementary payment recognised as an asset	–	–	–	–	–	–	–	–	–	–
Option reserve	–	(55,468)	–	–	55,468	–	–	–	–	–
Treasury shares	–	(46,799)	–	–	–	46,799	–	–	–	–
Share based payments	–	42,573	(42,573)	–	–	–	–	–	–	–
Net profit for the year	–	–	–	(92,474)	–	–	–	–	92,474	–
General reserve	–	–	–	(105,371)	–	–	–	105,371	–	–
Components of Shareholder's equity in accordance with paragraph 114/B of Act on Accounting	**28,000**	**(59,642)**	**–**	**1,466,777**	**–**	**–**	**44,356**	**106,369**	**92,474**	**1,678,334**

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

	2021	2020
Retained earnings	1,606,271	1,466,777
Net profit for the year	125,339	92,474
Untied retained earnings	**1,731,610**	**1,559,251**

Items of retained earnings and other reserves:

	2021	2020
Retained earnings	1,606,770	1,465,037
Capital reserve	52	52
Option reserve	(55,468)	(55,468)
Other reserves	117,903	105,370
Fair value reserve of financial instruments measured at fair value through other comprehensive income	8,646	44,356
Share-based payment reserve	46,162	42,573
Fair value reserve of derivative financial instruments designated as cash-flow hedge	(3,568)	2,739
Net profit for the period	125,339	92,474
Retained earnings and other reserves	**1,845,836**	**1,697,133**

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

	2021	2020
Balance as at 1 January	**36,441**	**51,011**
Change of fair value adjustment	(34,484)	(22,069)
Deferred tax related to change of fair value adjustment	2,801	1,973
Other transfer to retained earnings	(5,070)	–
Deferred tax related to other transfer to retained earnings	457	–
Transfer to p/l due to derecognition	–	6,073
Deferred tax related to accumulated transfer to p/l	–	(547)
Closing balance	**145**	**36,441**

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

	2021	2020
Balance as at 1 January	**1,714**	**1,702**
Increase of loss allowance	1,103	795
Release of loss allowance	(1,654)	(783)
FX movement	11	–
Closing balance	**1,174**	**1,714**

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

	2021	2020
Balance as at 1 January	**6,201**	**10,262**
Change of fair value correction	1,407	(3,276)
Deferred tax related to change of fair value correction	(281)	310
Transfer to retained earnings	–	(1,095)
Closing balance	**7,327**	**6,201**

NOTE 28: TREASURY SHARES (in HUF mn)

	2021	2020
Nominal value (ordinary shares)	325	433
Carrying value at acquisition cost	58,872	46,799

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

Change in number of shares:

	2021	2020
Number of shares as at 1 January	**4,331,169**	**320,165**
Additions	16,251,451	8,296,388
Disposals	(17,332,636)	(4,285,384)
Number of shares at the end of the period	**3,249,984**	**4,331,169**

Change in carrying value:

	2021	2020
Balance as at 1 January	**46,799**	**2,636**
Additions	276,433	85,922
Disposals	(264,360)	(41,759)
Closing Balance	**58,872**	**46,799**

	2021	2020
Face value of treasury shares held by OTP Group members	766	1,959

NOTE 29: INTEREST INCOME AND EXPENSES (in HUF mn)

	2021	2020
Interest income accounted for using the effective interest rate method from/on		
Loans at amortised cost	168,388	143,652
FVOCI securities	21,456	29,095
Securities at amortised cost	61,085	48,654
Placements with other banks	33,544	12,248
Financial liabilities	3,337	1,544
Amounts due from banks and balances with National Bank of Hungary	14,245	4,391
Repo receivables	318	49
Subtotal	**302,373**	**239,633**
Income similar to interest income		
Loans mandatorily measured at fair value through profit or loss	26,045	15,094
Swap and forward deals related to Placements with other banks	68,975	56,341
Swap and forward deals related to Loans at amortised cost	11,487	14,011
Swap and forward deals related to FVOCI securities	(850)	(3,789)
Other	6	6
Subtotal	**105,663**	**81,663**
Interest income total	**408,036**	**321,296**
Interest expense due to/from/on		
Amounts due to banks and deposits from the National Bank of Hungary and other banks	107,928	67,747
Deposits from customers	33,403	19,598
Leasing liabilities	214	257
Liabilities from issued securities	377	414
Subordinated bonds and loans	7,890	8,327
Other	92	49
Financial assets	2,193	1,622
Repo liabilities	3,394	1,616
Subtotal	**155,491**	**99,630**

NOTE 30: RISK COST (in HUF mn)

	2021	2020
Loss allowance of loans at amortised cost		
Loss allowance	218,534	211,543
Release of loss allowance	(181,270)	(156,385)
	37,264	**55,158**
Loss allowance of sight deposits and placements with other banks		
Loss allowance	20,709	12,724
Release of loss allowance	(18,912)	(10,497)
	1,797	**2,227**
Loss allowance of placements with other banks		
Loss allowance	449	362
Release of loss allowance	(669)	(76)
	(220)	**286**
Loss allowance of FVOCI securities		
Loss allowance	1,103	2,119
Release of loss allowance	(1,654)	(2,116)
	(551)	**3**
Loss allowance of securities at amortised cost		
Loss allowance	4,404	4,822
Release of loss allowance	(2,369)	(2,977)
	2,035	**1,845**
Provision on loan commitments and financial guarantees		
Provision for the period	47,626	57,246
Release of provision	(47,496)	(54,044)
	130	**3,202**
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	16,255	405
Risk cost total	**56,710**	**63,126**

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

Income from fees and commissions:

	2021	2020
Fees and commissions related to lending	**12,164**	**11,141**
Deposit and account maintenance fees and commissions	123,800	106,341
Fees and commission related to the issued bank cards	89,243	77,115
Fees and commissions related to security trading	28,227	25,414
Fx margin	16,155	6,159
Fees and commissions paid by OTP Mortgage Bank Ltd.	11,187	8,725
Net insurance fee income	8,481	7,155
Other	11,546	17,731
Fees and commissions from contracts with customers	**288,639**	**248,640**
Total Income from fees and commissions:	**300,803**	**259,781**

Contract balances:

	2021	2020
Receivables, which are included in 'other assets'	16,391	7,625
Loss allowance	196	(103)

Performance obligations and revenue recognition policies:

Fee type	Nature and timing of satisfaction of performance obligations, and the significant payment terms	Revenue recognition under IFRS 15
Deposit and account maintenance fees and commissions	The Bank provides a number of account management services for both retail and corporate customers in which they charge a fee. Fees related to these services can be typically account transaction fees (money transfer fees, direct debit fees, money standing order fees, etc.), internet banking fees (e.g. OTPdirekt fee), account control fees (e.g. sms fee), or other fees for occasional services (account statement fees, other administration fees, etc.). Fees for ongoing account management services are charged to the customer's account on a monthly basis. The fees are commonly fix amounts that can be vary per account package and customer category. In the case of the transaction based fees where the services include money transfer the fee is charged when the transaction takes place. The rate of the fee is typically determined in a certain % of the transaction amount. In case of other transaction-based fees (e.g. SMS fee), the fee is settled monthly. In case of occasional services the Bank basically charges the fees when the services are used by the customer. The fees can be fixed fees or they can be set in %. The rates are reviewed by the Bank regularly.	Fees for ongoing account management services are charged on a monthly basis during the period when they are provided. Transaction-based fees are charged when the transaction takes places or charged monthly at the end of the month.
Fees and commission related to the issued bank cards	The Bank provides a variety of bank cards to its customers, for which different fees are charged. The fees are basically charged in connection with the issuance of cards and the related card transactions. The annual fees of the cards are charged in advance in a fixed amount. The amount of the annual card fee depends on the type of card. In case of transaction-based fees (e.g. cash withdrawal/payment fee, merchant fee, interchange fee, etc.), the settlement of the fees will take place immediately after the transaction or on a monthly basis. The fee is typically determined in % of the transaction with a fixed minimum amount. For all other cases where the Bank provides a continuous service to the customers (e.g. card closing fee), the fees are charged monthly. The fee is calculated in a fix amount. The rates are reviewed by the Bank regularly.	Fees for ongoing services are charged on a monthly basis during the period when they are provided. Transaction-based fees are charged when the transaction takes places or charged monthly at the end of the month.
Fees and commissions related to security account management services	The Bank provides its clients with security account management services. Fees will be charged for account management and transactions on accounts. Account management fees are typically charged quarterly or annually. The amount is determined in%, based on the stocks of securities managed by the clients on the account in a given period. Fees for transactions on the securities account are charged immediately after the transaction. They are determined in%, based on the transaction amount. Fees for complex services provided to clients (e.g. portfolio management or custody) are typically charged monthly or annually. The fees are fixed monthly amounts and in some cases a bonus fee are charged.	Fees for ongoing services are charged quarterly or annually during the period when they are provided. The fees are accrued monthly. Transaction-based fees are charged when the transaction takes places.
Fees and commissions paid by OTP Mortgage Bank Ltd.	The Bank provides a number of services to its subsidiaries, in connection with fees are charged. These fees typically include services related to various warranties and guarantees, credit account management, agency activities, and marketing activities. The credit account management fee granted to OTP Mortgage Bank is settled on a monthly basis. It has a fixed part that is based on the number of the managed credit accounts, and a variable one determined by the profit split method. The fees for the guarantee services provided by the Bank are charged monthly. The fee is determined by% and based on the stock being guaranteed. Fees for agent services are charged monthly. The rate is %, based on the products sold during the period.	Fees for ongoing services are charged on a monthly basis during the period when they are provided. Transaction-based fees are charged when the transaction takes places.
Net insurance fee income	Due to the fact that the Bank does not provide insurance services to its clients, only acts as an agent, the fee income charged to the customers and fees payable to the insurance company are presented net in the fee income. In addition, agency fee charged for the sale of insurance contracts is also recorded in this line. The fee is charged on a monthly basis and determined in %.	Fees for ongoing services are charged on a monthly basis during the period when they are provided.
Other	Fees that are not significant in the Banks total income are included in Other fees category. Such fees are safe lease, special procedure fee, account rent fee, adlak service fee, fee of a copy of document, etc. Other fees may include charges for continuous services or for ad hoc administration services. Continuous fees are charged monthly (e.g., safe lease fees) at the beginning of the period, typically at a fixed rate. Fees for ad hoc services are charged immediately after the service obligation had been met, typically also in a fixed amount.	Fees for ongoing services are charged on a monthly basis during the period when they are provided. Fees for ad hoc services are charged when the transaction takes places.

	2021	2020
Other fees and commissions related to issued bank cards	39,835	31,701
Insurance fees	771	758
Fees and commissions related to lending	5,011	3,432
Fees and commissions related to security trading	618	1,584
Fees and commissions relating to deposits	2,610	1,355
Trust activities related to securities	1,652	566
Postal fees	224	202
Money market transaction fees and commissions	265	91
Other	1,290	1,061
Total	**52,276**	**40,750**
	248,527	**219,031**

NOTE 32: GAINS AND LOSSES (in HUF mn)

	2021	2020
Losses arising from derecognition of financial assets measured at amortised cost		
Gain from loans	93	894
Loss from loans	(818)	(4,533)
Gain from securities	968	360
Loss from securities	(2,520)	–
Other	(423)	–
Losses arising from derecognition of financial assets measured at amortised cost	**(2,700)**	**(3,279)**

Additional information to Gains or losses from operating income:

	2021	2020
Foreign exchange losses		
Loss from foreign exchange	(5,875)	(5,302)
Margin gains	3,597	2,592
Margin losses	(3,360)	(1,808)
Total	**(5,638)**	**(4,518)**

	2021	2020
Gains on derivative instruments, net		
Gains on FX spot, swap and option deals	41,224	53,171
Losses from FX spot, swap and option deals	(34,716)	(46,329)
Fees received related to option deals	2,203	17,983
Fees paid related to option deals	(2,830)	(17,912)
Gains on commodity deals	91,487	22,122
Losses from commodity deals	(91,474)	(22,123)
Gains on futures transactions	580	1,555
Losses from futures transactions	(208)	(1,410)
Losses from credit valuation adjustment related to FX spot, swap and option deals held for trading	(2,643)	–
Losses from credit valuation adjustment related to commodity deals held for trading	(187)	–
Total	**3,436**	**7,057**

	2021	2020
Losses on financial instruments at fair value through profit or loss		
Gains on securities mandatorily measured at fair value through profit or loss	2,285	2,725
Gains on loans mandatorily measured at fair value through profit or loss	12,069	2,328
Losses on loans mandatorily measured at fair value through profit or loss	(24,760)	(4,453)
Gains on financial liabilities designated at fair value through profit or loss	4,353	2,443
Losses on financial liabilities designated at fair value through profit or loss	(438)	(3,713)
Total	**(6,491)**	**(670)**

	2021	2020
Gains on securities, net		
Interest income from held for trading securities	277	368
Gains on held for trading securities	8,018	5,948
Losses on held for trading securities	(3,646)	(3,697)
Gains on FVOCI securities	2,138	6,639
Losses on FVOCI securities	(6,797)	(566)
Gains on derecognition of investments in subsidiaries	1,311	23,028
Losses on derecognition of investments in subsidiaries	(1,963)	(16,485)
Gains/losses from other securities	2,766	2,360
Total	**2,104**	**17,595**

	2021	2020
Dividend income		
Distribution from investments in subsidiaries	95,042	60,913
Distribution from held for trading securities	3,844	8
Distribution from FVOCI equity instruments	151	52
Total	**99,037**	**60,973**
Total gains and losses from operating income (without other operating income)	**92,445**	**80,436**

NOTE 33: OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn)

	2021	2020
Other operating income		
Intermediary and other services	2,272	2,677
Derecognition of financial liabilities at amortised cost	2,290	710
Non-repayable assets received	1,174	26
Income from lease of tangible assets	1,009	749
Gains on derecognition of deposits	281	710
Gains on discount from advertising agency fees	182	171
Income from written off receivables	281	206
Gains on sale of receivables	–	377
Gains on transactions related to property activities	239	266
Gains on IT services provided to subsidiaries	940	–
Other operating income from OTP Employee Stock Ownership Program (OTP ESOP)	2,234	236
Gains on sale of tangible assets	(81)	150
Other	444	1,772
Total	**11,265**	**7,900**

	2021	2020
Net other operating expenses		
Release of loss allowance on other assets	961	(3,521)
Non-repayable assets contributed	(862)	(4,055)
Release of provision for off-balance sheet commitments and contingent liabilities	(1,343)	92
Financial support for sport association and organization of public utility	(10,960)	(7,999)
Losses on other assets	–	(697)
Loss allowance on investments in subsidiaries	(27,420)	(10,042)
Other	(2,012)	(1,842)
Total other operating expenses	**(41,636)**	**(28,064)**

	2021	2020 Reclassified
Other administrative expenses		
Personnel expenses		
Wages	105,176	89,705
Taxes related to personnel expenses	16,709	16,308
Other personnel expenses	14,241	12,485
Subtotal	**136,126**	**118,498**
Depreciation and amortization	**40,692**	**38,948**
Other administrative expenses		
Taxes, other than income tax	81,171	73,384
Services	57,290	41,590
Fees payable to authorities and other fees	17,362	13,769
Administration expenses, including rental fees	7,439	15,517
Professional fees	6,714	2,500
Advertising	8,635	7,405
Subtotal	**178,611**	**154,165**
Total	**355,429**	**311,611**

NOTE 34: INCOME TAX (in HUF mn)

The Bank is presently liable for income tax at a rate of 9% of taxable income, local taxes at a rate of 2.3% of taxable revenue.

A breakdown of the income tax expense is:

	2021	2020 Reclassified
Current tax expense	14,528	14,198
Deferred tax expense/(benefit)	1,423	(1,077)
Total	**15,951**	**13,121**

A reconciliation of the deferred tax liability is as follows:

	2021	2020
Balance as at 1 January	**(3,062)**	**(5,875)**
Deferred tax (expense)/benefit	(1,423)	1,077
Tax effect of fair value adjustment of FVOCI securities and ICES recognised in comprehensive income	2,978	1,736
Closing balance	**(1,507)**	**(3,062)**

* Special tax of financial institutions was paid by OTP Bank in the amount of HUF 13.1 and 11.6 billion for the for the year ended 31 December 2021 and 2020, recognized as an expense thus decreased the corporate tax base. For the year ended 31 December 2021 financial transaction duty was paid by the Bank in the amount of HUF 68 billion.

A breakdown of the deferred tax liability is as follows:

	2021	2020
Unused tax allowance	–	1,321
Provision for untaken leave	282	–
Provision for termination benefits and jubilee	644	–
Amounts unenforceable by tax law	–	247
Deferred tax asset	**926**	**1,568**
Fair value adjustment of held for trading and securities at fair value through other comprehensive income	(1,312)	(4,199)
Difference in depreciation and amortization	(1,076)	(329)
Provision for developments	(45)	–
Amounts unenforceable by tax law	–	(102)
Deferred tax liabilities	**(2,433)**	**(4,630)**
Net deferred tax assets/(liabilities)	**(1,507)**	**(3,062)**

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

	2021	2020
Profit before income tax	141,290	93,246
Income tax at statutory tax rate (9%)	12,717	8,392
A reconciliation of effective tax rate as follows		
Share-based payment	323	305
Deferred use of tax allowance	90	–
Dividend income	(8,787)	(5,488)
Use of tax	(3,461)	(2,023)
Amounts unenforceable by tax law	(847)	(38)
Change due to accounting policy (Visa)	–	69
Use of tax losses	–	(167)
Deferred tax asset due to unused tax allowance	–	(1,039)
Other	1,618	761
Income tax	**1,653**	**772**
Effective tax rate	1.2%	0.8%

	2021	2020
(as presented in the separate statement of financial position)		
Current tax assets	–	593
Current tax liabilities	4,776	1,464
Net tax liabilities	**(4,776)**	**(871)**

NOTE 35: LEASE (in HUF mn)

The Bank as a lessee

Amounts recognised in profit and loss:

	2021	2020
Interest expense on lease liabilities	214	257
Expense relating to short-term leases	2,143	2,128
Expense relating to variable lease payments not included in the measurement of lease liabilities	1,271	1,084

Leasing liabilities by maturities:

	2021	2020
Within one year	4,868	4,423
Over one year	13,064	9,683
Total	**17,932**	**14,106**

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

	Right-of-use of real estate	Right-of-use of machinery and equipment	Total
Gross carrying amount			
Balance as at 1 January 2020	**17,790**	**37**	**17,827**
Additions due to new contracts	3,707	–	3,707
Derecognition due to matured contracts	(18)	–	(18)
Change due to revaluation and modification	927	–	927
Balance as at 31 December 2020	**22,406**	**37**	**22,443**
Additions due to new contracts	5,788	–	5,788
Derecognition due to matured contracts	(263)	–	(263)
Change due to revaluation and modification	3,150	–	3,150
Balance as at 31 December 2021	**31,081**	**37**	**31,118**
Depreciation			
Balance as at 1 January	**4,214**		**4,220**
Depreciation charge	4,744	6	4,750
Derecognition due to matured contracts	(6)	–	(6)
Balance as at 31 December 2021	**8,952**	**12**	**8,964**
Depreciation charge	5,155	6	5,161
Derecognition due to matured contracts	(238)	–	(238)
Balance as at 31 December 2021	**13,869**	**18**	**13,887**
Net carrying amount			
Balance as at 31 December 2020	**13,454**	**25**	**13,479**
Balance as at 31 December 2021	**17,212**	**19**	**17,231**

NOTE 36: FINANCIAL RISK MANAGEMENT (in HUF mn)

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments may result in certain risks to the Bank. The most significant risks the Bank faces include:

36.1 Credit risk

The Bank takes on exposure to credit risk which is the risk that a counter-party will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or banks of borrowers, and to geographical areas and loan types. Such risks are monitored on a periodical basis and subject to an annual or more frequent review. The exposure to any borrower including banks and brokers is further restricted by sublimit covering on- and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is partly managed obtaining collateral, corporate and personal guarantees.

36.1.1 Financial instruments by stages

Defining the expected credit loss on individual and collective basis

On individual basis:
Individually assessed are the non-retail or micro- and small enterprise exposure of significant amount on a stand-alone basis:

- exposure in stage 3,
- exposure in workout management,
- purchased or originated credit-impaired instruments which are in accordance with the conditions mentioned above.

The calculation of impairment must be prepared and approved by the risk management functional areas. The calculation, all relevant factors (amortised cost, original and current EIR, contracted and expected cash-flows (from business and/or collateral) for the individual periods of the entire lifecycle, other essential information enforced during the valuation) and the criteria thereof (including the factors underlying the classification as stage 3) must be documented individually.

The expected credit loss of the exposure equals the difference of the receivable's AC (gross book value) on the valuation date and the present value of the receivable's expected cash-flows discounted to the valuation date by the exposure's original effective interest rate (EIR) (calculated at the initial recognition, or in the case of variable rate, recalculated due to the last interest rate change). The estimation of the expected future cash-flows should be forward looking, it must also contain the effects of the possible change of macroeconomic outlook. At least two scenarios must be used for the estimation of the expected cash-flow. At least one scenarios should anticipate that realised cash-flows will be significantly different from the contractual cash-flows. Probability weights must be allocated to the individual scenarios. The estimation must reflect the probability of the occurrence and non-occurrence of the credit loss, even if the most probable result is the non-occurrence of the loss.

On collective basis:
The following exposures are subject to collective assessment:

- retail exposure irrespective of the amount,
- micro and small enterprise exposures irrespective of the amount,

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

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

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

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

The impairment parameters should be backtested at least annually.

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

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

As at 31 December 2021:

	Carrying amount/ Exposure	Gross carrying amount/Notional amount					Loss allowance					Write-off
		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Total	
Cash, amounts due from banks and balances with the National Bank of Hungary	474,945	475,130	–	–	–	475,130	185	–	–	–	185	–
Placements with other banks, net of allowance for placement losses	2,567,212	2,573,226	–	1,476	–	2,574,702	6,014	–	1,476	–	7,490	–
Repo receivables	33,638	33,710	–	–	–	33,710	72	–	–	–	72	–
Retail consumer loans	598,699	488,639	139,193	33,687	3	661,522	11,168	27,597	24,056	2	62,823	–
Mortgage loans	81,471	33,254	39,220	8,377	2,724	83,575	25	309	1,503	267	2,104	–
Municipal loans	71,328	70,311	1,346	–	–	71,657	223	106	–	–	329	–
Corporate loans	3,280,967	2,909,439	384,223	66,915	10,691	3,371,268	17,945	39,260	31,528	1,568	90,301	21,838
Loans at amortised cost	4,032,465	3,501,643	563,982	108,979	13,418	4,188,022	29,361	67,272	57,087	1,837	155,557	21,838
FVOCI securities	641,939	641,939	–	–	–	641,939	1,174	–	–	–	1,174	–
Securities at amortised cost	3,071,038	3,064,500	13,223	–	–	3,077,723	5,882	803	–	–	6,685	–
Other financial assets	153,748	119,174	38,964	735	23	158,896	1,696	2,840	598	14	5,148	–
Total as at 31 December 2021	**10,974,985**	**10,409,322**	**616,169**	**111,190**	**13,441**	**11,150,122**	**44,384**	**70,915**	**59,161**	**1,851**	**176,311**	**21,838**
Loan commitments	1,665,288	1,615,196	56,838	4,996	–	1,677,030	5,620	3,968	2,154	–	11,742	–
Financial guarantees	1,500,977	1,491,470	14,883	244	–	1,506,597	4,820	749	51	–	5,620	–
Factoring loan commitments	423,267	412,692	5,847	5,133	–	423,672	228	32	145	–	405	–
Bill of credit	30,380	30,381	–	–	–	30,381	1	–	–	–	1	–
Loan commitments and financial guarantees total	**3,619,912**	**3,549,739**	**77,568**	**10,373**	**–**	**3,637,680**	**10,669**	**4,749**	**2,350**	**–**	**17,768**	**–**

As at 31 December 2020:

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

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

Loans at amortised cost:

	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January 2020	**26,777**	**18,678**	**25,841**	**770**	**72,066**
Transfer to Stage 1	633	(612)	(21)	–	–
Transfer to Stage 2	(4,374)	5,682	(1,308)	–	–
Transfer to Stage 3	(188)	(1,683)	1,871	–	–
Net remeasurement of loss allowance	(2,736)	40,164	9,196	839	47,463
New financial assets originated or purchased	11,393	7,498	2,918	45	21,854
Financial assets derecognised (other than write-offs)	(8,975)	(3,354)	(3,717)	(11)	(16,057)
Unwind of discount	–	–	1,613	217	1,830
Write-offs	(24)	(76)	(3,167)	(219)	(3,486)
Loss allowance as at 31 December 2020	**22,506**	**66,297**	**33,226**	**1,641**	**123,670**
Modification	–	(1,281)	–	–	(1,281)
Loss allowance as at 31 December 2020	**22,506**	**65,016**	**33,226**	**1,641**	**122,389**
Transfer to Stage 1	12,289	(11,919)	(370)	–	–
Transfer to Stage 2	(1,867)	3,241	(1,374)	–	–
Transfer to Stage 3	(369)	(5,636)	6,005	–	–
Net remeasurement of loss allowance	(10,705)	18,125	20,779	221	28,420
New financial assets originated or purchased	15,197	6,326	4,292	1	25,816
Financial assets derecognised (other than write-offs)	(7,638)	(7,540)	(5,323)	(16)	(20,517)
Unwind of discount	–	–	947	9	956
Write-offs	(52)	(341)	(1,095)	(19)	(1,507)
Loss allowance as at 31 December 2021	**29,361**	**67,272**	**57,087**	**1,837**	**155,557**

Loan commitments and financial guarantees:

	Stage 1	Stage 2	Stage 3	Total
Provision as at 1 January 2020	**11,564**	**1,077**	**1,647**	**14,288**
Transfer to Stage 1	142	(125)	(17)	–
Transfer to Stage 2	(501)	522	(21)	–
Transfer to Stage 3	(9)	(28)	37	–
Net remeasurement of loss allowance	(939)	3,651	(642)	2,070
New financial assets originated or purchased	2,843	796	67	3,706
Decrease	(2,383)	(73)	(118)	(2,574)
Provision as at 31 December 2020	**10,717**	**5,820**	**953**	**17,490**
Transfer to Stage 1	2,910	(2,840)	(70)	–
Transfer to Stage 2	(200)	322	(122)	–
Transfer to Stage 3	(21)	(109)	130	–
Net remeasurement of loss allowance	(4,628)	1,371	1,500	(1,757)
New financial assets originated or purchased	3,215	904	98	4,217
Decrease	(1,324)	(719)	(139)	(2,182)
Loss allowance as at 31 December 2021	**10,669**	**4,749**	**2,350**	**17,768**

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

	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2020	**3,590**	**2**	**–**	**3,592**
Net remeasurement of loss allowance	515	–	–	515
New financial assets originated or purchased	2,321	–	1,461	3,782
Financial assets derecognised (other than write-offs)	(2,070)	–	–	(2,070)
Loss allowance as at 31 December 2020	**4,356**	**2**	**1,461**	**5,819**
Net remeasurement of loss allowance	(303)	–	15	(288)
New financial assets originated or purchased	4,566	–	–	4,566
Financial assets derecognised (other than write-offs)	(2,605)	(2)	–	(2,607)
Loss allowance as at 31 December 2021	**6,014**	**–**	**1,476**	**7,490**

Repo Receivables:

	Stage 1	Total
Loss allowance as at 1 January 2020	**6**	**6**
New financial assets originated or purchased	362	362
Financial assets derecognised (other than write-offs)	(76)	(76)
Loss allowance as at 31 December 2020	**292**	**292**
New financial assets originated or purchased	449	449
Financial assets derecognised (other than write-offs)	(669)	(669)
Loss allowance as at 31 December 2021	**72**	**72**

Securities at amortised cost:

	Stage 1	Stage 2	Total
Loss allowance as at 1 January 2020	**1,443**	**–**	**1,443**
Net remeasurement of loss allowance	1,334	–	1,334
New financial assets originated or purchased	595	–	595
Financial assets derecognised (other than write-offs)	(84)	–	(84)
Loss allowance as at 31 December 2020	**3,288**	**–**	**3,288**
Modification	–	1,281	1,281
Loss allowance as at 31 December 2020	**3,288**	**1,281**	**4,569**
Net remeasurement of loss allowance	898	(478)	420
New financial assets originated or purchased	1,761	–	1,761
Financial assets derecognised (other than write-offs)	(65)	–	(65)
Loss allowance as at 31 December 2021	**5,882**	**803**	**6,685**

FVOCI Securities:

	Stage 1	Total
Loss allowance as at 1 January 2020	**1,702**	**1,702**
Net remeasurement of loss allowance	286	286
New financial assets originated or purchased	509	509
Financial assets derecognised (other than write-offs)	(783)	(783)
Loss allowance as at 31 December 2020	**1,714**	**1,714**
Net remeasurement of loss allowance	(483)	(483)
New financial assets originated or purchased	348	348
Financial assets derecognised (other than write-offs)	(405)	(405)
Loss allowance as at 31 December 2021	**1,174**	**1,174**

Loan portfolio by internal ratings:

	Gross carrying amount				
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
High grade (1–4)	1,930,488	215,519	–	224	**2,146,231**
Medium grade (5–7)	1,459,861	238,767	–	10,522	**1,709,150**
Low grade (8–9)	111,294	109,696	–	253	**221,243**
Non performing	–	–	108,979	2,419	**111,398**
Total	**3,501,643**	**563,982**	**108,979**	**13,418**	**4,188,022**

	Accumulated loss allowance				
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
High grade (1–4)	11,870	21,906	–	4	**33,780**
Medium grade (5–7)	15,929	24,853	–	1,234	**42,016**
Low grade (8–9)	1,562	20,513	–	12	**22,087**
Non performing	–	–	57,087	587	**57,674**
Total	**29,361**	**67,272**	**57,087**	**1,837**	**155,557**

Loan portfolio by countries

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

Country	31 December 2021 Gross loan and placements with other banks portfolio	31 December 2021 Loss allowance	31 December 2020 Gross loan and placements with other banks portfolio	31 December 2020 Loss allowance
Hungary	5,039,601	(130,588)	3,797,729	(99,295)
Malta	792,943	(2,556)	759,425	(3,985)
Serbia	148,599	(2,048)	–	–
Romania	113,517	(3,695)	40,143	(4,220)
France	112,810	(321)	38,876	(8)
Bulgaria	105,899	(11,786)	102,067	(9,158)
Russia	85,420	(961)	124	(5)
Slovakia	76,373	(263)	73,808	(207)
Other	321,272	(10,901)	454,617	(12,903)
Loans, placements with other banks and repo receivables at amortised cost total	**6,796,434**	**(163,119)**	**5,266,789**	**(129,781)**
Hungary	662,008	–	480,933	–
Other	4	–	4	–
Loans at fair value total	**662,012**	**–**	**480,937**	**–**
Loans, placements with other banks and repo receivables total	**7,458,446**	**(163,119)**	**5,747,726**	**(129,781)**

Loan portfolio classification by economic activities

Loans at amortised cost by economic activities:

	31 December 2021 Gross amount	31 December 2021 Loss allowance	31 December 2020 Gross amount	31 December 2020 Loss allowance
Retail	708,355	63,843	647,323	34,289
Agriculture, forestry and fishing	177,202	4,976	152,152	2,074
Manufacturing, mining and quarrying	320,990	7,249	241,763	6,765
and other industry	172,441	4,919	136,353	3,626
Construction	657,273	18,490	506,561	16,813
Wholesale and retail trade, transportation and	23,072	1,136	19,846	681
storage accommodation and food service activities	211,292	9,444	147,849	11,338
Information and communication	305,100	13,143	291,475	13,595
Financial and insurance activities	136,876	3,109	105,159	1,979
Real estate activities	72,027	472	70,640	672
Professional, scientific, technical, administration	1,403,394	28,776	1,222,309	31,838
Total	**4,188,022**	**155,557**	**3,541,430**	**123,670**

36.1.2 Collaterals

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

Types of collateral	2021	2020
Mortgages	1,602,913	1,450,951
Guarantees and warranties	1,554,921	1,074,420
Deposit	229,041	191,268
from this: Cash	*80,598*	*62,469*
Securities	*148,443*	*128,799*
Other	387	563
Total	**3,387,262**	**2,717,202**

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

Types of collateral	2021	2020
Mortgage	753,222	687,688
Guarantees and warranties	1,196,385	836,874
Deposit	106,620	94,397
from this: Cash	*12,756*	*8,204*
Securities	*93,864*	*86,193*
Other	305	423
Total	**2,056,532**	**1,619,382**

The coverage level of loan portfolio to the extent of the exposures increased from 31.86% to 30.41% as at 2021, while the coverage to the total collateral value decreased from 53.46% to 50.09%.

The collateral value (total collateral value) held by the Bank related to impaired loan portfolio (Stage 3 and POCI loans) is as follows:

For the year ended 31 December 2021:

	Gross carrying amount	Loss allowance	Carrying amount	Collateral value
Retail consumer loans	33,690	(24,058)	9,632	387
Mortgage loans	11,101	(1,770)	9,331	39,263
Corporate loans	77,606	(33,096)	44,510	56,960
Total	**122,397**	**(58,924)**	**63,473**	**96,610**

For the year ended 31 December 2020:

	Gross carrying amount	Loss allowance	Carrying amount	Collateral value
Retail consumer loans	10,637	(6,772)	3,865	128
Mortgage loans	9,511	(1,507)	8,004	32,302
Municipal loans	43	(16)	27	104
Corporate loans	48,305	(26,572)	21,733	46,210
Total	**68,496**	**(34,867)**	**33,629**	**78,744**

36.1.3 Restructured loans

	31 December 2021		31 December 2020	
	Gross portfolio	Loss allowance	Gross portfolio	Loss allowance
Consumer loans	118,094	(21,816)	5,399	(2,575)
Mortgage loans	36,413	(266)	2,156	(68)
Corporate loans	193,571	(25,865)	27,963	(8,283)
SME loans	33,388	(4,487)	6,295	(1,278)
Municipal loans	–	–	41	(16)
Total	**381,466**	**(52,434)**	**41,854**	**(12,220)**

Restructured portfolio definition

The forborne definition used by the Group is based on EU regulation 2015/227. Restructuring (forbearance) is a modification of the contract – initiated by either the client or the bank – that provides a concession or allowance towards the client in respect to the client's current or future financial difficulties. The table of restructured loans contains exposures classified as performing forborne. An exposure is considered performing forborne if the conditions of the non-performing status are not met at the time of the restructuring, or the exposure fulfilled the requirements of the minimum one year cure period as non-performing forborne.

The significant increase of the performing forborne loan volume is due to the forborne classification rules set by the MNB executive circulars of 21 January 2021 and 25 November 2021 for loans participating in phase 2 and phase 3 of the moratoria. The loan volume classified as performing forborne exclusively due to moratoria participation is HUF 290 billion.

For the affected portfolios the earliest possible exit from the forborne status is 6 months after the exit from moratorium for retail and 2 years after the exit from moratorium for corporate exposures.

Financial instruments by rating categories*

Held-for-trading securities as at 31 December 2021:

	A1	A2	A3	B1	Aa3	Ba2	Baa1	Baa2	Baa3	N/A	Total
Government bonds	–	16	–	–	–	3,634	–	26,024	1,153	–	30,827
Other bonds	–	–	485	–	–	–	–	1,348	97	158	2,088
Other non-interest bearing securities	–	–	–	–	–	–	–	–	–	1,134	1,134
Hungarian government discounted Treasury Bills	–	–	–	–	–	–	–	869	–	–	869
Shares	49	59	35	6	19	2	12	24	83	310	599
Mortgage bonds	–	–	–	–	–	–	–	16	–	100	116
Total	**49**	**75**	**520**	**6**	**19**	**3,636**	**12**	**28,281**	**1,333**	**1,702**	**35,633**

Held-for-trading securities 31 December 2020:

	A2	A3	B1	Ba2	Ba3	Baa1	Baa2	Baa3	N/A	Total
Other non-interest bearing securities	–	–	–	–	–	–	–	–	1,964	1,964
Government bonds	–	–	–	–	465	–	–	5,566	–	6,031
Hungarian government discounted Treasury Bills	–	–	–	–	–	–	–	1,233	–	1,233
Shares	36	33	5	7	–	45	7	36	257	426
Other bonds	–	495	–	–	–	–	–	998	582	2,075
Total	**36**	**528**	**5**	**7**	**465**	**45**	**7**	**7,833**	**2,803**	**11,729**

* Moody's ratings.

Securities mandatorily measured at fair value through profit or loss as at 31 December 2021:

	N/A	Total
Government bonds	25,126	25,126
Mortgage bonds	2,935	2,935
Total	**28,061**	**28,061**

Securities mandatorily measured at fair value through profit or loss as at 31 December 2020:

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

FVOCI securities as at 31 December 2021:

	A1	A2	A3	Ba1	Ba2	Baa1	Baa2	Baa3	N/A	Total
Government bonds	740	2,471	–	15,209	6,784	5,032	182,439	66,201	–	278,876
Mortgage bonds	47,568	–	–	–	–	–	156,027	–	14,346	217,941
Other bonds	–	–	2,896	4,001	–	–	1,622	37,606	18,745	64,870
Hungarian Treasury Bills	–	–	–	–	–	–	63,115	–	–	63,115
Non-treading equity instruments	–	–	–	–	–	–	–	–	17,137	17,137
Total	**48,308**	**2,471**	**2,896**	**19,210**	**6,784**	**5,032**	**403,203**	**103,807**	**50,228**	**641,939**

FVOCI securities as at 31 December 2020:

	A2	A3	Ba1	Ba3	Baa2	Baa3	N/A	Total
Mortgage bonds	63,577	–	–	–	250,673	–	18,417	332,667
Government bonds	226	7,391	4,624	15,055	–	461,163	–	488,459
Hungarian interest bearing Treasury Bills	–	–	–	–	–	9,957	–	9,957
Shares	–	–	–	–	–	–	15,731	15,731
Other bonds	–	4,815	3,958	–	1,620	37,961	16,782	65,136
Total	**63,803**	**12,206**	**8,582**	**15,055**	**252,293**	**509,081**	**50,930**	**911,950**

Securities at amortised cost as at 31 December 2021:

	A1	A2	Aaa	Ba1	Ba2	Baa1	Baa2	Baa3	N/A	Total
Government bonds	9,002	–	185,261	18,871	12,663	25,986	2,550,824	55,256	–	2,857,863
Corporate bonds	–	8,210	–	–	–	7,343	3,682	14,780	154,886	188,901
Mortgage bonds	12,992	–	–	–	–	–	–	–	11,282	24,274
Total	**21,994**	**8,210**	**185,261**	**18,871**	**12,663**	**33,329**	**–**	**70,036**	**166,168**	**3,071,038**

Securities at amortised cost as at 31 December 2020:

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

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

Country	2021		2020	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Hungary	2,709,786	(5,823)	1,986,362	(3,194)
United States of America	194,518	(149)	1,069	(4)
Portugal	36,268	(177)	–	–
Spain	33,659	(178)	–	–
Russia	32,901	(46)	2,757	(3)
Romania	22,527	(126)	–	–
Croatia	18,917	(46)	–	–
Luxembourg	–	–	20,792	(87)
Other	29,147	(140)	–	–
Securities at amortised cost total	**3,077,723**	**(6,685)**	**2,010,980**	**(3,288)**
Hungary	517,462	–	761,472	–
Russia	65,275	–	29,697	–
Croatia	15,209	–	–	–
Serbia	6,784	–	–	–
Spain	5,032	–	–	–
Luxembourg	–	–	85,006	–
Other	15,040	–	20,044	–
FVOCI securities total	**624,802**	**–**	**896,219**	**–**
Austria	13,223	–	3,122	–
United States of America	3,388	–	12,079	–
Other	526	–	530	–
Non-trading equity instruments designated to measure at fair value through other comprehensive income	**17,137**	**–**	**15,731**	**–**
Hungary	29,814	–	8,613	–
Serbia	3,634	–	465	–
Russia	1,278	–	808	–
Germany	420	–	410	–
Luxembourg	–	–	771	–
Other	487	–	662	–
Held for trading securities total	**35,633**	**–**	**11,729**	**–**
Hungary	18,807	–	18,470	–
Luxembourg	5,542	–	10,428	–
United States of America	2,935	–	2,776	–
Portugal	777	–	262	–
Securities mandatorily measured at fair value through profit or loss	**28,061**	**–**	**31,936**	**–**
Securities total	**3,783,356**	**(6,685)**	**2,966,595**	**(3,288)**

36.2 Maturity analysis of assets and liabilities and liquidity risk

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

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

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

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

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

Due to the balance sheet adjustment process (deleveraging) experienced in the last few years, the liquidity reserves of the Bank increased significantly while the liquidity risk exposure has decreased considerably. Currently the (over)coverage of risk liquidity risk exposure by high quality liquid assets is at all-time record highs. There were no material changes in the liquidity risk management process for the year ended 31 December 2021.

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

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

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

As at 31 December 2021:

	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash, amounts due from banks and balances with the National Bank of Hungary	475,130	–	–	–	–	475,130
Placements with other banks, net of allowance for placement losses	1,176,184	585,499	609,182	204,493	–	2,575,358
Repo receivables	33,710	–	–	–	–	33,710
Financial assets at fair value through profit or loss	908	3,709	19,804	10,259	29,794	64,474
Securities at fair value through other comprehensive income	16,329	58,446	358,805	199,854	17,138	650,572
Loans at amortised cost	1,327,629	873,169	1,377,885	726,016	–	4,304,699
Loans mandatorily measured at fair value through profit or loss	16,516	15,575	121,104	553,569	–	706,764
Securities at amortised cost	28,514	308,921	1,792,058	938,902	–	3,068,395
Investments in subsidiaries, associates and other investments	–	–	–	–	1,573,008	1,573,008
Other financial assets	157,669	1,227	–	–	–	158,896
TOTAL ASSETS	**3,232,589**	**1,846,546**	**4,278,838**	**2,633,093**	**1,619,940**	**13,611,006**
Amounts due to banks and deposits from the National Bank of Hungary and other banks	297,779	138,418	506,233	108,773	–	1,051,203
Deposits from customers	9,844,911	57,851	33,112	12,658	–	9,948,532
Repo liabilities	49,726	–	36,854	–	–	86,580
Liabilities from issued securities	5,258	6,812	8,812	2,065	–	22,947
Subordinated bonds and loans	2,841	–	–	269,698	–	272,539
Financial liabilities at fair value through profit or loss	531	1,253	4,422	13,927	–	20,133
Leasing liabilities	1,078	3,791	9,356	3,707	–	17,932
Other financial liabilities	193,315	5,337	876	–	–	199,528
TOTAL LIABILITIES	**10,395,439**	**213,462**	**599,665**	**410,828**	**–**	**11,619,394**
NET POSITION*	**–7,162,850**	**1,633,084**	**3,679,173**	**2,222,265**	**1,619,940**	**1,991,612**
Receivables from derivative financial instruments classified as held for trading	4,573,312	1,957,498	339,869	135,728	–	7,006,407
Liabilities from derivative financial instruments classified as held for trading	(4,581,312)	(1,951,622)	(328,607)	(132,345)	–	(6,993,886)
Net position of derivative financial instruments classified as held for trading	***(8,000)***	***5,876***	***11,262***	***3,383***	***–***	***12,521***
Receivables from derivative financial instruments designated as hedge accounting	5,693	37,436	580,280	16,195	–	639,604
Liabilities from derivative financial instruments designated as hedge accounting	(7,658)	(46,925)	(595,692)	(16,417)	–	(666,692)
Net position of derivative financial instruments designated as hedging accounting	**(1,965)**	**(9,489)**	**(15,412)**	**(222)**	**–**	**(27,088)**
Net position of derivative financial instruments total	**(9,965)**	**(3,613)**	**(4,150)**	**3,161**	**–**	**(14,567)**
Commitments to extend credit	1,677,030	–	–	–	–	*1,677,030*
Confirmed letters of credit	30,381	–	–	–	–	*30,381*
Factoring loan commitment	423,673	–	–	–	–	*423,673*
Bank guarantees	133,460	189,747	247,886	936,824	–	*1,507,917*
Off-balance sheet commitments	**2,264,544**	**189,747**	**247,886**	**936,824**	**–**	**3,639,001**

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

As at 31 December 2020:

	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash, amounts due from banks and balances with the National Bank of Hungary	579,120	–	–	–	–	579,120
Placements with other banks, net of allowance for placement losses	578,907	656,143	273,834	33,027	–	1,541,911
Repo receivables	183,656	–	–	–	–	183,656
Financial assets at fair value through profit or loss	1,401	1,151	3,576	9,042	22,121	37,291
Securities at fair value through other comprehensive income	14,453	111,117	402,797	305,507	15,731	849,605
Loans at amortised cost	1,134,542	728,410	1,132,083	645,980	–	3,641,015
Loans mandatorily measured at fair value through profit or loss	14,850	11,674	85,000	383,775	–	495,299
Securities at amortised cost	19,735	37,950	1,354,479	559,171	–	1,971,335
Investment properties	–	–	–	–	1,936	1,936
Investments in subsidiaries, associates and other investments	–	–	–	–	1,548,972	1,548,972
Other financial assets	133,832	1,277	–	–	–	135,109
TOTAL ASSETS	**2,660,496**	**1,547,722**	**3,251,769**	**1,936,502**	**1,588,760**	**10,985,249**
Amounts due to banks and deposits from the National Bank of Hungary and other banks	152,633	62,871	492,291	73,574	–	781,369
Deposits from customers	7,716,000	131,890	30,628	14,115	–	7,892,633
Repo liabilities	–	–	109,612	–	–	109,612
Liabilities from issued securities	636	11,835	15,256	487	–	28,214
Subordinated bonds and loans	2,972	–	–	302,182	–	305,154
Financial liabilities at fair value through profit or loss	3,159	1,421	6,115	15,207	–	25,902
Leasing liabilities	1,073	3,350	7,213	2,470	–	14,106
Other financial liabilities	161,652	4,877	1,417	–	–	167,946
TOTAL LIABILITIES	**8,038,125**	**216,244**	**662,532**	**408,035**	**–**	**9,324,936**
NET POSITION*	**(5,377,629)**	**1,331,478**	**2,589,237**	**1,528,467**	**1,588,760**	**1,660,313**
Receivables from derivative financial instruments classified as held for trading	160,910	3,156,604	552,687	270,557	–	4,140,758
Liabilities from derivative financial instruments classified as held for trading	(88,685)	(3,774,109)	(490,468)	(226,529)	–	(4,579,791)
Net position of derivative financial instruments classified as held for trading	***72,225***	***(617,505)***	***62,219***	***44,028***	***–***	***(439,033)***
Receivables from derivative financial instruments designated as hedge accounting	183	7,286	168,912	173,109	–	349,490
Liabilities from derivative financial instruments designated as hedge accounting	(40,485)	(114,512)	(472,245)	(88,720)	–	(715,962)
Net position of derivative financial instruments designated as hedging accounting	**(40,302)**	**(107,226)**	**(303,333)**	**84,389**	**–**	**(366,472)**
Net position of derivative financial instruments total	**31,923**	**(724,731)**	**(241,114)**	**128,417**	**–**	**(805,505)**
Commitments to extend credit	1,441,060	–	–	–	–	1,441,060
Confirmed letters of credit	5,039	–	–	–	–	5,039
Factoring loan commitment	305,269	–	–	–	–	305,269
Bank guarantees	115,485	136,569	305,714	861,775	–	1,419,543
Off-balance sheet commitments	**1,866,853**	**136,569**	**305,714**	**861,775**	**–**	**3,170,911**

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

36.3 Net foreign currency position and foreign currency risk

As at 31 December 2021:

	USD	EUR	CHF	Others	Total
Assets	486,225	2,448,729	14,989	290,504	3,240,447
Liabilities	(296,903)	(2,121,543)	(42,590)	(59,350)	(2,520,386)
Derivative financial instruments	(197,080)	(321,377)	27,953	(229,089)	(719,593)
Net position	**(7,758)**	**5,809**	**352**	**2,065**	**468**

As at 31 December 2020:

	USD	EUR	CHF	Others	Total
Assets	174,993	1,929,758	17,509	251,877	2,374,137
Liabilities	(291,985)	(1,623,605)	(35,701)	(105,346)	(2,056,637)
Derivative financial instruments	116,987	(350,237)	18,614	(146,208)	(360,844)
Net position	**(5)**	**(44,084)**	**422**	**323**	**(43,344)**

The table above provides an analysis of the Bank's main foreign currency exposures. The remaining foreign currencies are shown within 'Others'. The Bank monitors its foreign exchange position for compliance with the regulatory requirements of the NBH and its own limit system established in respect of limits on open positions. The measurement of the Bank's open its currency position involves monitoring the VaR limit on the foreign exchange exposure of the Bank. In the table Derivative financial instruments are stated at fair value.

36.4. Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument, therefore, indicates to what extent it is exposed to interest rate risk.

The majority of the Bank's interest bearing assets and liabilities are structured to match either short-term assets and short-term liabilities, or long-term assets and liabilities with repricing opportunities within one year, or long-term assets and corresponding liabilities where repricing is performed simultaneously.

In addition, the significant spread existing between the different types of interest bearing assets and liabilities enables the Bank to benefit from a high level of flexibility in adjusting for its interest rate matching and interest rate risk exposure.

The following table presents the interest repricing dates of the Bank. Variable yield assets and liabilities have been reported in accordance with their next repricing date. Fixed income assets and liabilities have been reported in accordance with their maturity.

As at 31 December 2021:

	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest-bearing		Total		Total
	HUF	Foreign currency	HUF	Foreign currency	HUF	Foreign currency	HUF	Foreign currency	HUF	Foreign currency	HUF	Foreign currency	HUF	Foreign currency	
ASSETS															
Cash, amounts due from banks and balances with the National Bank of Hungary	**31,228**	**289,008**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**133,053**	**21,655**	**164,281**	**310,663**	**474,944**
fixed interest	31,228	289,008	–	–	–	–	–	–	–	–	–	–	31,228	289,008	**320,236**
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	133,053	21,655	133,053	21,655	**154,708**
Placements with other banks	**1,353,059**	**127,852**	**148,091**	**165,940**	**31,821**	**79,243**	**76,105**	**29,677**	**499,636**	**27,178**	**24,416**	**4,194**	**2,133,128**	**434,084**	**2,567,212**
fixed interest	774,315	34,420	449	156,755	2,446	79,243	76,105	29,677	499,636	27,178	–	–	1,352,951	327,273	**1,680,224**
variable interest	578,744	93,432	147,642	9,185	29,375	–	–	–	–	–	–	–	755,761	102,617	**858,378**
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	24,416	4,194	24,416	4,194	**28,610**
Repo receivables	**33,638**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**33,638**	**–**	**33,638**
fixed interest	33,638	–	–	–	–	–	–	–	–	–	–	–	33,638	–	**33,638**
Securities held for trading	**1,237**	**–**	**664**	**–**	**2,481**	**1,242**	**360**	**3,508**	**22,931**	**1,478**	**1,200**	**532**	**28,873**	**6,760**	**35,633**
fixed interest	32	–	487	–	2,208	1,242	360	3,508	22,931	1,478	–	–	26,018	6,228	**32,246**
variable interest	1,205	–	177	–	273	–	–	–	–	–	–	–	1,655	–	**1,655**
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	1,200	532	1,200	532	**1,732**
Securities mandatorily measured at fair value through profit or loss	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**18,807**	**9,254**	**18,807**	**9,254**	**28,061**
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	18,807	9,254	18,807	9,254	**28,061**
Securities at fair value through other comprehensive income	**50,774**	**–**	**22,420**	**–**	**65,666**	**432**	**40,185**	**39,228**	**289,634**	**116,463**	**528**	**16,609**	**469,207**	**172,732**	**641,939**
fixed interest	2,437	–	6,897	–	57,092	432	40,185	39,228	289,634	116,463	–	–	396,245	156,123	**552,368**
variable interest	48,337	–	15,523	–	8,574	–	–	–	–	–	–	–	72,434	–	**72,434**
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	528	16,609	528	16,609	**17,137**
Loans measured at amortised cost	**639,477**	**339,611**	**424,299**	**1,161,425**	**53,018**	**126,963**	**185,264**	**10,912**	**829,049**	**89,993**	**121,277**	**51,177**	**2,252,384**	**1,780,081**	**4,032,465**
fixed interest	295	286	894	9,746	13,723	57,602	183,818	10,912	819,629	89,993	–	–	1,018,359	168,539	**1,186,898**
variable interest	639,182	339,325	423,405	1,151,679	39,295	69,361	1,446	–	9,420	–	–	–	1,112,748	1,560,365	**2,673,113**
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	121,277	51,177	121,277	51,177	**172,454**
Loans mandatorily measured at fair value through profit or loss	**19,371**	**–**	**136**	**–**	**829**	**–**	**755**	**–**	**640,921**	**–**	**–**	**–**	**662,012**	**–**	**662,012**
variable interest	19,371	–	136	–	829	–	755	–	640,921	–	–	–	662,012	–	**662,012**
Securities at amortised cost	**–**	**7,609**	**–**	**4,811**	**304,051**	**1,069**	**215,615**	**343**	**2,044,502**	**493,038**	**–**	**–**	**2,564,168**	**506,870**	**3,071,038**
fixed interest	–	–	–	–	304,051	1,069	215,615	343	2,044,502	493,038	–	–	2,564,168	494,450	**3,058,618**
variable interest	–	7,609	–	4,811	–	–	–	–	–	–	–	–	–	12,420	**12,420**
Other financial assets	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**133,896**	**19,852**	**133,896**	**19,852**	**153,748**
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	133,896	19,852	133,896	19,852	**153,748**
Derivative financial instruments	**1,507,306**	**1,256,601**	**395,623**	**936,093**	**675,976**	**863,692**	**10,760**	**57,437**	**183,617**	**54,913**	**181,095**	**675,035**	**2,954,377**	**3,843,771**	**6,798,148**
fixed interest	1,400,852	1,133,429	188,144	551,308	570,718	861,983	10,760	57,378	183,617	54,913	–	–	2,354,091	2,659,011	**5,013,102**
variable interest	106,454	123,172	207,479	384,785	105,258	1,709	–	59	–	–	–	–	419,191	509,725	**928,916**
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	181,095	675,035	181,095	675,035	**856,130**
LIABILITIES															
Amounts due to banks and deposits with the National Bank of Hungary and other banks	**151,809**	**95,432**	**12,344**	**10,405**	**52,872**	**577**	**224,479**	**1,140**	**471,620**	**–**	**29,684**	**841**	**942,808**	**108,395**	**1,051,203**
fixed interest	106,028	22,624	12,344	10,405	52,872	577	224,479	1,140	471,620	–	–	–	867,343	34,746	**902,089**
variable interest	45,781	72,808	–	–	–	–	–	–	–	–	–	–	45,781	72,808	**118,589**
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	29,684	841	29,684	841	**30,525**
Financial liabilities designated to measure at fair value through profit or loss	**20,133**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**20,133**	**–**	**20,133**
variable interest	20,133	–	–	–	–	–	–	–	–	–	–	–	20,133	–	**20,133**
Repo liabilities	**49,726**	**36,854**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**49,726**	**36,854**	**86,580**
fixed interest	49,726	36,854	–	–	–	–	–	–	–	–	–	–	49,726	36,854	**86,580**
Deposits from customers	**7,628,098**	**2,039,650**	**197,780**	**18,468**	**30,063**	**11,066**	**–**	**–**	**–**	**–**	**12,948**	**10,459**	**7,868,889**	**2,079,643**	**9,948,532**
fixed interest	496,069	131,836	197,780	18,468	30,063	11,066	–	–	–	–	–	–	723,912	161,370	**885,282**
variable interest	7,132,029	1,907,814	–	–	–	–	–	–	–	–	–	–	7,132,029	1,907,814	**9,039,843**
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	12,948	10,459	12,948	10,459	**23,407**
Liabilities from issued securities	**865**	**–**	**8,514**	**–**	**4,696**	**–**	**1,676**	**–**	**6,402**	**–**	**–**	**–**	**22,153**	**–**	**22,153**
fixed interest	212	–	–	–	4,147	–	1,676	–	6,402	–	–	–	12,437	–	**12,437**
variable interest	653	–	8,514	–	549	–	–	–	–	–	–	–	9,716	–	**9,716**
Subordinated bonds and loans	**–**	**–**	**–**	**85,551**	**–**	**186,225**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**271,776**	**271,776**
variable interest	–	–	–	85,551	–	186,225	–	–	–	–	–	–	–	271,776	**271,776**
Leasing liabilities	**192**	**380**	**236**	**522**	**1,004**	**2,535**	**1,362**	**1,321**	**4,838**	**5,542**	**–**	**–**	**7,632**	**10,300**	**17,932**
fixed interest	108	25	72	34	538	123	717	144	2,118	485	–	–	3,553	811	**4,364**
variable interest	84	355	164	488	466	2,412	645	1,177	2,720	5,057	–	–	4,079	9,489	**13,568**
Other financial liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**156,012**	**38,499**	**156,012**	**38,499**	**194,511**
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	156,012	38,499	156,012	38,499	**194,511**
Derivative financial instruments	**840,797**	**2,004,808**	**220,053**	**1,083,211**	**709,776**	**870,457**	**12,937**	**54,862**	**96,350**	**73,700**	**411,167**	**430,486**	**2,291,080**	**4,517,524**	**6,808,604**
fixed interest	728,548	1,814,645	151,791	579,843	525,835	868,689	12,360	54,789	96,350	73,700	–	–	1,514,884	3,391,666	**4,906,550**
variable interest	112,249	190,163	68,262	503,368	183,941	1,768	577	73	–	–	–	–	365,029	695,372	**1,060,401**
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	411,167	430,486	411,167	430,486	**841,653**
NET POSITION	**(5,055,530)**	**(2,156,443)**	**552,306**	**1,070,112**	**335,431**	**1,781**	**288,590**	**83,782**	**3,931,080**	**703,821**	**4,461**	**318,023**	**56,338**	**21,076**	**77,414**

As at 31 December 2020:

	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest-bearing		Total		Total
	HUF	Foreign currency	HUF	Foreign currency	HUF	Foreign currency	HUF	Foreign currency	HUF	Foreign currency	HUF	Foreign currency	HUF	Foreign currency	
ASSETS															
Cash, amounts due from banks and balances with the National Bank of Hungary	**144,030**	**239,960**	–	–	–	–	–	–	–	–	**168,435**	**26,695**	**312,465**	**266,655**	**579,120**
fixed interest	144,030	239,960	–	–	–	–	–	–	–	–	–	–	144,030	239,960	**383,990**
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	168,435	26,695	168,435	26,695	**195,130**
Placements with other banks	**783,024**	**80,732**	**177,155**	**189,231**	**43,239**	**64,447**	**23,378**	**3,629**	**122,035**	**27,080**	**19,194**	**2,740**	**1,168,025**	**367,859**	**1,535,884**
fixed interest	220,175	17,719	15,106	179,174	13,934	64,447	23,378	3,629	122,035	27,080	–	–	394,628	292,049	**686,677**
variable interest	562,849	63,013	162,049	10,057	29,305	–	–	–	–	–	–	–	754,203	73,070	**827,273**
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	19,194	2,740	19,194	2,740	**21,934**
Repo receivables	**183,364**	–	–	–	–	–	–	–	–	–	–	–	**183,364**	–	**183,364**
fixed interest	183,364	–	–	–	–	–	–	–	–	–	–	–	183,364	–	**183,364**
Securities held for trading	**1,260**	**526**	**287**	**567**	**608**	**465**	**1,250**	**298**	**2,983**	**1,095**	**1,926**	**464**	**8,314**	**3,415**	**11,729**
fixed interest	354	–	287	567	608	465	1,250	298	2,983	1,095	–	–	5,482	2,425	**7,907**
variable interest	906	526	–	–	–	–	–	–	–	–	–	–	906	526	**1,432**
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	1,926	464	1,926	464	**2,390**
Securities mandatorily measured at fair value through profit or loss	–	**5,342**	–	–	–	–	–	–	–	–	**18,470**	**8,124**	**18,470**	**13,466**	**31,936**
variable interest	–	5,342	–	–	–	–	–	–	–	–	–	–	–	5,342	**5,342**
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	18,470	8,124	18,470	8,124	**26,594**
Securities at fair value through other comprehensive income	**79,240**	**5,717**	**16,218**	–	**111,153**	**10,223**	**3,533**	**19,578**	**551,328**	**99,229**	**528**	**15,203**	**762,000**	**149,950**	**911,950**
fixed interest	600	5,717	673	–	100,003	10,223	3,533	19,578	551,328	99,229	–	–	656,137	134,747	**790,884**
variable interest	78,640	–	15,545	–	11,150	–	–	–	–	–	–	–	105,335	–	**105,335**
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	528	15,203	528	15,203	**15,731**
Loans measured at amortised cost	**555,311**	**252,682**	**391,295**	**1,112,003**	**54,263**	**66,998**	**45,539**	**15,984**	**709,929**	**56,172**	**125,861**	**31,723**	**1,882,198**	**1,535,562**	**3,417,760**
fixed interest	2,769	8,967	1,285	74,088	11,731	8,970	33,604	15,984	700,585	56,172	–	–	749,974	164,181	**914,155**
variable interest	552,542	243,715	390,010	1,037,915	42,532	58,028	11,935	–	9,344	–	–	–	1,006,363	1,339,658	**2,346,021**
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	125,861	31,723	125,861	31,723	**157,584**
Loans mandatorily measured at fair value through profit or loss	**24,870**	–	**59**	–	**334**	–	**368**	–	**455,306**	–	–	–	**480,937**	–	**480,937**
variable interest	24,870	–	59	–	334	–	368	–	455,306	–	–	–	480,937	–	**480,937**
Securities at amortised cost	–	–	–	**1,065**	**38,112**	–	**393,442**	**1,092**	**1,551,614**	**22,367**	–	–	**1,983,168**	**24,524**	**2,007,692**
fixed interest	–	–	–	1,065	38,112	–	393,442	1,092	1,551,614	22,367	–	–	1,983,168	24,524	**2,007,692**
Other financial assets	–	–	–	–	–	–	–	–	–	–	**112,055**	**15,124**	**112,055**	**15,124**	**127,179**
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	112,055	15,124	112,055	15,124	**127,179**
Derivative financial instruments	**936,413**	**706,442**	**880,140**	**378,405**	**557,115**	**419,548**	**26,738**	**7,333**	**39,765**	**101,640**	**733,551**	**248,095**	**3,173,724**	**1,861,463**	**5,035,187**
fixed interest	920,404	567,652	658,754	183,228	559,258	387,941	26,799	7,333	40,012	101,640	–	–	2,205,227	1,247,793	**3,453,020**
variable interest	16,010	138,790	221,387	195,178	(2,143)	31,607	(61)	–	(247)	–	–	–	234,945	365,575	**600,520**
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	733,551	248,095	733,551	248,095	**981,646**
LIABILITIES															
Amounts due to banks and deposits with the National Bank of Hungary and other banks	**106,883**	**86,885**	**12,008**	**40,429**	**3,363**	**7,491**	**39,270**	–	**467,479**	–	**1,678**	**1,491**	**630,681**	**136,296**	**766,977**
fixed interest	36,937	15,136	12,008	8,569	3,363	1,490	39,270	–	467,479	–	–	–	559,057	25,195	**584,252**
variable interest	69,946	71,749	–	31,860	–	6,001	–	–	–	–	–	–	69,946	109,610	**179,556**
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	1,678	1,491	1,678	1,491	**3,169**
Financial liabilities designated to measure at fair value through profit or loss	**25,902**	–	–	–	–	–	–	–	–	–	–	–	**25,902**	–	**25,902**
fixed interest	79	–	–	–	–	–	–	–	–	–	–	–	79	–	**79**
variable interest	25,823	–	–	–	–	–	–	–	–	–	–	–	25,823	–	**25,823**
Repo liabilities	–	–	–	–	–	**109,612**	–	–	–	–	–	–	–	**109,612**	**109,612**
variable interest	–	–	–	–	–	109,612	–	–	–	–	–	–	–	109,612	**109,612**
Deposits from customers	**6,211,090**	**1,404,362**	**133,886**	**15,540**	**101,496**	**13,367**	**227**	–	–	–	**10,782**	**4,985**	**6,457,481**	**1,438,254**	**7,895,735**
fixed interest	325,464	116,385	133,886	15,540	101,496	13,367	227	–	–	–	–	–	561,073	145,292	**706,365**
variable interest	5,885,626	1,287,977	–	–	–	–	–	–	–	–	–	–	5,885,626	1,287,977	**7,173,603**
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	10,782	4,985	10,782	4,985	**15,767**
Liabilities from issued securities	**3,090**	**221**	**11,691**	**414**	**4,502**	**721**	**4,098**	–	**3,698**	–	–	–	**27,079**	**1,356**	**28,435**
fixed interest	213	–	–	–	3,500	–	4,098	–	3,698	–	–	–	11,509	–	**11,509**
variable interest	2,877	221	11,691	414	1,002	721	–	–	–	–	–	–	15,570	1,356	**16,926**
Subordinated bonds and loans	–	–	–	**120,153**	–	**184,090**	–	–	–	–	–	–	–	**304,243**	**304,243**
variable interest	–	–	–	120,153	–	184,090	–	–	–	–	–	–	–	304,243	**304,243**
Leasing liabilities	**149**	**187**	**260**	**477**	**1,267**	**2,082**	**1,333**	**1,233**	**5,747**	**1,371**	–	–	**8,756**	**5,350**	**14,106**
fixed interest	103	11	69	40	528	170	707	65	2,796	37	–	–	4,203	323	**4,526**
variable interest	46	176	191	437	739	1,912	626	1,168	2,951	1,334	–	–	4,553	5,027	**9,580**
Other financial liabilities	–	–	–	–	–	–	–	–	–	–	**138,508**	**29,032**	**138,508**	**29,032**	**167,540**
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	138,508	29,032	138,508	29,032	**167,540**
Derivative financial instruments	**1,264,723**	**383,260**	**1,035,481**	**206,796**	**479,506**	**492,403**	**9,453**	**24,907**	**49,757**	**89,983**	**724,945**	**253,430**	**3,563,865**	**1,450,778**	**5,014,643**
fixed interest	1,111,371	376,748	648,762	188,722	481,293	469,699	9,514	24,907	50,004	89,802	–	–	2,300,945	1,149,878	**3,450,822**
variable interest	153,351	6,512	386,719	18,074	(1,787)	22,704	(61)	–	(247)	181	–	–	537,975	47,471	**585,446**
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	724,945	253,430	724,945	253,430	**978,374**
NET POSITION	**(4,904,324)**	**(583,514)**	**271,828**	**1,297,462**	**214,690**	**(248,085)**	**439,867**	**21,774**	**2,906,279**	**216,230**	**304,108**	**59,231**	**(767,552)**	**763,097**	**(4,455)**

36.5 Market risk

The Bank takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Bank applies a Value-at-Risk ("VaR") methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Management Board sets limits on the value of risk that may be accepted, which is monitored on a daily basis. (Analysis of liquidity risk, foreign currency risk and interest rate risk is detailed in Notes 36.2, 36.3 and 36.4 respectively.)

36.5.1 Market risk sensitivity analysis

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

VaR methodologies are employed to calculate daily risk numbers include the historical and variance-covariance approach. The diversification effect has not been validated among the various market risk types when capital calculation happens.

The VaR of the trading portfolio can be summarized as follows:

Historical VaR (99%, one-day) by risk type	Average in HUF million	
	2021	2020
Foreign exchange	1,560	1,507
Interest rate	135	77
Equity instruments	20	141
Diversification	–	–
Total VaR exposure	**1,715**	**1,725**

While VaR captures the OTP's daily exposure to currency and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in interest or foreign currency rates over a year. The longer time frame of sensitivity analysis complements VaR and helps the OTP to assess its market risk exposures. Details of sensitivity analysis for foreign currency risk are set out in Note 36.5.2., for interest rate risk in Note 36.5.3., and for equity price sensitivity analysis in Note 36.5.4.

36.5.2. Foreign currency sensitivity analysis

The Bank changed its methodology of foreign currency sensitivity analysis and has been using a historical VaR calculation since 31 March 2021. The former Monte Carlo simulation represented the Group's sensitivity to the rise and fall in the HUF exchange rate against EUR, over a 3 months period. The sensitivity analysis included only outstanding foreign currency denominated monetary items as strategic open positions related to foreign activities. In line with the Management's intention, the former EUR –310 million strategic open position was fully closed as of 31 March 2021.

Since the closing of the strategic open position, the Group has been using a historical VaR calculation with 1 day holding period. The analysis includes the same net open foreign exchange position as used under the internal capital adequacy assessment process (ICAAP).

The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets.

Additionally, the Bank determines the foreign currency risk of assets evaluated through the Other Comprehensive Income (OCI), which includes securities valuated on FVOCI and the foreign currency translation reserves.

The following table shows the result of the foreign currency sensitivity analysis. Numbers below indicate the expected daily profit or loss of the portfolio beside the given confidence level.

Probability	Effects to the P&L in 3 months period In HUF billion	
	2021	2020
1%	(178)	(274)
5%	(119)	(151)
25%	(39)	(44)
50%	2	4
25%	49	57
5%	126	157
1%	187	197

Note:

1) Historical VaR simulation is based on the empirical distribution of the historical exchange rate movements between 31 December 2020 and 31 December 2021.

36.5.3. Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. The analysis is prepared assuming the amount of assets and liabilities outstanding at the balance sheet date was outstanding for the whole year. The analysis was prepared by assuming only adverse interest rate changes. The main assumptions were as follows:

- Floating rate assets and liabilities were repriced to the modelled benchmark yields at the repricing dates assuming the unchanged margin compared to the last repricing.
- Fixed rate assets and liabilities were repriced at the contractual maturity date.
- As for liabilities with discretionary repricing feature by the Bank were assumed to be repriced with two-weeks delay, assuming no change in the margin compared to the last repricing date.
- Deposits with an interest rate lower than 0.3% even at high market rates were assumed to be unchanged for the whole period.

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

1. HUF base rate and BUBOR increases gradually by 100 bps over the next year (probable scenario)
2. HUF base rate and BUBOR decreases gradually by 50 bps over the next year (alternative scenario)

The net interest income in a one year period after 1 January 2022 would be increased by HUF 1,238 million (probable scenario) and decreased by HUF 919 million (alternative scenario) as a result of these simulation. The same simulation indicated HUF 1,476 million (probable scenario) and HUF 6,420 million (alternative scenario) decrease in the Net interest income in a one year period after 1 January 2021. This effect is counterbalanced by capital gains HUF –619 million (or probable scenario), HUF 322 million (for alternative scenario) as at 31 December 2021 and (HUF 584 million for probable scenario, HUF 2,329 million for alternative scenario as at 31 December 2020) on the government bond portfolio held for hedging (economic).

Furthermore, the effects of an instant 10 bps parallel shift of the HUF, EUR and USD yield-curves on net interest income over a one-year period and on the market value of the hedge government bond portfolio booked against capital was analysed. The results can be summarized as follows (in HUF million):

Description	2021		2020	
	Effects to the net interest income (one-year period)	Effects to the net interest income (one-year period)	Effects to the net interest income (one-year period)	Effects to the net interest income (one-year period)
HUF (0.1%) parallel shift	(25)	64	(1,991)	389
HUF 0.1% parallel shift	(40)	(64)	1,715	389
EUR (0.1%) parallel shift	(483)	–	(676)	–
USD (0.1%) parallel shift	(23)	–	(165)	–
Total	**(546)**	**(64)**	**(2,832)**	**389**

36.5.4. Equity price sensitivity analysis

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

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

Description	2021	2020
VaR (99%, one day, million HUF)	12	141
Stress test (million HUF)	(21)	(233)

36.6. Capital management

Capital management

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

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

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

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

Capital adequacy*

The Capital Requirements Directive package (CRDIV/CRR) transposes the global standards

* The dividend amount planned to pay out after the profit of financial year 2019, 2020 and 2021 is also deducted from CET1 capital.

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

The Bank has entirely complied with the regulatory capital requirements in 2021 as well as in 2020.

The Bank's capital adequacy calculation is in line with IFRS and based on Basel III as at 31 December 2021 and 2020. The Bank uses the standard method for determining the regulatory capital requirements of the credit risk and market risk while in case of the operational risk the Advanced Measurement Approach (AMA).

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

	Basel III	
	2021	2020
Core capital (Tier1)	1,747,480	1,598,295
Primary core capital (CET1)	*1,747,480*	*1,598,295*
Supplementary capital (Tier2)	264,396	295,795
Regulatory capital	**2,011,876**	**1,894,090**
Credit risk capital requirement	603,253	526,283
Market risk capital requirement	7,519	11,550
Operational risk capital requirement	31,629	27,597
Total eligible regulatory capital	**642,401**	**565,430**
Surplus capital	**1,369,475**	**1,328,660**
CET1 ratio	21.76%	22.61%
Capital adequacy ratio	**25.05%**	**26.80%**

Basel III

Common equity Tier1 capital (CET1):
Issued capital, Capital reserve, useable part of Tied-up reserve, General reserve, Profit reserve, Profit for the year, Treasury shares, Intangible assets, deductions due to investments, adjustments due to temporary disposals.

Tier2 capital:
Subsidiary loan capital, Subordinated loan capital, deductions due to repurchased loan capital and Subordinated loan capital issued by the OTP Bank, adjustments due to temporary disposals.

NOTE 37: TRANSFER AND RECLASSIFICATION OF FINANCIAL INSTRUMENTS (in HUF mn)

Reclassification from securities held-for-trading to securities measured at fair value through other comprehensive income:

As at 31 December 2021:

Date of reclassification	Reason	Type of securities	Nominal value at reclassification	Fair value at the date of reclassification	EIR at the date of reclassification	Interest income
1 September 2018	Change in business model	Retail hungarian government bonds	1,069	1,087	2%-3%	38

During the year 2018, securities issued by the Hungarian Government with the nominal value of HUF 66.506 million were transferred from the trading portfolio to the securities measured at fair value through other comprehensive income, of which HUF 1,087 million remaining amount was presented as at 31 December 2021. The Bank has previously held retail government bonds in the portfolio measured at fair value through other comprehensive income. During 2018 the Bank changed the business model of the retail government bonds to manage all on the basis of a single business model aimed at collecting the future contractual cash-flows and/or selling them.
In 2018, the terms and conditions of sale of retail government bonds and the pricing environment have changed significantly, as a result of which the Bank is no longer able to maintain its sole trading intent with these securities that the Bank applied earlier. Furthermore there is an option-agreement between the Bank and the Government Debt Management Agency ("GDMA") that GDMA will buy back this portfolio therefore it has been reclassified.

Derecognition

Financial assets transferred but not derecognised:

Financial assets at amortised cost	2021		2020	
	Transferred assets	Associated liabilities	Transferred assets	Associated liabilities
	Carrying amount			
Debt securities	88,181	86,580	125,244	109,612
Total	**88,181**	**86,580**	**125,244**	**109,612**

As at 31 December 2021 and 2020, the Bank had obligation from repurchase agreements about HUF 87 billion and HUF 110 billion respectively. Securities sold temporarily under repurchase agreements will continue to be recognized in the Statement of Financial Position of the Bank in the appropriate securities category. The related liability is measured at amortized cost in the Statement of Financial Position as 'Amounts due to banks and deposits from the National Bank of Hungary and other banks'. Under these repurchase agreements only Hungarian and foreign government bonds were transferred.

NOTE 38: OFF-BALANCE SHEET ITEMS (in HUF mn)

In the normal course of business, the Bank becomes a party to various financial transactions that are not reflected on the statement of financial position and are referred to as off-balance sheet financial instruments. The following represents notional amounts of these off-balance sheet financial instruments, unless stated otherwise.

Contingent liabilities and commitments:

	2021	2020
Loan commitments	1,677,030	1,441,060
Guarantees arising from banking activities	1,507,917	1,419,543
from this: Payment undertaking liabilities (related to issue of mortgage bonds) of OTP Mortgage Bank	*746,476*	*683,736*
Factoring loan commitments	423,673	305,269
Confirmed letters of credit	30,381	5,039
Contingent liabilities and commitments total in accordance with IFRS 9	**3,639,001**	**3,170,911**
Legal disputes (disputed value)	3,204	4,720
Contingent liabilities related to payments from shares in venture capital fund	47,550	32,712
Other	408	602
Contingent liabilities and commitments total in accordance with IAS 37	**51,162**	**38,034**
Total	**3,690,163**	**3,208,945**

Legal disputes

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

The Bank believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash-flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation.

Provision due to legal disputes was HUF 259 million and HUF 199 million as at 2021 and 2020, respectively. (See Note 24.)

Commitments to extend credit, guarantees and letter of credit

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

Guarantees, irrevocable letters of credit and undrawn loan commitments are subject to similar credit risk monitoring and credit policies as utilised in the extension of loans. The Management of the Bank believes the market risk associated with guarantees, irrevocable letters of credit and undrawn loan commitments are minimal.

Guarantees, payment undertakings arising from banking activities

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

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

Contingent liabilities related to OTP Mortgage Bank Ltd.

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

NOTE 39: SHARE-BASED PAYMENT AND EMPLOYEE BENEFIT (in HUF mn)

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

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

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

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

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

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

At the same time the conditions of discounted share-based payment are determined, and share-based payment shall contain maximum HUF 6,000 discount at the assessment date, and earnings for the shares at the payment date is maximum HUF 12,000.

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

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

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

The parameters for the share-based payment relating to ongoing years 2016–2020 by Supervisory Board for periods of each year as follows:

Year	Share purchasing at a discounted price		Price of remuneration exchanged to share	Share purchasing at a discounted price		Price of remuneration exchanged to share	Share purchasing at a discounted price		Price of remuneration exchanged to share
	Exercise price	Maximum earnings per share		Exercise price	Maximum earnings per share		Exercise price	Maximum earnings per share	
	HUF per share								
	for the year 2016			for the year 2017			for the year 2018		
2017	7,200	2,500	9,200	–	–	–	–	–	–
2018	7,200	3,000	9,200	8,064	3,000	10,064	–	–	–
2019	7,200	3,500	9,200	8,064	3,500	10,064	10,413	4,000	12,413
2020	7,200	4,000	9,200	8,064	4,000	10,064	10,413	4,000	12,413
2021	–	–	–	8,064	4,000	10,064	10,413	4,000	12,413
2022	–	–	–	8,064	4,000	10,064	10,913	4,000	12,413
2023	–	–	–	–	–	–	10,913	4,000	12,413
2024	–	–	–	–	–	–	10,913	4,000	12,413
2025	–	–	–	–	–	–	10,913	4,000	12,413

Year	Share purchasing at a discounted price		Price of remuneration exchanged to share	Share purchasing at a discounted price		Price of remuneration exchanged to share
	Exercise price	Maximum earnings per share		Exercise price	Maximum earnings per share	
	HUF per share					
	for the year 2019			for the year 2020		
2020	9,553	4,000	11,553	–	–	–
2021	9,553	4,000	11,553	12,644	9,000	16,644
2022	9,553	4,000	11,553	12,644	8,000	16,644
2023	9,553	4,000	11,553	13,644	8,000	16,644
2024	9,553	4,000	11,553	13,644	8,000	16,644
2025	9,553	4,000	11,553	13,644	8,000	16,644
2026	9,553	4,000	11,553	13,644	8,000	16,644
2027	–	–	–	13,644	8,000	16,644

Relevant factors considered during measurement of fair value related to share-based payment as follows:

Year	Reference price	Assumed volatility	Risk-free interest rate (HUF)						
			1Y	2Y	3Y	4Y	5Y	6Y	7Y
2017	9,200	21.3%	0.1%	0.5%	0.7%	1.0%	1.3%	1.3%	1.3%
2018	10,064	26.0%	0.2%	0.6%	1.0%	1.3%	1.6%	1.9%	2.1%
2019	12,413	19.2%	0.2%	0.7%	0.9%	1.1%	1.3%	1.4%	1.6%
2020	11,553	33.6%	0.6%	0.4%	0.5%	0.6%	0.8%	0.9%	1.0%
2021	16,644	28.6%	1.0%	1.6%	1.8%	1.9%	2.0%	2.1%	2.1%

Year	Expected dividends (HUF/Share)							Pricing model
	1Y	2Y	3Y	4Y	5Y	6Y	7Y	
2017	219	219	252	290	334	384	442	Binomial
2018	219	219	219	219	219	219	219	Binomial
2019	252	290	333	383	440	507	583	Binomial
2020	219	252	290	333	383	440	507	Binomial
2021	371	321	357	393	432	475	523	Binomial

Based on parameters accepted by Supervisory Board, relating to the year 2016 effective pieces are follows as at 31 December 2021:

	Approved pieces of shares	Exercised until 31 December 2021	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable
Share-purchasing period started in 2017	147,984	147,984	9,544	–	–
Remuneration exchanged to share provided in 2017	4,288	4,288	9,194	–	–
Share-purchasing period started in 2018	321,528	321,528	10,387	–	–
Remuneration exchanged to share provided in 2018	8,241	8,241	10,098	–	–
Share-purchasing period started in 2019	161,446	161,446	12,415	–	–
Remuneration exchanged to share provided in 2019	4,033	4,033	11,813	–	–
Share-purchasing period starting in 2020	166,231	166,231	13,629	–	–
Remuneration exchanged to share applying in 2020	4,303	4,303	11,897	–	–

Based on parameters accepted by Supervisory Board, relating to the year 2017 effective pieces are follows as at 31 December 2021:

	Approved pieces of shares	Exercised until 31 December 2021	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable
Share-purchasing period started in 2018	108,243	108,243	11,005	–	–
Remuneration exchanged to share provided in 2018	11,926	11,926	10,098	–	–
Share-purchasing period started in 2019	212,282	212,282	12,096	–	–
Remuneration exchanged to share provided in 2019	26,538	26,538	11,813	–	–
Share-purchasing period starting in 2020	101,571	101,565	12,084	6	–
Remuneration exchanged to share applying in 2020	11,584	11,584	11,897	–	–
Share-purchasing period starting in 2021	109,460	106,719	16,441	–	2,741
Remuneration exchanged to share applying in 2021	11,531	11,531	16,477	–	–
Share-purchasing period starting in 2022	–	–	–	–	42,820
Remuneration exchanged to share applying in 2022	–	–	–	–	3,003

Based on parameters accepted by Supervisory Board, relating to the year 2018 effective pieces are follows as at 31 December 2021:

	Approved pieces of shares	Exercised until 31 December 2021	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable
Share-purchasing period started in 2019	82,854	82,854	13,843	–	–
Remuneration exchanged to share provided in 2019	17,017	17,017	11,829	–	–
Share-purchasing period starting in 2020	150,230	150,230	14,294	–	–
Remuneration exchanged to share applying in 2020	33,024	33,024	11,897	–	–
Share-purchasing period starting in 2021	73,799	73,799	16,314	–	–
Remuneration exchanged to share applying in 2021	14,618	14,618	16,468	–	–
Share-purchasing period starting in 2022	–	–	–	–	99,341
Remuneration exchanged to share applying in 2022	–	–	–	–	17,042
Share-purchasing period starting in 2023	–	–	–	–	45,155
Remuneration exchanged to share applying in 2023	–	–	–	–	4,114
Remuneration exchanged to share applying in 2024	–	–	–	–	864
Remuneration exchanged to share applying in 2025	–	–	–	–	432

Based on parameters accepted by Supervisory Board, relating to the year 2019 effective pieces are follows as at 31 December 2021:

	Approved pieces of shares	Exercised until 31 December 2021	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable
Share-purchasing period started in 2020	91,403	91,403	12,218	–	–
Remuneration exchanged to share provided in 2020	22,806	22,806	11,897	–	–
Share-purchasing period starting in 2021	201,273	192,577	16,523	–	8,696
Remuneration exchanged to share applying in 2021	30,834	30,834	17,618	–	–
Share-purchasing period starting in 2022	–	–	–	–	109,567
Remuneration exchanged to share applying in 2022	–	–	–	–	15,554
Share-purchasing period starting in 2023	–	–	–	–	125,771
Remuneration exchanged to share applying in 2023	–	–	–	–	18,025
Share-purchasing period starting in 2024	–	–	–	–	44,421
Remuneration exchanged to share applying in 2024	–	–	–	–	6,279
Remuneration exchanged to share applying in 2025	–	–	–	–	1,000
Remuneration exchanged to share applying in 2026	–	–	–	–	500

Based on parameters accepted by Supervisory Board, relating to the year 2020 effective pieces are follows as at 31 December 2021:

	Approved pieces of shares	Exercised until 31 December 2021	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable
Share-purchasing period started in 2021	41,098	8,184	18,471	–	32,914
Remuneration exchanged to share provided in 2021	17,881	17,881	17,498	–	–
Share-purchasing period starting in 2022	–	–	–	–	82,826
Remuneration exchanged to share applying in 2022	–	–	–	–	19,390
Share-purchasing period starting in 2023	–	–	–	–	47,826
Remuneration exchanged to share applying in 2023	–	–	–	–	9,292
Share-purchasing period starting in 2024	–	–	–	–	51,002
Remuneration exchanged to share applying in 2024	–	–	–	–	9,518
Share-purchasing period starting in 2025	–	–	–	–	13,080
Remuneration exchanged to share applying in 2025	–	–	–	–	3,443
Remuneration exchanged to share applying in 2026	–	–	–	–	680
Remuneration exchanged to share applying in 2027	–	–	–	–	680

Effective pieces relating to the periods starting in 2022–2027 settled during valuation of performance of year 2017–2020, can be modified based on risk assessment and personal changes.

In connection with the share-based compensation for Board of Directors and connecting compensation, shares given as a part of payments detailed above and for the year 2021 based on performance assessment accounted as equity-settled share based transactions HUF 3,589 million was recognized as expense for the year ended 31 December 2021.

NOTE 40: RELATED PARTY TRANSACTIONS (in HUF mn)

Outstanding balances and transactions with related parties are summarized below in aggregate:

Statement of financial position:

	2021		2020	
	Associated companies and other companies	Other related parties	Associated companies and other companies	Other related parties
Cash, amounts due from banks and balances with the National Bank of Hungary	1,675	–	7,301	–
Placements with other banks, net of allowance for placement losses	1,557,437	–	1,177,504	–
Held for trading securities	16	–	526	–
Securities mandatorily measured at fair value through profit or loss	–	–	5,342	–
Held for trading derivative financial instruments	19,397	–	21,587	–
Financial assets at fair value through other comprehensive income	156,162	–	250,673	–
Securities at amortised cost	–	596	–	590
Loans at amortised cost	960,288	105,503	834,555	92,889
Loans mandatorily measured at fair value through profit or loss	–	9	–	10
Right of use assets	5,713	–	6,567	–
Derivative financial assets designated as hedge accounting relationships	(9)	–	–	–
Other assets	101,569	5	67,077	557
Total Assets	**2,802,248**	**106,113**	**2,371,132**	**94,046**
Amounts due to banks and deposits from the National Bank of Hungary and other banks	(115,042)	–	(151,254)	–
Repo liabilities	(36,854)	–	–	–
Deposits from customers	(263,139)	(27,174)	(249,410)	(4,027)
Leasing liabilities	(5,926)	–	(6,736)	–
Liabilities from issued securities	(12,232)	–	(11,299)	–
Derivative financial liabilities designated as held for trading	(5,344)	–	(9,957)	–
Derivative financial liabilities designated as hedge accounting relationships	(61)	–	–	–
Other liabilities	(4,599)	(551)	(7,014)	(400)
Total Liabilities	**(443,197)**	**(27,725)**	**(435,670)**	**(4,427)**
Off balance sheet items				
Guarantees	(921,818)	–	(870,892)	–
Loan commitments	(85,810)	(44,812)	(96,032)	(37,051)
Factoring loan commitments	(1,475)	–	(37)	–
Total	**(1,009,103)**	**(44,812)**	**(966,961)**	**(37,051)**

Statement of Profit or Loss:

	2021	2020
Interest Income	42,706	39,193
Interest Expense	(11,449)	(11,186)
Risk cost	904	(1,925)
(Losses)/Gains arising from derecognition of financial assets measured at amortised cost	(2,198)	914
Income from fees and commissions	33,128	28,951
Expenses from fees and commissions	(2,859)	(1,971)
Other administrative expenses	(7,570)	(8,465)

Related party transactions with key management

The compensation of key management, such as the members of the Board of Directors, the members of the Supervisory Board and the employees involved in the decision-making process in accordance with the compensation categories defined in IAS 24 Related Party Disclosures, is summarised below:

	2021	2020
Short-term employee benefits	2,957	2,923
Share-based payment	2,740	2,619
Long-term employee benefits (on the basis of IAS 19)	246	278
Total	**5,943**	**5,820**

	2021	2020
Loans provided to companies owned by the Management (in the normal course of business)	105,503	92,889
Commitments to extend credit and bank guarantees	44,812	37,051

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

	2021	2020
Members of Board of Directors	1,489	969
Members of Supervisory Board	173	57
Total	**1,662**	**1,026**

In the normal course of business, OTP Bank enters into other transactions with its subsidiaries, the amounts and volumes of which are not significant to these financial statements taken as a whole.

NOTE 41: TRUST ACTIVITIES (in HUF mn)

The Bank acts as a trustee for certain loans granted by companies or employers to their employees, mainly for housing purposes. The ultimate risk for these loans rests with the party advancing the funds.

As these loans and related funds are not considered to be assets or liabilities of the Bank, they have been excluded from the accompanying separate statement of financial position.

	2021	2020
Loans managed by the Bank as a trustee	27,532	28,055

NOTE 42: CONCENTRATION OF ASSETS AND LIABILITIES

In the percentage of the total assets	2021	2020
Receivables from, or securities issued by the Hungarian Government or the NBH	22.79%	22.69%
Securities issued by the OTP Mortgage Bank Ltd.	1.77%	2.24%
Loans at amortised cost	6.51%	6.48%

There were no other significant concentrations of the assets or liabilities of the Bank as at 31 December 2021 or 31 December 2020.

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

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

The Bank's internal regulation (Limit-management regulation) controls risk management which related to exposures of clients. Bank makes a difference between clients or clients who are economically connected with each other, partners, partners operating in the same geographical region or in the same economic sector, exposures from customers.

Limit-management regulation includes a specific range provisions system used by Bank to control risk exposures. This regulation has to be used by the Bank for its business (lending) risk-taking activity in both the retail and corporate sector.

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

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

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

The maximum credit exposure to any client or counterparty among Loans at amortised cost was HUF 893 billion and HUF 722 billion as at 31 December 2021 and 31 December 2020 respectively, before taking into account collateral or other credit enhancements.

NOTE 43: EARNINGS PER SHARE

Earnings per share attributable to the Bank's ordinary shares are determined by dividing Net profit for the year attributable to ordinary shareholders, after the deduction of declared preference dividends, by the weighted average number of ordinary shares outstanding during the year. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares.

	2021	2020
Net profit for the year attributable to ordinary shareholders (in HUF mn)	125,339	92,474
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	275,523,535	277,301,936
Basic Earnings per share (in HUF)	**455**	**333**
Separate net profit for the year attributable to ordinary shareholders (in HUF mn)	125,339	92,474
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	275,538,262	277,310,069
Diluted Earnings per share (in HUF)	**455**	**333**

	2021	2020
Weighted average number of ordinary shares	280,000,010	280,000,010
Average number of Treasury shares	(4,476,475)	(2,698,074)
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS	**275,523,535**	**277,301,936**
Dilutive effect of options issued in accordance with the Remuneration Policy/Management Option Program and convertible into ordinary shares*	14,727	8,133
The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS	**275,538,262**	**277,310,069**

The ICES bonds could potentially dilute basic EPS in the future, but were not included in the calculation of diluted EPS because they are antidilutive for the period presented.

* In 2021 and 2020 dilutive effect is in connection with the Remuneration Policy.

NOTE 44: NET GAIN OR LOSS REALISED ON FINANCIAL INSTRUMENTS (in HUF mn)

Year ended 31 December 2021:

	Net interest income and expense	Net non-interest gain and loss	Loss allowance	Other comprehensive income
Financial assets measured at amortised cost				
Cash, amounts due from banks and balances with the National Bank of Hungary	14,124	–	–	–
Placements with other banks, net of allowance for placement losses	31,981	–	1,797	–
Repo receivables	315	–	(220)	–
Loans at amortised cost	167,882	13,591	37,264	–
Securities at amortised cost	61,085	(1,552)	2,035	–
Financial assets measured at amortised cost total	**275,387**	**12,039**	**40,876**	**–**
Financial assets measured at fair value				
Securities held for trading	277	6,657	–	–
Securities at fair value through other comprehensive income	21,456	(4,659)*	(551)	(35,756)
Loans mandatorily measured at fair value through profit or loss	26,045	(8,671)	16,255	–
Financial assets measured at fair value total	**47,778**	**(6,673)**	**15,704**	**(35,756)**
Financial liabilities measured at amortised cost				
Amounts due to banks and deposits from the National Bank of Hungary and other banks	(11,177)	–	–	–
Repo liabilities	(2,860)	–	–	–
Deposits from customers	(10,162)	170,598	–	–
Leasing liabilities	(214)	–	–	–
Liabilities from issued securities	(1,166)	–	–	–
Subordinated bonds and loans	(7,890)	–	–	–
Financial liabilities measured at amortised cost total	**(33,469)**	**170,598**	**–**	**–**
Financial liabilities designated to measure at fair value through profit or loss	**(493)**	**3,916**	**–**	**–**
Derivative financial instruments**	**(36,295)**	**3,436**	**–**	**–**
Total	**252,908**	**183,316**	**56,580**	**(35,756)**

* For the year ended 31 December 2021 HUF (4,659) million net non-interest gain on securities at fair value through other comprehensive income was transferred from other comprehensive income to profit or loss.

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

Year ended 31 December 2020:

	Net interest income and expense	Net non-interest gain and loss	Loss allowance	Other comprehensive income
Financial assets measured at amortised cost				
Cash, amounts due from banks and balances with the National Bank of Hungary	4,369	–	–	–
Placements with other banks, net of allowance for placement losses	10,650	–	2,227	–
Repo receivables	49	–	286	–
Loans at amortised cost	143,650	23,298	55,444	–
Securities at amortised cost	48,654	360	1,845	–
Financial assets measured at amortised cost total	**207,372**	**23,658**	**59,802**	**–**
Financial assets measured at fair value				
Securities held for trading	368	2,251	–	–
Securities at fair value through other comprehensive income	29,095	6,073*	3	(17,734)
Loans mandatorily measured at fair value through profit or loss	15,094	2,125	–	–
Financial assets measured at fair value total	**44,557**	**10,449**	**3**	**(17,734)**
Financial liabilities measured at amortised cost				
Amounts due to banks and deposits from the National Bank of Hungary and other banks	(9,862)	–	–	–
Repo liabilities	(1,476)	–	–	–
Deposits from customers	(3,985)	216,512	–	–
Leasing liabilities	(244)	–	–	–
Liabilities from issued securities	(598)	–	–	–
Subordinated bonds and loans	(8,327)	–	–	–
Financial liabilities measured at amortised cost total	**(24,492)**	**216,512**	**–**	**–**
Financial liabilities designated to measure at fair value through profit or loss	**(307)**	**1,270**	**–**	**–**
Derivative financial instruments**	**(5,053)**	**5,818**	**–**	**–**
Total	**222,077**	**257,707**	**59,805**	**(17,734)**

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

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

NOTE 45: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn)

In determining the fair value of a financial asset or liability the Bank in the case of instruments that are quoted on an active market uses the market price. In most cases market price is not publicly available so the Bank has to make assumptions or use valuation techniques to determine the fair value of a financial instrument. See Note 45. d) for more information about fair value classes applied for financial assets and liabilities measured at fair value in these financial statements.

To provide a reliable estimate of the fair value of those financial instrument that are originally measured at amortised cost, the Bank used the discounted cash-flow analysis (loans, placements with other banks, amounts due to banks, deposits from customers). The fair value of issued securities and subordinated bonds is based on quoted prices (e,g, Reuters), Cash and amounts due from banks and balances with the National Bank of Hungary represent amounts available immediately thus the fair value equals to the cost.

The assumptions used when calculating the fair value of financial assets and liabilities when using valuation technique are the following:

- the discount rates are the risk free rates related to the denomination currency adjusted by the appropriate risk premium as of the end of the reporting period,
- the contractual cash-flows are considered for the performing loans and for the non-performing loans, the amortised cost less impairment is considered as fair value,
- the future cash-flows for floating interest rate instruments are estimated from the yield curves as of the end of the reporting period,
- the fair value of the deposit which can be due in demand cannot be lower than the amount payable on demand.

For classes of assets and liabilities not measured at fair value in the statement of financial position, the income approach was used to convert future cash-flows to a single current amount. Fair value of current assets is equal to carrying amount, fair value of liabilities from issued securities and other bond-type classes of assets and liabilities not measured at fair value measured based on Reuters market rates and, fair value of other classes not measured at fair value of the statement of financial position are measured using the discounted cash-flow method. Fair value of loans, net of allowance for loan losses measured using discount rate adjustment technique, the discount rate is derived from observed rates of return for comparable assets or liabilities that are traded in the market.

Fair value measurements – in relation to instruments measured not at fair value – are categorized in level 3 of the fair value hierarchy.

a) Fair value of financial assets and liabilities

	31 December 2021		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash, amounts due from banks and balances with the National Bank of Hungary	474,945	474,945	579,120	579,120
Placements with other banks, net of allowance for placement losses	2,567,212	2,548,809	1,535,884	1,550,747
Repo receivables	33,638	33,707	183,364	183,664
Financial assets at fair value through profit or loss	246,462	246,462	160,483	160,483
Held for trading securities	*35,633*	*35,633*	*11,729*	*11,729*
Derivative financial instruments classified as held for trading	*182,768*	*182,768*	*116,818*	*116,818*
Securities mandatorily measured at fair value through profit or loss	*28,061*	*28,061*	*31,936*	*31,936*
Securities at fair value through other comprehensive income	641,939	641,939	911,950	911,950
Securities at amortised cost	3,071,038	2,877,380	2,007,692	2,085,881
Loans at amortised cost	4,032,465	3,576,519	3,417,760	3,178,368
Loans mandatorily measured at fair value through profit or loss	662,012	662,012	480,937	480,937
Derivative financial assets designated as hedge accounting relationships	17,727	17,727	6,817	6,817
Other financial assets	153,747	153,747	127,179	127,179
FINANCIAL ASSETS TOTAL	**11,901,185**	**11,233,248**	**9,411,186**	**9,265,147**
Amounts due to banks, deposits from the National Bank of Hungary and other banks	1,051,203	958,463	766,977	754,573
Repo liabilities	86,580	86,543	109,612	111,548
Deposits from customers	9,948,532	9,946,444	7,895,735	7,895,211
Leasing liabilities	17,932	17,928	14,106	14,105
Liabilities from issued securities	22,153	21,006	28,435	31,588
Financial liabilities at fair value through profit or loss	20,133	20,133	25,902	25,902
Derivative financial liabilities designated as held for trading	192,261	192,261	99,987	99,987
Derivative financial liabilities designated as hedge accounting relationships	18,690	18,690	3,104	3,104
Subordinated bonds and loans	271,776	278,151	304,243	295,218
Other financial liabilities	194,511	194,511	167,540	167,540
FINANCIAL LIABILITIES TOTAL	**11,823,771**	**11,734,130**	**9,415,641**	**9,398,776**

b) Derivative financial instruments

OTP Bank regularly enters into hedging transactions in order to decrease its financial risks. However some economically hedging transaction do not meet the criteria to account for hedge accounting, therefore these transactions were accounted as derivatives held for trading. Net investment hedge in foreign operations is not applicable in separate financial statements.

The assessment of the hedge effectiveness (both for fair value hedges and cash-flow hedges) to determine the economic relationship between the hedged item and the hedging instrument is accomplished with prospective scenario analysis via different rate shift scenarios of the relevant risk factor(s) of the hedged risk component(s). The fair value change of the hedged item and the hedging instrument is compared in the different scenarios. Economic relationship is justified if the change of the fair value of the hedged item and the hedging instrument are in the opposite direction and the absolute changes are similar amounts. The hedge ratio is determined as the ratio of the notional of the hedged item and the notional of the hedging instrument. The sources of hedge ineffectiveness are the not hedged risk components (e,g, change of cross currency basis spreads in case of interest rate risk hedges), slight differences in maturity dates and interest payment dates in case of fair value hedges, and differences between the carrying amount of the hedged item and the carrying amount of the hedging instrument in case of FX hedges (e,g, caused by interest rate risk components in the fair value of the hedging instrument).

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

	31 December 2021					31 December 2020				
	Before netting		Netting	After netting		Before netting		Netting	After netting	
	Assets	Liabilities		Assets	Liabilities	Assets	Liabilities		Assets	Liabilities
Held for trading derivative financial instruments										
Interest rate derivatives										
Interest rate swaps	54,251	(53,720)	40,783	13,468	(12,937)	30,216	(28,474)	8,984	21,232	(19,490)
Cross currency interest rate swaps	7,207	(7,618)	–	7,207	(7,618)	7,315	(7,285)	–	7,315	(7,285)
OTC options	479	(479)	–	479	(479)	356	(356)	–	356	(356)
Total interest rate derivatives (OTC derivatives)	**61,937**	**(61,817)**	**40,783**	**21,154**	**(21,034)**	**37,887**	**(36,115)**	**8,984**	**28,903**	**(27,131)**
From this: Interest rate derivatives cleared by NBH	*1,276*	–	–	*1,276*	–	*5*	*(72)*	–	*5*	*(72)*
Foreign exchange derivatives										
Foreign exchange swaps	36,896	(40,639)	–	36,896	(40,639)	39,644	(30,374)	–	39,644	(30,374)
Foreign exchange forward	8,854	(6,819)	–	8,854	(6,819)	6,990	(9,869)	–	6,990	(9,869)
OTC options	804	(180)	–	804	(180)	3,909	(3,836)	–	3,909	(3,836)
Foreign exchange spot conversion	175	(246)	–	175	(246)	619	(704)	–	619	(704)
Total foreign exchange derivatives (OTC derivatives)	**46,729**	**(47,884)**	**–**	**46,729**	**(47,884)**	**51,162**	**(44,783)**	**–**	**51,162**	**(44,783)**
From this: Foreign exchange derivatives cleared by NBH	*3,447*	*(1,480)*	–	*3,447*	*(1,480)*	*5,211*	*(1,852)*	–	*5,211*	*(1,852)*
Equity stock and index derivatives										
Commodity Swaps	52,197	(52,166)	–	52,197	(52,166)	13,999	(12,901)	–	13,999	(12,901)
Equity swaps	10,538	(357)	–	10,538	(357)	7,071	(560)	–	7,071	(560)
OTC derivatives	**62,735**	**(52,523)**	**–**	**62,735**	**(52,523)**	**21,070**	**(13,461)**	**–**	**21,070**	**(13,461)**
Exchange traded futures and options	164	(278)	–	164	(278)	379	(1,262)	–	379	(1,262)
Total equity stock and index derivatives	**62,899**	**(52,801)**	**–**	**62,899**	**(52,801)**	**21,449**	**(14,723)**	**–**	**21,449**	**(14,723)**
Derivatives held for risk management not designated in hedges										
Interest rate swaps	51,311	(70,811)	5,682	45,629	(65,129)	25,760	(22,058)	12,736	13,024	(9,322)
Foreign exchange swaps	1,915	(5,245)	–	1,915	(5,245)	2,208	(3,953)	–	2,208	(3,953)
Forward	–	–	–	–	–	28	(75)	–	28	(75)
Cross currency interest rate swaps	4,442	(168)	–	4,442	(168)	44	–	–	44	–
Total derivatives held for risk management not designated in hedges	**57,668**	**(76,224)**	**5,682**	**51,986**	**(70,542)**	**28,040**	**(26,086)**	**12,736**	**15,304**	**(13,350)**
From this: Total derivatives cleared by NBH held for risk management	*35,226*	*(497)*	–	*35,226*	*(497)*	*759*	*(6,269)*	–	*759*	*(6,269)*
Total Held for trading derivative financial instruments	**229,233**	**(238,726)**	**46,465**	**182,768**	**(192,261)**	**138,538**	**(121,707)**	**21,720**	**116,818**	**(99,987)**
Derivative financial instruments designated as hedge accounting relationships										
Derivatives designated in cash-flow hedges										
Interest rate swaps	–	(8,638)	1,020	(1,020)	(7,618)	8,027	–	8,027	–	8,027
Total derivatives designated in cash-flow hedges	**–**	**(8,638)**	**1,020**	**(1,020)**	**(7,618)**	**8,027**	**–**	**8,027**	**–**	**8,027**
Derivatives designated in fair value hedges										
Interest rate swaps	25,407	(17,878)	12,131	13,276	(5,747)	2,432	(7,061)	1,795	637	(5,266)
Cross currency interest rate swaps	5,471	(5,325)	–	5,471	(5,325)	6,180	(5,865)	–	6,180	(5,865)
Total derivatives designated in fair value hedges	**30,878**	**(23,203)**	**12,131**	**18,747**	**(11,072)**	**8,612**	**(12,926)**	**1,795**	**6,817**	**(11,131)**
From this: Total derivatives cleared by NBH held for hedging	–	*(2,249)*	–	–	*(2,249)*	–	*(1,691)*	–	–	*(1,691)*
Total derivatives held for risk management (OTC derivatives)	**30,878**	**(31,841)**	**13,151**	**17,727**	**(18,690)**	**16,639**	**(12,926)**	**9,822**	**6,817**	**(3,104)**

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

c) Hedge accounting

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

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

Amount, timing and uncertainty of future cash-flows – hedging instruments as at 31 December 2021 (amounts in million currency):

Type of hedge	Type of risk	Type of instrument	Within one month	Within three months and over one month	Within one year and over three months	Within five years and over one year	More than five years	Total
Fair Value Hedge	**Interest rate risk**	**Interest rate swap**						
		HUF						
		Notional	–	2,000	900	(52,474)	42,950	**(6,624)**
		Average Interest Rate (%)	–	1.09%	0.49%	1.65%	1.31%	
		EUR						
		Notional	–	–	1	111	50	**162**
		Average Interest Rate (%)	–	–	0.23%	0.24%	0.05%	
		USD						
		Notional	–	–	–	119	47	**166**
		Average Interest Rate (%)	–	–	–	2.54%	4.18%	
		JPY						
		Notional	–	–	–	4,500	–	**4,500**
		Average Interest Rate (%)	–	–	–	0.22%	–	
Fair Value Hedge	**FX & IR risk**	**Cross currency interest rate swap**						
		EUR/HUF						
		Notional	–	1	2	12	12	**27**
		Average Interest Rate (%)	–	(1.68%)	(1.67%)	(1.69%)	(1.82%)	
		Average FX Rate	–	310.29	310.26	310.01	307.81	
Fair Value Hedge	**FX risk**	**Cross currency interest rate swap**						
		EUR/HUF						
		Notional	–	-6	35	572	–	**601**
		Average FX Rate	–	354.22	356.94	355.93	–	
		RON/HUF						
		Notional	–	–	200	2,225	–	**2,425**
		Average FX Rate	–	–	66.21	73.08	–	
		RUB/HUF						
		Notional	–	–	–	11,200	–	**11,200**
		Average FX Rate	–	–	–	4.15	–	
		JPY/HUF						
		Notional	–	–	–	4,500	–	**4,500**
		Average FX Rate	–	–	–	2.79	–	
		USD/HUF						
		Notional	–	–	(3)	306	–	**303**
		Average FX Rate	–	–	323.77	323.77	–	
Fair Value Hedge	**Other**	**Interest rate swap**						
		HUF						
		Notional	–	3,345	1,823	3,093	–	**8,261**
Cash-flow Hedge	**Interest rate risk**	**Interest rate swap**						
		HUF						
		Notional	–	–	–	7,819	28,027	**35,846**
		Average FX Rate	–	–	–	1.80	2.46	

Amount, timing and uncertainty of future cash-flows – hedging instruments as at 31 December 2020 (amounts in million currency):

Type of hedge	Type of risk	Type of instrument	Within one month	Within three months and over one month	Within one year and over three months	Within five years and over one year	More than five years	Total
Fair Value Hedge	**Interest rate risk**	**Interest rate swap**						
		HUF						
		Notional	–	–	60,000	(89,622)	173,810	**144,188**
		Average Interest Rate (%)	–	–	1.31%	1.06%	1.35%	
		EUR						
		Notional	15	–	5	102	10	**132**
		Average Interest Rate (%)	(0.11%)	–	0.09%	0.24%	0.22%	
		USD						
		Notional	–	–	21	171	29	**221**
		Average Interest Rate (%)	–	–	2.00%	2.38%	2.35%	
		RUB						
		Notional	–	–	–	2,100	–	**2,100**
		Average Interest Rate (%)	–	–	–	7.38%	–	
Fair Value Hedge	**FX & IR risk**	**Cross currency interest rate swap**						
		EUR/HUF						
		Notional	–	–	2	12	14	**28**
		Average Interest Rate (%)	–	–	(1.60%)	(1.63%)	(1.67%)	
		Average FX Rate	–	–	310.82	310.14	308.15	
Fair Value Hedge	**FX risk**	**Cross currency interest rate swap**						
		EUR/HUF						
		Notional	1	92	123	613	–	**829**
		Average FX Rate	360.19	354.92	360.47	356.03	–	
		RON/HUF						
		Notional	–	–	–	1,550	–	**1,550**
		Average FX Rate	–	–	–	72.60	–	
		RUB/HUF						
		Notional	–	–	–	4,100	–	**4,100**
		Average FX Rate	–	–	–	4.46	–	
Fair Value Hedge	**Other**	**Interest rate swap**						
		HUF						
		Notional	–	(183)	6,940	8,342	–	**15,099**
Cash-flow Hedge	**Interest rate risk**	**Interest rate swap**						
		HUF						
		Notional	–	–	–	12,194	28,027	**40,221**
		Average FX Rate	–	–	–	1.77	2.46	

Derivative financial instruments designated as hedge accounting as follows:

	Type of instrument	Type of risk	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument for the year ended 31 December 2021					Line item in the statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge ineffectiveness for the year ended 31 December 2021
				Before netting		Netting	After netting			
				Assets	Liabilities		Assets	Liabilities		
Fair value hedge										
	Interest rate swap	Interest rate risk	409,595	23,976	(17,878)	12,131	11,845	(5,747)	Derivative assets (liabilities) held for risk management	6,494
	Cross-currency swap	FX & IR risk	8,175	–	(2,249)	–	–	(2,249)	Derivative assets (liabilities) held for risk management	4
	Cross-currency swap	FX risk	566,936	5,471	(3,076)	–	5,471	(3,076)	Derivative assets (liabilities) held for risk management	(1,687)
	Interest rate swap	Other	8,261	1,431	–	–	1,431	–	Derivative assets (liabilities) held for risk management	3
Cash-flow hedge										
	Interest rate swap	Interest rate risk	35,846	–	(8,638)	1,020	(1,020)	(7,618)	Derivative assets (liabilities) held for risk management	(101)

31 December 2021	Type of risk	Carrying amount of the hedged item		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Line item in the statement of financial position in which the hedged item is included
		Assets	Liabilities	Assets	Liabilities	
Fair value hedges						
Loans	***Interest rate risk***	57,176	–	637	–	Loans
Loans	***Interest rate risk***	–	142,649	–	(16,858)	Amounts due to banks and deposits from the National Bank of Hungary and other banks
Government bonds	***Interest rate risk***	13,921	–	1,230	–	Securities at amortised cost
Government bonds	***Interest rate risk***	152,830	–	22,457	–	Securities at fair value through other comprehensive income
Government bonds	***Interest rate risk***	–	–	–	–	Financial assets at fair value through profit or loss
Other securities	***Interest rate risk***	42,008	–	318	–	Securities at fair value through other comprehensive income
Loans	***FX & IR risk***	10,595	–	611	–	Loans
Loans	***FX risk***	458,312	–	–	–	Loans
Government bonds	***FX risk***	12,811	–	–	–	Securities at amortised cost
Government bonds	***FX risk***	98,668	–	–	–	Securities at fair value through other comprehensive income
Other securities	***Other risk***	–	8,261	–	(161)	Liabilities from issued securities
Fair value hedges total		**846,321**	**150,910**	**25,253**	**(17,019)**	

For the year ended 31 December 2021 OCI related to cash-flow hedges as follows:

Type of risk	Carrying amount of the hedged item		Cash-flow hedge reserve	Line item in the statement of financial position in which the hedged item is included
	Assets	Liabilities		
Interest rate risk	35,965	–	3,568	Loans at amortised cost

For the year ended 31 December 2020 OCI related to cash-flow hedges as follows:

Type of risk	Carrying amount of the hedged item		Cash-flow hedge reserve	Line item in the statement of financial position in which the hedged item is included
	Assets	Liabilities		
Interest rate risk	40,221	–	(2,739)	Loans at amortised cost

For the year ended 31 December 2021 change in basis swap spread recognised in OCI related to fair value hedges as follows:

Type of risk	Carrying amount of the hedged item		Items recognised in other comprehensive income	Change in the items recognized in other comprehensive income	Line item in the statement of financial position in which the hedged item is included
	Assets	Liabilities			
FX risk	458,312	–	(1,032)	(1,681)	Loans at amortised cost
FX risk	12,811	–	64	–	FVOCI securities
	471,123	**–**	**(968)**	**(1,681)**	

For the year ended 31 December 2020 change in basis swap spread recognised in OCI related to fair value hedges as follows:

Type of risk	Carrying amount of the hedged item		Items recognised in other comprehensive income	Change in the items recognized in other comprehensive income	Line item in the statement of financial position in which the hedged item is included
	Assets	Liabilities			
FX risk	303,572	–	713	–	Loans at amortised cost
	303,572	**–**	**713**	**–**	

	Type of instrument	Type of risk	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument for the year ended 31 December 2020					Line item in the statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge ineffectiveness for the year ended 31 December 2020
				Before netting		Netting	After netting			
				Assets	Liabilities		Assets	Liabilities		
Fair value hedge										
	Interest rate swap	Interest rate risk	468,574	1,900	(7,062)	1,795	105	(5,267)	Derivative assets (liabilities) held for risk management	(370)
	Cross-currency swap	FX & IR risk	8,874	–	(1,408)	–	–	(1,408)	Derivative assets (liabilities) held for risk management	(36)
	Cross-currency swap	FX risk	438,401	6,182	(4,456)	–	6,182	(4,456)	Derivative assets (liabilities) held for risk management	(809)
	Interest rate swap	Other	16,224	530	–	–	530	–	Derivative assets (liabilities) held for risk management	2
Cash-flow hedge										–
	Interest rate swap	Interest rate risk	40,221	8,027	–	8,027	–	8,027	Derivative assets (liabilities) held for risk management	(85)

31 December 2020	Type of risk	Carrying amount of the hedged item		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Line item in the statement of financial position in which the hedged item is included
		Assets	Liabilities	Assets	Liabilities	
Fair value hedges						
Loans	***Interest rate risk***	35,256	–	1,679	–	Loans
Loans	***Interest rate risk***	–	100,299	–	(235)	Loans
Government bonds	***Interest rate risk***	8,678	–	(106)	–	Securities at amortised cost
Government bonds	***Interest rate risk***	269,838	–	2,518	–	Securities at fair value through other comprehensive income
Other securities	***Interest rate risk***	47,560	–	781	–	Securities at fair value through other comprehensive income
Loans	***FX & IR risk***	10,378	–	284	–	Loans
Loans	***FX risk***	303,572	–	–	–	Loans
Other securities	***Other risk***	–	15,032	–	(528)	Liabilities from issued securities
Fair value hedges total		**675,282**	**115,331**	**5,156**	**(763)**	

31 December 2021:

Type of instrument	Type of risk	Change in the value of the hedging instrument recognised in cash-flow hedge reserve	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
Interest rate swap	Interest rate risk	6,307	(101)	Interest Income from Placements with other banks, net of allowance for placement losses

For the year ended 31 December 2021 an amount HUF 171 million reclassified from cash-flow hedge reserve to profit or loss due to termination of hedging relationship.

31 December 2020:

Type of instrument	Type of risk	Change in the value of the hedging instrument recognised in cash-flow hedge reserve	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
Interest rate swap	Interest rate risk	296	(85)	Interest Income from Placements with other banks, net of allowance for placement losses

d) Fair value classes

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly, Fair value measurements – in relation with instruments measured not at fair value – are categorized in level 2;

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

31 December 2021	Total	Level 1	Level 2	Level 3
Loans at fair value through other comprehensive income	662,012	–	–	662,012
Financial assets at fair value through profit or loss	246,462	37,537	189,501	19,424
from this: securities held for trading	*35,633*	*18,566*	*17,067*	–
from this: positive FVA of derivative financial instruments designated as held for trading	*182,768*	*164*	*172,434*	*10,170*
from this: securities mandatorily measured at fair value through profit or loss	*28,061*	*18,807*	–	*9,254*
Securities at fair value through other comprehensive income	641,939	315,147	326,792	–
Positive fair value of derivative financial instruments designated as hedge accounting	17,727	–	17,727	–
Financial assets measured at fair value total	**1,568,140**	**352,684**	**534,020**	**681,436**
Financial liabilities at fair value through profit or loss	20,133	–	–	20,133
Negative fair value of derivative financial instruments classified as held for trading	192,261	278	191,983	–
Short position	16,904	16,904	–	–
Negative fair value of derivative financial instruments designated as hedge accounting	18,690	–	18,690	–
Financial liabilities measured at fair value total	**247,988**	**17,182**	**210,673**	**20,133**
Loans at fair value through other comprehensive income	480,937	–	–	480,937
Financial assets at fair value through profit or loss	160,483	34,643	111,130	14,710
from this: securities held for trading	*11,729*	*10,453*	*1,276*	–
from this: positive FVA of derivative financial instruments designated as held for trading	*116,818*	*378*	*109,854*	*6,586*
from this: securities mandatorily measured at fair value through profit or loss	*31,936*	*23,812*	–	*8,124*
Securities at fair value through other comprehensive income	911,950	426,566	485,384	–
Positive fair value of derivative financial instruments designated as hedge accounting	6,817	–	6,817	–
Financial assets measured at fair value total	**1,560,187**	**461,209**	**603,331**	**495,647**
Financial liabilities at fair value through profit or loss	25,902	–	–	25,902
Negative fair value of derivative financial instruments classified as held for trading	99,987	1,263	98,724	–
Short position	9,131	9,131	–	–
Negative fair value of derivative financial instruments designated as hedge accounting	3,104	–	3,104	–
Financial liabilities measured at fair value total	**138,124**	**10,394**	**101,828**	**25,902**

Valuation techniques and sensitivity analysis on Level 3 instruments

Sensitivity analysis is performed on products with significant unobservable inputs (Level 3) to generate a range of reasonably possible alternative valuations. The sensitivity methodologies applied take account of the nature of the valuation techniques used, as well as the availability and reliability of observable proxy and historical date and the impact of using alternative models. The calculation is based on range or spread data of reliable reference source or a scenario based on relevant market analysis alongside the impact of using alternative models. Sensitivities are calculated without reflecting the impact of any diversification in the portfolio.

Unobservable inputs used in measuring fair value:

Type of financial instrument	Valuation technique	Significant unobservable input	Range of estimates for unobservable input
VISA C shares	Market approach combined with expert judgement	Discount applied due to illiquidity and litigation	+/-12%
MFB refinancing loans	Discounted cash-flow model	Probability of default	+/- 20%
Subsidised personal loans	Discounted cash-flow model	Probability of default	+/- 20%
Subsidised personal loans	Discounted cash-flow model	Operational costs	+/- 20%
Subsidised personal loans	Discounted cash-flow model	Demography	Change in the cash-flow estimation +/- 5%

The effect of unobservable inputs on fair value measurement

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

31 December 2021	Unobservable inputs	Fair values		Effect on profit and loss	
		Favourable	Unfavourable	Favourable	Unfavourable
VISA C shares	Illiquidity	3,339	2,529	405	(405)
MFB refinancing loans	Probability of default	19,218	18,972	123	(123)
Subsidised personal loans	Probability of default	639,006	631,855	3,590	(3,561)
Subsidised personal loans	Operational costs	647,291	623,933	11,875	(11,483)
Subsidised personal loans	Demography	635,484	635,387	68	(29)

31 December 2021	Unobservable inputs	Fair values		Effect on profit and loss	
		Favourable	Unfavourable	Favourable	Unfavourable
VISA C shares	Illiquidity	3,150	2,402	374	(374)
MFB refinancing loans	Probability of default	24,876	24,690	93	(93)
Subsidised personal loans	Probability of default	452,781	447,647	2,579	(2,555)
Subsidised personal loans	Operational costs	464,974	436,194	14,772	(14,008)
Subsidised personal loans	Demography	451,419	448,987	1,217	(1,215)

The favourable and unfavourable effects of using reasonably possible alternative assumptions for the valuation of Visa C shares have been calculated by modifying the discount rate used for the valuation by +/-12% as being the best estimates of the management as at 31 December 2021 and 2020 respectively.

In the case of MFB refinancing loans and subsidised personal loans the Bank calculated the favourable and unfavourable effects of using reasonably possible alternative assumptions by modifying the rates of probability of default by +/- 20% as one of the most significant unobservable input.

In case of subsidised personal loans operational cost and factors related to demography are considered as unobservable inputs to the applied fair value calculation model in addition to credit risk.

The Bank calculated the favourable and unfavourable effects of using reasonably possible alternative assumptions by modifying the rates of operational costs by +/- 20% as one of the most significant unobservable input.

In case of subsidised personal loans cash-flow estimation are based on assumption related to the future number of childbirths performed by the debtors. According to the current assumptions 15% of the debtors will not fulfill the conditions of the subsidy determined by the government after 5 years ("breach of conditions"), thereby debtors will be obliged to pay back advanced interest subsidy given in advance. Furthermore, in this case subsidised loans are converted to loans provided based on market conditions. Loans are prepaid by the government as part of the subsidy after the second and the third childbirth following the signatory of the loan contract. The Bank calculated the favourable and unfavourable effects of using reasonably possible alternative assumptions by modifying the demographical assumption of breach of conditions by +/– 5% as one of the most significant unobservable input in the cash-flow estimation.

Reconciliation of the opening and closing balances of Level 3 instruments for the year ended 31 December 2021:

	Opening balance	Issuance/ Disbursement	Change in FVA due to credit risk	Change in FVA due to market factors	Settlement	Closing balance
Loans mandatorily measured at fair value through profit or loss	480,937	227,324	(16,255)	(12,692)	(17,302)	662,012
Securities mandatorily measured at fair value through profit or loss	8,124	390	–	740	–	9,254
Derivative financial instruments designated as held for trading	6,586	–	–	3,584	–	10,170
Financial liabilities at fair value through profit or loss	(25,902)	–	–	(3,916)	9,685	(20,133)
Total	**469,745**	**227,714**	**(16,255)**	**(12,284)**	**(7,617)**	**661,303**

Reconciliation of the opening and closing balances of Level 3 instruments for the year ended 31 December 2020:

	Opening balance	Issuance/ Disbursement	Change in FVA due to credit risk	Change in FVA due to market factors	Reclassification	Settlement	Closing balance
Loans mandatorily measured at fair value through profit or loss	238,538	257,055	(405)	(2,125)	–	(12,126)	480,937
Securities mandatorily measured at fair value through profit or loss	4,644	1,204	–	23	5,188	(2,935)	8,124
Securities at fair value through other comprehensive income	4,735	–	–	453	(5,188)	–	–
Derivative financial instruments designated as held for trading	4,227	–	–	2,359	–	–	6,586
Financial liabilities at fair value through profit or loss	(28,861)	–	–	1,270	–	1,689	(25,902)
Total	**223,283**	**258,259**	**(405)**	**1,980**	**–**	**(13,372)**	**469,745**

NOTE 46: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2021

1. Capital increase in OTP Bank Romania

2. Acquisition at Slovenia

3. Capital increase in OTP Bank Srbija

4. Potential acquisition of Uzbek Ipoteka Bank

5. Acquisition of Alpha Banka

See details about the event above in Note 11.

6) Discontinuance of international arbitration proceedings

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

7) Termination of ICES bond

See details about the event above in Note 27.

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

The Extraordinary General Meeting hold on 15 October, 2021 resolved that, the Bank shall sell its treasury shares on the stock exchange to those two Special Employee Stock Ownership Program organizations being established by the Bank employees ("OTP SECOP I." and "OTP SECOP II."). The Extraordinary General Meeting decided that if additional SECOP organisations will be initiated, those will be given one-off support on a yearly basis, under defined conditions, defined extent and in specified manner.

9) Interest benchmark reform

OTP Bank was actively involved in industry efforts supporting transition to IBOR alternatives. The bank has taken extensive steps to prepare for the discontinuation of IBORs and worked closely with clients to ensure awareness and support transition activities. As the transition is complex, time-consuming process and relevant for the whole Group, the management of Bank has evaluated the impacts of the interest rate benchmarks reform, preparing itself for the transition through a dedicated internal group-wide project. As LIBOR's five currencies (USD, GBP, EUR, JPY and CHF) and EONIA will be replaced by Risk Free Rates – which are different in nature compared to IBOR rates – OTP Group has implemented the relevant rates into the IT systems, and reached out the clients. The Bank's priority was to ensure that the Bank can continue to offer clients the products and services they need, while also supporting them in the transition to the new alternative Risk Free Rates.

9) Interest benchmark reform

During the IBOR reform the Bank identified several risks at the beginning of 2021, which the project had to manage and monitor closely. These risks include but are not limited to the following:

- The abolution of LIBOR affected several transactions that may require automated IT solutions.
- The new reference rates are different in nature from LIBOR that cause difficulties to settle the value differences with the customers.
- It was necessary to implement new processes not to develop LIBOR based products, and to develop a strategy for removing or modifying the affected products handled by the Bank.
- After termination of LIBOR, the Bank has to act under the "Fallback clauses", the clauses that regulate the replacement of the reference interest rates in the contract and the use of an alternative interest as a reference. The content of these clauses needs to be clearly defined and checked from a business point of view, ie which reference interest rate will be applied instead of LIBOR for the given contract and whether it is commercially appropriate. In defining the fallback clauses, efforts had to be made to provide a viable alternative to the termination of LIBOR that would not result in a business loss for the Bank.

- Legal risks related to the termination of LIBOR. Such risks can arise when Fallback clauses are not included in the contracts, or the law governing the contract doesn't contain a statutory reference rate. In these cases the contracts can be cancelled due to impossibility or the termination by either party.
- Missing of contractual interest rates can result in settlement disputes, compensation cases or litigation.
- Business risks of the termination of LIBOR. The most significant of these are
  - the law governing the contract can set the applicable interest rate that can be result in a business loss for the Bank,
  - business loss due to negative customer experience,
  - operational risk, when several unique contracts must be handled in a short time.

Terminating interest rates ()	Alternative Reference Rates
LIBOR USD* (1 week and 2 months settings), FedFund Rate	SOFR
LIBOR GBP	SONIA
LIBOR JPY	TONA
LIBOR EUR	EURIBOR
LIBOR CHF**	SARON
EONIA	€STR

Amounts effected by IBOR reform as at 31 December 2021:

Reference rate	Type of the contract	Nominal value of the contract	Pieces of contracts
USD LIBOR	Loan	49.116	12
USD LIBOR	Deposit	3.579	7
USD LIBOR	Derivatives	802.854	190
Other LIBOR	Loan	1.166	42
Other LIBOR	Deposit	25.864	98
Other LIBOR	Derivatives	25.464	4
Other LIBOR	Bonds (assets)	13.162	3
Total		**921.205**	**356**

The above LIBOR-based amounts outstanding as at 31 December 2021 will be managed at the first interest period in 2022 therefore they do not cause a risk to the Bank or to the customers.

* The following USD LIBOR settings will be terminated after June 30, 2023: overnight and 1, 3, 6 and 12 Months. The affected USD LIBOR contracts will be handled on an ongoing basis until the remaining USD LIBOR settings' cessation date.

** In the case of CHF LIBOR, OTP Bank acts in accordance with the implementing regulation of the European Commission (https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=PI_COM:C(2021)7488&from=EN).

NOTE 47: SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In the second half of February 2022 the military conflict between Russia and Ukraine escalated.
It is difficult to quantify the effect of the Ukrainian–Russian conflict regarding the Ukrainian and the Russian operations, the possible scenarios are covering a wide range of spectrum. According to the worst possible scenario, the Bank may lose its control over its investments, which under extreme conditions could result in the full write-off of the invested amount. These Consolidated Financial Statements do not contain any write-offs as possible consequences of the Ukrainian–Russian conflict, the Group recognizes it as not adjusting, post balance sheet event.

Ukraine

OTP Group's Ukrainian operation incorporates the Ukrainian bank, as well as the leasing and factoring companies. The country-consolidated Ukrainian total assets represented HUF 984 billion at the end of 2021 (3.6% of total consolidated assets), while net loans comprised HUF 614 billion (3.9% of consolidated net loans) and shareholders' equity HUF 160 billion (5.3% of the consolidated total equity).
At the end of 2021 the book value of the capital investment in the Ukrainian subsidiaries comprised HUF 105 billion; there was no goodwill at all, it was already written down entirely in 2014.

The gross intragroup funding towards the Ukrainian operation represented HUF 72 billion, and taking into account the Ukrainian deposits placed with the HQ, i.e. the net group funding represented HUF 29 billion equivalent. According to the 28 February 2022 figures, the gross funding amounted to HUF 75 billion equivalent and the net intragroup funding stood at HUF 9 billion equivalent.

The Ukrainian RWA ("risk-weighted asset") was HUF 230 billion by the end of 2021 (2.9% of the total RWA).

The maximum capital effect on the potential write-off of the Ukrainian operation, taking into account the equity, the intragroup funding and the Ukrainian risk weighted assets, is estimated at 148 bps on the CET1 ratio, according to year-end figures.

Russia

The total assets of the Group's Russian operation represented HUF 800 billion at the end of 2021 (2.9% of consolidated total assets), while net loans comprised HUF 621 billion (3.9% of consolidated net loans) and shareholders' equity HUF 241 billion (7.9% of consolidated total equity). At the end of 2021 the book value of the capital investment in the Russian subsidiaries comprised directly HUF 74 billion and indirectly HUF 50 billion.

The gross intragroup funding towards the Russian operation represented HUF 73 billion, and taking into account the Russian deposits placed with the Headquarter, i.e. the net group funding represented HUF 14 billion equivalent. On 28 February 2022 the gross intragroup funding reached HUF 52 billion equivalent, which equalled the net figure because there was no deposit placement by the Russian operation at other Group members.

The Russian RWA was HUF 276.6 billion by the end of 2021 (3.4% of the total RWA).

The capital maximum effect on the potential write-off of the Russian operation, taking into account the equity, the intragroup funding and the Russian risk weighted assets, is estimated at 173 bps on the CET1 ratio, according to year-end figures.

Although the impact of the Russian–Ukrainian conflict on the Group's Russian and Ukrainian operations is currently difficult to quantify, and as such uncertain, based on the current estimation of the Bank's Management the Ukrainian-russian conflict does not have considerably negative impact on the business activity, financial position, efficiency, liquidity and capital position of OTP Bank. Even after the recognition of the potential losses and write-offs outlined above, the Group's capital adequacy remains above the expected regulatory level. There is no sign of significant uncertainties having been arisen regarding carrying out its business as a going concern.

The Bank's Management is monitoring the situation of the Ukrainian-russian conflict continuously and will take the necessary steps in order to moderate the business risk.

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This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of OTP Bank Nyrt.

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying 2021 consolidated financial statements of OTP Bank Nyrt. ("the Company") and its subsidiaries (altogether "the Group") included in the accompanying CON 2021-12-31_HU_final_v5_119_1_preview.xhtml[1] digital file, which comprise the consolidated statement of financial position as at 31 December 2021 - showing a balance sheet total of HUF 27,553,384 million and a total comprehensive income for the year of HUF 473,322 million -, the related consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRSs") and have been prepared, in all material respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Hungarian Accounting Law") relevant for consolidated financial statements prepared in accordance with EU IFRSs.

Basis for opinion

We conducted our audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

[1] Digital identification of the above referred CON 2021-12-31_HU_final_v5_119_1_preview.xhtml consolidated financial statements, using SHA 256 HASH algorithm is 072C2A820D46B8755FFE07F5A12CBC2A0899FFDA58EF9B5C9B355C22A95903DB

EY
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We are independent of the Group in accordance with the applicable ethical requirements according to relevant laws in effect in Hungary and the policy of the Chamber of Hungarian Auditors on the ethical rules and disciplinary proceedings and, concerning matters not regulated by any of these, with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Note 51 of notes to the consolidated financial statements, which describes the risk and potential impact of the Ukrainian-Russian conflicts on the Group's operation in Ukraine and Russia. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated financial statements section" of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Determination of expected credit losses relating to loans at amortised cost

Material misstatements due to fraudulent financial reporting often result from understatement of expected credit losses. Credit impairment is a highly subjective area due to the level of judgement applied by management in determining expected credit losses ("ECL"). The identification of impairment and the determination of the recoverable amount are an inherently uncertain process involving various assumptions and factors, including the	We involved valuation specialists to assist us in performing our audit procedures on ECL and related credit impairments. Our audit procedures included among others the following procedures. We assessed the design and tested the operating effectiveness of internal controls over the approval, recording and monitoring of loans at amortized cost and controls over ECL calculations including the quality of underlying data and

financial condition of the counterparty, expected future cash flows, and expected net selling prices of collaterals. The portfolios which give rise to the greatest uncertainty are typically those where impairments are derived from estimates of future cash flows and realizable value of collateral, calculated using collective impairment models, are unsecured or are subject to potential collateral shortfalls. These models require the significant periodic judgment of management regarding correct segmentation, the identification of significant changes in credit risk, the inclusion of forward-looking elements as well as the application of management overlay to reflect on circumstances beyond the modelling capabilities.

Due to the significance of loans at amortised cost (representing 49% of Total Assets as of 31 December 2021) and the related estimation uncertainty, this is considered a key audit matter.

applications.

We assessed the controls over the general IT environment of the applications relevant from audit perspective related to the determination of ECL.

For ECL calculated on an individual basis, we tested the assumptions used by the management underlying the impairment identification and quantification focusing on loan cases with the most significant potential impact on the consolidated financial statements. We also assessed the management's assumptions on the expected future cash flows, including the value of realisable collateral and estimates of recovery on default based on our own understanding and available market information.

For ECL calculated on collective basis we evaluated the model governance, methodologies, inputs and management assumptions used (probability of default, loss given default, significant changes in credit risk and forward-looking elements).

We considered the regulatory measures on the assumptions applied by the Company for ECL estimation purposes.

We also assessed whether the disclosures in the consolidated financial statements appropriately reflect the Group's exposure to credit risk and are compliant with the EU IFRSs.

The Group's disclosures about its risk management policies are included in Note 2.14 Loss allowance and Note 37.1 Credit risk which specifically explains the key assumptions used when determining credit risk and their evaluation are detailed in Note 11 Loans at amortised cost and at fair value and Note 31 Loss allowance / Impairment / Provisions.

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General Information Technology controls over the financial reporting process

A significant part of the Group's financial reporting process, including revenue recognition is significantly reliant on IT systems with embedded automated processes and controls over the capture, storage and extraction of information. A fundamental component of these processes and controls is ensuring appropriate user access and change management protocols exist and are being adhered to.
These protocols are important because they ensure that access and changes to IT systems and related data are made and authorized in an appropriate manner.
As our audit of the financial statements sought to place a high level of reliance on IT systems and application controls related to financial reporting, a high proportion of the overall audit effort has been carried out regarding to understand and test IT infrastructure and applications including relevant application controls. Furthermore, the complexity of IT systems and nature of application controls requires special technology expertise and specialized skills to be involved in the audit we therefore consider this as a key audit matter.

We focused our audit on those IT systems and controls that are significant for the Group's financial reporting. As audit procedures over the IT systems and application controls require specific expertise, we involved IT audit specialists to assist us in performing our audit procedures. Our audit procedures included among others the following procedures.
We understood and assessed the overall IT control environment and the controls in place which included controls over access to systems and data, as well as system changes. We adjusted our audit approach based on the financial significance of the system and whether there were automated procedures supported by that system.
As part of our audit procedures, we tested the operating effectiveness of controls over appropriate access rights to assess whether only appropriate users had the ability to create, modify or delete user accounts for the relevant in-scope applications. We also tested the operating effectiveness of controls around system development and program changes to establish that changes to the system were appropriately authorized, developed and implemented. Additionally, we assessed and tested the design and operating effectiveness of the application controls embedded in the processes relevant to our audit.
The Group's disclosures about its IT systems and related IT general and application controls are included in section System of internal controls and IT Controls in the consolidated business report.

Other matters

The consolidated financial statements as at 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 17 March 2021.

Management is responsible for the presentation of the consolidated financial statements in the format that complies with the Articles 3 and 4 of Commission (EU) Regulation 2019/815 of 17 December 2018 ("ESEF Regulation"). The scope of our audit was the human-readable content of the electronically identified digital file, which contains the consolidated financial statements. The scope of our audit did not include to review and consequently we do not report on, whether the digitalized information complies in all material respect with the requirements of ESEF Regulation.

Other information

Other information consists of the 2021 consolidated business report of the Group and the "Management's Analysis" section of the annual report which have been made available to us before the date of our independent auditor's report and of the "Message to the Shareholders", "Corporate Governance" and "Macroeconomic and financial environment in 2021" sections of the annual report which are expected to be made available after the date of our independent auditor's report but do not include the consolidated financial statements and our independent auditor's report. Management is responsible for the other information, including preparation of the consolidated business report in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any. Our opinion on the consolidated financial statements does not cover the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether 1) the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated and 2) the consolidated business report has been prepared in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any.

Our opinion on the consolidated business report should include the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law and we are required to confirm also whether the information prescribed in Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law have been made available and whether the consolidated business report includes the non-financial statement as required by Subsection (5) of Section 134 of the Hungarian Accounting Law.

In our opinion, the consolidated business report of the Group, including the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law for 2021 is consistent, in all material respects, with the 2021 consolidated financial statements of the Group and the relevant requirements of the Hungarian Accounting Law.

Since no other legal regulations prescribe for the Group further requirements with regard to its consolidated business report, we do not express opinion in this regard.

We also confirm that the Group have made available the information required according to Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law and that the consolidated business report includes the non-financial statement as required by Subsection (5) of Section 134 of the Hungarian Accounting Law.

Further to the above, based on the knowledge we have obtained about the Group and its environment in the course of the audit we are required to report whether we have identified any material misstatement in the other information, and if so, the nature of the misstatement in question. We have nothing to report in this regard.

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

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the EU IFRSs and for the preparation in accordance with the supplementary requirements of the Hungarian Accounting Law relevant for consolidated financial statements prepared in accordance with EU IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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As part of an audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Report on other legal and regulatory requirements

Reporting requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014:

Appointment and Approval of Auditor

We were appointed as the statutory auditor of OTP Bank Nyrt. by the General Assembly of Shareholders of the Company on 16 April 2021. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for one year.

Consistency with Additional Report to Audit Committee

Our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued in accordance with Article 11 of the Regulation (EU) No. 537/2014 on the same date as the date of this report.

Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 were provided by us to the Company and its controlled undertakings and we remained independent from the Group in conducting the audit.

In addition to statutory audit services and services disclosed in the consolidated business report and in the consolidated financial statements, no other services were provided by us to the Company and its controlled undertakings.

The engagement partner on the audit resulting in this independent auditor's report is Kónya Zsolt.

Budapest, 17 March 2022

The original Hungarian version has been signed.

Kónya Zsolt
Engagement partner
Ernst & Young Kft.
1132 Budapest, Váci út 20.
Registration No. 001165

Nagyváradiné Szépfalvi Zsuzsanna
Registered auditor
Chamber membership No.: 005313

Statement of financial position

(consolidated, in accordance with IFRS, as at 31 December 2021, in HUF mn)

	Note	2021	2020 Reclassified
Cash, amounts due from banks and balances with the National Banks	5	2,556,035	2,432,312
Placements with other banks, net of loss allowance for placements	6	1,584,861	1,148,743
Repo receivables	7	61,052	190,849
Financial assets at fair value through profit or loss	8	341,397	234,007
Securities at fair value through other comprehensive income	9	2,224,510	2,136,709
Securities at amortized cost	10	3,891,335	2,624,920
Loans at amortized cost	11	13,493,183	11,674,842
Loans mandatorily at fair value through profit or loss	11	1,068,111	802,605
Finance lease receivables	35	1,182,628	1,051,140
Associates and other investments	12	67,222	52,443
Property and equipment	13	411,136	322,766
Intangible assets and goodwill	13	248,631	239,004
Right-of-use assets	35	50,726	46,283
Investment properties	14	29,882	38,601
Derivative financial assets designated as hedge accounting	15	18,757	6,820
Deferred tax assets	35	15,109	22,317
Current income tax receivables	35	29,978	39,171
Other assets	16	276,785	266,239
Assets classified as held for sale / discontinued operations	49	2,046	6,070
TOTAL ASSETS		**27,553,384**	**23,335,841**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	17	1,567,348	1,185,315
Repo liabilities	18	79,047	117,991
Financial liabilities designated at fair value through profit or loss	19	41,184	34,131
Deposits from customers	20	21,068,644	17,890,863
Liabilities from issued securities	21	436,325	464,213
Derivative financial liabilities held for trading	22	202,716	104,823
Derivative financial liabilities designated as hedge accounting	23	11,228	11,341
Leasing liabilities	36	53,286	48,451
Deferred tax liabilities	35	24,045	25,990
Current income tax payable	35	36,581	29,528
Provisions	24	119,799	116,467
Other liabilities	24	598,081	489,426
Subordinated bonds and loans	25	278,334	274,704
Liabilities directly associated with assets classified as held for sale/discontinued operations	49	–	5,486
TOTAL LIABILITIES		**24,516,618**	**20,798,729**
Share capital	26	28,000	28,000
Retained earnings and reserves	27	3,109,509	2,629,076
Treasury shares	28	(106,941)	(124,080)
Total equity attributable to the parent		**3,030,568**	**2,532,996**
Total equity attributable to non-controlling interest	29	6,198	4,116
TOTAL SHAREHOLDERS' EQUITY		**3,036,766**	**2,537,112**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**27,553,384**	**23,335,841**

Budapest, 17 March 2022

The accompanying notes to consolidated financial statements on pages 261 to 405 form an integral part of these Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by EU.

Statement of profit or loss

(consolidated, in accordance with IFRS, for the year ended 31 December 2021, in HUF mn)

	Note	2021	2020 Reclassified
CONTINUING OPERATIONS			
Interest income calculated using the effective interest method	30	922,539	841,901
Income similar to interest income	30	194,920	135,986
Interest income and income similar to interest income		**1,117,459**	**977,887**
Interest expense		**(243,149)**	**(195,216)**
NET INTEREST INCOME		**874,310**	**782,671**
Loss allowance on loans, placements and on repo receivables	31	(27,721)	(172,520)
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	31	(16,289)	(3,262)
Loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost	31	(3,974)	(7,309)
Provision for commitments and guarantees given	31	(99)	(8,662)
Release of impairment of assets subject to operating lease and of investment properties	31	438	878
Risk cost total		**(47,645)**	**(190,875)**
NET INTEREST INCOME AFTER RISK COST		**826,665**	**591,796**
Gain from derecognition of financial assets at amortized cost	**33**	**1,885**	**3,380**
Modification loss	**4**	**(13,672)**	**(29,773)**
Income from fees and commissions	32	554,113	486,529
Expense from fees and commissions	32	(111,939)	(88,896)
Net profit from fees and commissions		**442,174**	**397,633**
Foreign exchange result, net	33	(4,075)	7,864
Gains on securities, net	33	5,560	7,465
Fair value adjustment on financial instruments measured at fair value through profit or loss	33	(532)	4,843
Gain on derivative instruments, net	33	6,798	11,340
Profit from associates	8, 9	15,648	527
Other operating income	34	81,328	33,461
Other operating expenses	34	(85,732)	(39,447)
Net operating income		**18,995**	**26,053**
Personnel expenses	34	(340,684)	(308,642)
Depreciation and amortization	13	(94,996)	(92,761)
Goodwill impairment	13	–	–
Other general expenses	34	(311,932)	(289,722)
Other administrative expenses		**(747,612)**	**(691,125)**
PROFIT BEFORE INCOME TAX		**528,435**	**297,964**
Income tax expense	35	(72,123)	(43,918)
NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**456,312**	**254,046**
From this, attributable to:			
Non-controlling interest	29	**836**	**220**
Owners of the company		**455,476**	**253,826**
DISCONTINUED OPERATIONS			
Gain from disposal of subsidiary classified as held for sale	**49**	**–**	**199**
Gain from discontinued operations	**49**	**116**	**5,391**
PROFIT FROM CONTINUING AND DISCOUNTINUED OPERATION		**456,428**	**259,636**
Earnings per share (in HUF)			
From continuing operations			
Basic	**45**	**1,738**	**982**
Diluted	**45**	**1,738**	**982**
From continuing and discontinued operations			
Basic	**45**	**1,738**	**1,004**
Diluted	**45**	**1,738**	**1,003**

The accompanying notes to consolidated financial statements on pages 261 to 405 form an integral part of these Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by EU.

Statement of comprehensive income

(consolidated, in accordance with IFRS, for the year ended 31 December 2021, in HUF mn)

	Note	2021	2020
NET PROFIT FOR THE YEAR		**456,428**	**259,636**
Items that may be reclassified subsequently to profit or loss:			
Fair value adjustment of securities at fair value through other comprehensive income	27	(50,789)	(3,175)
Deferred tax related to fair value adjustment of securities at fair value through other comprehensive income	27	3,526	918
Derivative financial instruments designated as cash-flow hedge	27	–	(2)
Net investment hedge in foreign operations	27	–	(9,440)
Deferred tax related to net investment hedge in foreign operations	27	–	849
Foreign currency translation difference	27	61,729	68,593
Items that will not be reclassified subsequently to profit or loss:			
Fair value changes of equity instruments at fair value through other comprehensive income	27	2,747	(2,890)
Deferred tax related to equity instruments at fair value through other comprehensive income	27	(361)	383
Change of actuarial loss related to employee benefits	27	53	143
Deferred tax related to change of actuarial loss related to employee benefits	27	(11)	1
Subtotal		**16,894**	**55,380**
TOTAL COMPREHENSIVE INCOME		**473,322**	**315,016**
From this, attributable to:			
Non-controlling interest		1,041	(223)
Owners of the company		472,281	315,239

The accompanying notes to consolidated financial statements on pages 261 to 405 form an integral part of these Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by EU.

Statement of changes in equity

(consolidated, in accordance with IFRS, for the year ended 31 December 2021, in HUF mn)

	Note	Share capital	Capital reserve	Retained earnings and other reserves*	Treasury shares	Total attributable to shareholders	Non-controlling interest	Total
Balance as at 1 January 2020		**28,000**	**52**	**2,319,211**	**(60,931)**	**2,286,332**	**4,956**	**2,291,288**
Net profit for the period		–	–	259,416	–	259,416	220	259,636
Other Comprehensive Income		–	–	55,823	–	55,823	(443)	55,380
Total comprehensive income		**–**	**–**	**315,239**	**–**	**315,239**	**(223)**	**315,016**
Purchasing of non-controlling interest				–	–	–	(382)	(382)
Decrease due to discontinued operation	49	–	–	–	–	–	(235)	(235)
Share-based payment	40	–	–	3,394	–	3,394	–	3,394
Sale of Treasury shares	28	–	–	–	22,773	22,773	–	22,773
Treasury shares – loss on sale	28	–	–	(3,967)	–	(3,967)	–	(3,967)
Treasury shares – acquisition	28	–	–	–	(85,922)	(85,922)	–	(85,922)
Payments to ICES holders	27	–	–	(4,853)	–	(4,853)	–	(4,853)
Balance as at 31 December 2020		**28,000**	**52**	**2,629,024**	**(124,080)**	**2,532,996**	**4,116**	**2,537,112**
Balance as at 1 January 2021		**28,000**	**52**	**2,629,024**	**(124,080)**	**2,532,996**	**4,116**	**2,537,112**
Net profit for the period		–	–	455,592	–	455,592	836	456,428
Other Comprehensive Income		–	–	16,689	–	16,689	205	16,894
Total comprehensive income		**–**	**–**	**472,281**	**–**	**472,281**	**1,041**	**473,322**
Increase due to business combination		–	–	–	–	–	1,041	1,041
Share-based payment	40	–	–	3,589	–	3,589	–	3,589
Adjustment of previous years' reserves		–	–	1,034	–	1,034	–	1,034
Sale of Treasury shares	28	–	–	–	293,572	293,572	–	293,572
Treasury shares – loss on sale	28	–	–	(27,800)	–	(27,800)	–	(27,800)
Treasury shares – acquisition	28	–	–	–	(276,433)	(276,433)	–	(276,433)
Payments to ICES holders	27	–	–	(3,734)	–	(3,734)	–	(3,734)
Increase due to termination of ICES	27	–	–	35,063	–	35,063	–	35,063
Balance as at 31 December 2021		**28,000**	**52**	**3,109,457**	**(106,941)**	**3,030,568**	**6,198**	**3,036,766**

The accompanying notes to consolidated financial statements on pages 261 to 405 form an integral part of these Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by EU.

* See details in Note 27, where the Retained earnings and other reserves category contains the capital reserve, share-based payment reserve and option reserve.

Statement of cash-flows

(consolidated, in accordance with IFRS, for the year ended 31 December 2021, in HUF mn)

	Note	2021	2020
OPERATING ACTIVITIES			
Net profit for the period (attributable to the owners of the company)		**455,592**	**259,416**
Net accrued interest		14,854	(9,040)
Dividend income	27	(15,648)	(527)
Depreciation and amortization	13	100,321	98,385
Loss allowance on securities	9, 10	3,974	7,309
Loss allowance on loans and placements, amounts due from banks and on repo receivables	5, 6, 7, 11	27,721	251,440
Loss allowance/(Release of loss allowance)on investments	12	6,640	(381)
Release of loss allowance on investment properties	14	(243)	(741)
Impairment on tangible and intangible assets	13	2,772	51
Loss allowance on other assets	16	1,986	7,416
Provision on off-balance sheet commitments and contingent liabilities	24	10,856	14,792
Share-based payment	40	3,589	3,394
Unrealized losses on fair value change of financial instrumentum at fair value through profit or loss	33	11,404	762
Non-realized foreign exchange loss/(gain)	33	22,258	(6,820)
Loss/(Gain) from sale of tangible and intangible assets	13	129	(637)
Unrealized losses/(gains) on fair value change of derivative financial instruments	33	18,982	(25,068)
Gain on discontinued operations	49	(116)	(5,391)
Net changes in assets and liabilities in operating activities			
Net (increase)/decrease in securities at fair value through profit or loss	8	(126,364)	23,928
Net (increase)/decrease in compulsory reserves at the National Banks	5	(96,936)	17,839
Increase in placement with other banks, before loss allowance for placements	6	(307,731)	(903,119)
Net increase in loans at amortized cost before loss allowance for loans and in loans at fair value	11	(2,206,183)	(1,473,258)
Net increase in other assets before loss allowance	16	(17,930)	(86,868)
Net increase in amounts due to banks, the National Governments, deposits from the National Banks and other banks and repo liabilities	17, 18	299,138	470,671
Net increase in financial liabilities designated at fair value through profit or loss	19	1,315	4,647
Net increase in deposits from customers	20	3,125,494	2,306,621
Cash payments for the interest portion of the lease liability	36	(935)	(1,592)
Net increase in other liabilities	24	186,319	61,684
Income tax paid	35	(47,876)	(37,729)
Net Cash Provided by Operating Activities		**1,473,382**	**977,184**
INVESTING ACTIVITIES			
Purchase of securities at fair value through other comprehensive income	9	(2,342,772)	(1,864,934)
Proceeds from sale of securities at fair value through other comprehensive income	9	2,217,702	2,162,682
Purchase of investments	12	(32,626)	(33,494)
Proceeds from sale of investments	12	11,207	2,382
Dividends received	27	15,648	399
Purchase of securities at amortized cost	10	(6,249,137)	(6,655,496)
Redemption of securities at amortized cost	10	4,997,215	6,022,703
Purchase of property, equipment and intangible assets	13	(300,715)	(136,130)
Proceeds from disposals of property, equipment and intangible assets	13	119,661	68,625
Purchase of investment properties	14	(134)	(574)
Proceeds from sale of investment properties	14	7,983	10,416
Net change in cash and cash equivalents from discontinued operation	49	116	5,544
Net Cash Used in Investing Activities		**(1,555,852)**	**(417,877)**
FINANCING ACTIVITIES			
Cash received from issuance of securities	21	76,728	149,105
Cash used for redemption of issued securities	21	(106,350)	(78,597)
Cash payments for the principal portion of the lease liability	36	(14,149)	(16,856)
Cash received from issuance of subordinated bonds and loans	25	2,676	773
Cash used for redemption of subordinated bonds and loans	25	–	(2,600)
Payments to ICES holders	27	71,688	(4,853)
Sale of Treasury shares	28	293,572	18,806
Purchase of Treasury shares	28	(276,433)	(85,922)
Dividends paid	27	(10)	(10)
Net Cash Provided by/(Used in) Financing Activities		**47,722**	**(20,154)**
TOTAL NET CASH (USED IN)/PROVIDED BY		**(34,748)**	**539,153**
Cash and cash equivalents at the beginning of the period		**1,674,777**	**1,049,737**
Foreign currency translation		61,533	69,036
Net change in cash and cash equivalent		(34,748)	539,153
Adjustment due to discontinued operation		2	16,851
Cash and cash equivalents at the end of the period	**5**	**1,701,564**	**1,674,777**

The accompanying notes to consolidated financial statements on pages 261 to 405 form an integral part of these Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by EU.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

NOTE 1: ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

1.1 General information

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

The Bank's registered office address is 16 Nádor Street, H-1051 Budapest.

Due to Hungarian legislation audit services are a statutory requirement for OTP Bank. Disclosure information about the auditor: Ernst & Young Audit Ltd. (001165), 20 Váci Street, H-1132 Budapest. Registered under 01-09-267553 by Budapest-Capital Regional Court, as registry court. Statutory registered auditor: Zsuzsanna Nagyváradiné Szépfalvi, registration number: 005313.

These Consolidated Financial Statements were approved by the Board of Directors and authorised for issue on 17 March 2022. The Bank's owners have the power to amend the Consolidated Financial Statements after issue if applicable.

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

The structure of the Share capital by shareholders:

	2021	2020
Domestic and foreign private and institutional investors	97%	97%
Employees	1%	1%
Treasury shares	2%	2%
Total	**100%**	**100%**

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

The Bank and its subsidiaries ("Entities of the Group", together the "Group" or "OTP Group") provide a full range of commercial banking services through a wide network of 1,455 branches in the following countries Hungary, Bulgaria, Serbia, Croatia, Russia, Romania, Ukraine, Albania, Montenegro, Moldova and Slovenia, as well as provides other services in the Netherlands, Cyprus and Malta.

The number of the active employees without long-term breaks, and with part-time employees taken into account proportionately, and the average number of active employees on monthly basis at the Group:

	2021	2020
The number of employees at the Group	37,866	38,626
The average number of employees at the Group	37,890	39,943

1.2 Basis of Accounting

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

The Entities of the Group maintain their accounting records and prepare their statutory accounts in accordance with the commercial, banking and fiscal regulations prevailing in Hungary and in case of foreign subsidiaries in accordance with the commercial, banking and fiscal regulations of the country in which they are domiciled.

The Bank's functional currency is the Hungarian Forint ("HUF"). It is also presentation currency for the Group.
The financial statements of the subsidiaries used during the preparation of Consolidated Financial Statements of the Group have the same reporting period – starting from 1 January ending as at 31 December – like the reporting period of the Group.

Due to the fact that the Bank is listed on international and national stock exchanges, the Bank is obliged to present its financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (the "EU"). Certain adjustments have been made to the Entities' statutory accounts in order to present the Consolidated Financial Statements of the Group in accordance with all standards and interpretations approved by the International Accounting Standards Board ("IASB").

These Consolidated Financial Statements have been prepared in accordance with IFRS as adopted by the EU.

1.2.1 The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 2021

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

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform** – Phase 2 adopted by EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 4 "Insurance Contracts" – "Deferral of IFRS 9"** adopted by EU on 15 December 2020 (effective for annual periods beginning on or after 1 January 2021),
- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 16 "Leases"** – "COVID-19-Related Rent Concessions beyond 30 June 2021" (effective for annual periods beginning on or after 1 April 2021).

The adoption of these amendments to the existing standards has not led to any material changes in the Group's Consolidated Financial Statements.

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

At the date of authorization of these financial statements there are new standards, amendments to the existing standards nor interpretations which are issued by IASB and adopted by the EU which are not yet effective:

- **Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments",**

IAS 41 "Agriculture" – "Annual Improvements to IFRSs 2018–2020 Cycle" – adopted by EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 3 "Business Combinations"; IAS 16 "Property, Plant and Equipment"; IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** – adopted by the EU on 28 June 2021 Annual Improvements (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2023).

The Group does not adopt these new standards and amendments to existing standards before their effective date. The Group anticipates that the adoption of these new standards, amendments to the existing standards and new interpretations will have no material impact on the Consolidated Financial Statements of the Group in the period of initial application.

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

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at the publication of these Consolidated Financial Statements:

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2** – Disclosure of Accounting policies (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors"** – Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IAS 12 "Income Taxes"** – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 17 "Insurance Contracts"** – Initial application of IFRS 17 and IFRS 9 – Comparative Information (effective date for annual periods beginning on or after 1 January 2023).

The Group anticipates that the adoption of these new standards, amendments to the existing Standards and new interpretations will have no significant impact on the Consolidated Financial Statements of the Group in the period of initial application.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of the accompanying Consolidated Financial Statements are summarized below:

2.1 Basis of Presentation

These Consolidated Financial Statements have been prepared under the historical cost convention with the exception of certain financial instruments, which are recorded at fair value. Revenues and expenses are recorded in the period in which they are earned or incurred. The Group does not offset assets and liabilities or income and expenses unless it is required or permitted by an IFRS standard.

During the preparation of Consolidated Financial Statements assets and liabilities, income and expenses are presented separately, except in certain cases, when one of the IFRS standards prescribes net presenting related to certain items (see Note 2.8 below).

The presentation of Consolidated Financial Statements in conformity with IFRS as adopted by the EU requires the Management of the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
Future changes in economic conditions, business strategies, regulatory requirements, accounting rules and other factors could result in a change in estimates that could have a material impact on future financial statements.

2.2 Foreign currency translation

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currencies are translated into functional currencies at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rates quoted by the National Bank of Hungary ("NBH"), or if there is no official rate, at exchange rates quoted by OTP Bank as at the date of the Consolidated Financial Statements.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.
Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.
Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see Note 2.7 below for hedging accounting policies); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in Other Comprehensive Income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting Consolidated Financial Statements, the assets and liabilities of the Group's foreign operations are translated into HUF using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in Other Comprehensive Income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in Other Comprehensive Income and accumulated in equity.

2.3 Principles of consolidation

As the ultimate parent, OTP Bank is preparing Consolidated Financial Statements of the Group.

These Consolidated Financial Statements combine the assets, liabilities, equity, income, expenses and cash-flows of the Bank and of those subsidiaries of the Bank in which the Bank exercises control.
All intra-group transactions are consolidated fully on a line-by-line basis while under equity method other consolidation rules are applied. Determination of the entities which are involved into the consolidation procedures based on the determination of the Group's Control over another entity. Control exists when the Bank has power over the investee, is able to use this power and is exposed or has right to variable returns. Consolidation of a subsidiary should begin from the date when the Group obtains control and cease when the Group loses control. Therefore, income and expenses of a subsidiary should be included in the Consolidated Financial Statements from the date the Group gains control of the subsidiary until the date when the Group ceases to have control of the subsidiary.
The list of the major fully consolidated subsidiaries, the percentage of issued capital owned by the Bank and the description of their activities is provided in Note 42.

2.4 Accounting for acquisitions

Business combinations are accounted for using the acquisition method. Any goodwill arising on acquisition is recognized in the Consolidated Statement of Financial Position and accounted for as indicated below.
The acquisition date is the date on which the acquirer effectively obtains control over the acquiree. Before this date, it should be presented as Advance for investments within Other assets.
Goodwill, which represents the residual cost of the acquisition after obtaining the control over the acquiree in the fair value of the identifiable assets acquired and liabilities assumed is held as an intangible asset and recorded at cost less any accumulated impairment losses in the Consolidated Financial Statements. The Group tests goodwill for impairment by comparing its recoverable amount with its carrying amount, and recognising any excess of the

carrying amount over the recoverable amount an impairment loss. The recoverable amount of goodwill is the higher of its fair value less costs of disposal and its value in use.

If the Group loses control of a subsidiary, derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost and recognizes any difference as a gain or loss on the sale attributable to the parent in the Consolidated Statement of Profit or Loss on Net income from discontinued operations.

Goodwill acquired in a business combination is tested for impairment annually or more frequently if events or changes in circumstances indicate. The goodwill is allocated to the cash-generating units that are expected to benefit from the synergies of the combinations. The Group calculates the fair value of identified assets and liabilities assumed on discounted cash-flow model. The 3 year period explicit cash-flow model serves as a basis for the impairment test by which the Group defines the impairment need on goodwill based on the strategic factors and financial data of its cash-generating units.

The Group, in its strategic plan, has taken into consideration the effects of the present global economic situation, the present economic growth and outlook, the associated risks and their possible effect on the financial sector as well as the current and expected availability of wholesale funding.

Negative goodwill (gain from bargain purchase), when the interest of the acquirer in the net fair value of the acquired identifiable net assets exceeds the cost of the business combination, is recognized immediately in the Consolidated Statement of Profit or Loss as "Other income".

2.5 Securities at amortized cost

The Group measures at amortized cost those securities which are held for contractual cash collecting purposes, and contractual terms of these securities give rise to cash-flows that are solely payment of principal and interest on the principal amount outstanding. The Group initially recognizes these securities at fair value. Securities at amortized cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. The amortisation of any discount or premium on the acquisition of a security at amortized cost is part of the amortized cost and is recognized as interest income so that the revenue recognized in each period represents a constant yield on the investment. Securities at amortized cost are accounted for on a trade date basis. The Group applies the FIFO[1] inventory valuation method for securities at amortized cost. Such securities comprise mainly securities issued by the Hungarian and foreign Governments, corporate bonds, mortgage bonds and discounted treasury bills.

2.6 Financial assets at fair value through profit or loss

2.6.1 Securities held for trading

Investments in securities are accounted for on a trade date basis and are initially measured at fair value. Securities held for trading are measured at subsequent reporting dates at fair value, so unrealized gains and losses on held for trading securities are recognized in profit or loss and included in the Consolidated Statement of Profit or Loss for the period. The Group holds held for trading securities within the business model to obtain short-term gains, consequently realized and unrealized gains and losses are recognized in the net operating income, while interest income is recognized in income similar to interest income. The Group applies the FIFO inventory valuation method for securities held for trading. Such securities consist of equity instruments, shares in investment funds, Hungarian and foreign government bonds, corporate bonds, discounted treasury bills, mortgage bonds and other securities.

[1] First In First Out

2.6.2 Financial assets designated as fair value through profit or loss

The Group may – at initial recognition – irrevocable designate a financial asset as measured at fair value through profit or loss that would otherwise be measured at fair value through other comprehensive income or at amortized cost.
The Group may use fair value designation only in the following cases:

- if the classification eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases ('accounting mismatch').

The use of the fair value designation is based only on direct decision of management of the Group.

2.6.3 Derivative financial instruments

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

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

Certain derivative transactions, while providing effective economic hedges under the risk management policy of the Group, do not qualify for hedge accounting under the specific rules of IFRS 9 and are therefore treated as derivatives held for trading with fair value gains and losses charged directly to the Consolidated Statement of Profit or Loss.

Foreign currency contracts

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

Foreign exchange swaps and interest rate swaps

The Group enters into foreign exchange swap and interest rate swap ("IRS") transactions. The swap transaction is an agreement concerning the swap of certain financial instruments,

which usually consists of spot and one or more forward contracts.
IRS transactions oblige two parties to exchange one or more payments calculated with reference to fixed or periodically reset rates of interest applied to a specific notional principal amount (the base of the interest calculation). Notional principal is the amount upon which interest rates are applied to determine the payment streams under IRS transactions. Such notional principal amounts often are used to express the volume of these transactions but are not actually exchanged between the counterparties.
IRS transactions are used by the Group for risk management and trading purposes.

Cross-currency interest rate swaps

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

Equity and commodity swaps

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

Forward rate agreements (FRA)

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

The Group limits its exposure to market risk by entering into generally matching or offsetting positions and by establishing and monitoring limits on unmatched positions. Credit risk is managed through approval procedures that establish specific limits for individual counterparties. The Group's forward rate agreements were transacted for management of interest rate exposures and have been accounted for at mark-to-market fair value.

Foreign exchange options

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

2.7 Hedge accounting

Derivative financial instruments designated as a fair-value hedge

Changes in the fair value of derivatives that are designated and qualify as hedging instruments in fair value hedges and that prove to be highly effective in relation to the hedged risk, are recorded in the Consolidated Statement of Profit or Loss along with the corresponding change in fair value of the hedged asset or liability that is attributable to the specific hedged risk. Changes in the fair value of hedging instrument in fair value hedges is charged directly to the Consolidated Statement of Profit or Loss.
The conditions of hedge accounting applied by the Bank are the following: formally designated as hedge relationship, proper hedge documentation is prepared, effectiveness

test is performed and based on it the hedge is qualified as effective.
The Group implemented hedge accounting rules prescribed by IFRS 9 in 2018.

Derivative financial instruments designated as cash-flow hedge

Changes in the fair value of derivatives that are designated and qualify as hedging instrument in cash-flow hedges and that prove to be highly effective in relation to the hedged risk are recognized in their effective portion as reserve in Other Comprehensive Income. The ineffective element of the changes in fair value of hedging instrument is charged directly to the Consolidated Statement of Profit or Loss.
The Group terminates the hedge relationship if the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting.
In the case of cash-flow hedges – in line with the standard – hedge accounting is still applied by the Group as long as the underlying asset is derecognized.

Net investment hedge in foreign operations

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, shall be accounted for similarly to cash-flow hedges.
On the disposal of a foreign operation, the cumulative value of any gains and losses recognized in Other Comprehensive Income is transferred to the Consolidated Statement of Profit or Loss.

2.8 Offsetting

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

2.9 Embedded derivatives

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

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

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

Derivatives that are required to be separated are measured at fair value at initial recognition and subsequently.If the Group is unable to measure the embedded derivative separately either at acquisition or at the end of a subsequent financial reporting period, the Group shall designate the entire hybrid contract as at fair value through profit or loss. The Group shall assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the Bank first becomes a party to the contract.

2.10 Securities at fair value through other comprehensive income

Securities at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting of contractual cash-flows and selling securities. Furthermore, the contractual terms of these securities give rise on specified dates to cash-flows that are solely payment of principal and interest on the principal amount outstanding.

Debt instruments

Investments in debt securities are accounted for on a trade date basis and are initially measured at fair value. Securities at fair value through other comprehensive income are measured at subsequent reporting dates at fair value. Unrealized gains and losses on securities at fair value through other comprehensive income are recognized directly in Other Comprehensive Income, except for interest and foreign exchange gains/losses on monetary items, unless such financial asset at fair value through other comprehensive income is part of an effective hedge. Such gains and losses are reported when realized in Consolidated Statement of Profit or Loss for the applicable period. The Group applies the FIFO inventory valuation method for securities at fair value through other comprehensive income.

For debt securities at fair value through other comprehensive income the loss allowance is calculated based on expected credit loss model. The expected credit loss is accounted for against Other Comprehensive Income. Securities at fair value through other comprehensive income are remeasured at fair value based on quoted prices or amounts derived from cash-flow models. In circumstances where the quoted market prices are not readily available, the fair value of debt securities is estimated using the present value of future cash-flows and the fair value of any unquoted equity instruments are calculated using the EPS ratio.

Such securities consist of Hungarian and foreign government bonds, corporate bonds, mortgage bonds, discounted and interest bearing Treasury bills, securities issued by the NBH and other securities.

Fair value through other comprehensive income option for equity instruments

The Group has elected to present in the Statement of Other Comprehensive Income changes of fair value of those equity instruments which are neither held for trading nor recognized under IFRS 3.
In some cases, the Group made an irrevocable election at initial recognition for certain equity instruments to present subsequent changes in fair value of these securities in the consolidated other comprehensive income instead of in profit or loss.
The use of the fair value option is based only on direct decision of management of the Group.

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

The Group measures at amortized cost those Loans and placements with other banks and repo receivables, which are held to collect contractual cash-flows, and contractual terms of these assets give rise on specified dates to cash-flows that are solely payments of principal and interest on the principal amount outstanding. These loans are recognized as Loans at amortized cost in the Consolidated Statement of Financial Position. The Group recognizes those financial assets which are not held for trading and do not give rise to contractual cash-flows that are solely payments of principal and interest on the principal amount outstanding as loans measured at fair value through profit or loss. These loans are recognized as Loans mandatorily at fair value through profit or loss in the Consolidated Statement of Financial Position. Those Loans and placements with other banks and repo receivables that are accounted at amortized cost, stated at the principal amounts outstanding (including accrued interest), net of allowance for loan or placement losses, respectively.

In case of the above mentioned financial assets measured at amortised cost transaction fees and charges adjust the carrying amount at initial recognition and are included in effective interest calculation. In case of loans at fair value through profit or loss fees and charges are recognised when incurred in the Consolidated Statement of Profit or Loss. Loans and placements with other banks and repo receivables are derecognized when the contractual rights to the cash-flows expire or they are transferred. When a financial asset is derecognized the difference of the carrying amount and the consideration received is recognized in the profit or loss in case of financial assets at amortised cost the gains or losses from derecognition are presented in "Gains/losses from derecognition of financial assets at amortised cost" line while in case of loans at fair value through profit or loss the gains or losses from derecognition are presented in "Net operating income".

Change in the fair value of loans at fair value through profit or loss is broken down into two components and presented in the Consolidated Statement of Profit or Loss as follows:

- Portion of the change in fair value arising from changes in credit risk are presented within "Risk cost" as "Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss".
- The remaining component of the change is presented in fair value within "Net operating income" as "Fair value adjustment on financial instruments measured at fair value through profit or loss".

Initially financial assets shall be recognized at fair value which is usually equal to transaction value in case of loans and placements. However, when the amounts are not equal, the initial fair value difference should be recognized.
If the fair value of financial assets is based on a valuation technique using only inputs observable in market transactions, the Group recognizes the initial fair value difference in the Consolidated Statement of Profit or Loss. When the fair value of financial assets is based on models for which inputs are not observable, the difference between the transaction price and the fair value is deferred and only recognized in profit or loss when the instrument is derecognized or the inputs became observable.

Initial fair value of loans lent at interest below market conditions is lower than their transaction price.

The Group recognizes a loss allowance for expected credit losses on a financial asset at each reporting date. The loss allowance for a financial asset equals to 12-month expected credit loss or equals to the lifetime expected credit losses. The maximum period over which expected credit losses shall be measured is the maximum contractual period over which the Group is exposed to credit risk.

If the credit risk on a financial asset has not increased significantly since initial recognition then 12-month expected credit losses, otherwise (in case of significant credit risk increase) lifetime expected credit losses should be calculated. The expected credit loss is the present value of the difference between the contractual cash-flows that are due to the Group under the contract and the cash-flows that the Group expects to receive.

When the contractual cash-flows of a financial asset are modified and the modification does not result in the derecognition of the financial asset the Group recalculates the gross carrying amount of the financial asset by discounting the expected future cash-flows with the original effective interest rate of the asset. The difference between the carrying amount and the present value of the expected cash-flows is recognized as a modification gain or loss in the profit or loss. Interest and amortized cost are accounted using effective interest rate method.

Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and the possibility of further recovery is considered to be remote. The loan is written off against the related account "Gain/(Loss) from derecognition of financial assets at amortized cost" in the Consolidated Statement of Profit or Loss.

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

The gross amount and loss allowance of the loans shall be written off in the same amount to the estimated maximum recovery amount while the net carrying value remains unchanged. In those cases when on the previously partially or fully written-off loans or placements, which perhaps were derecognized from the books no having been reasonable expectations but later recoveries could be determined then reversal of written-off will be booked in the Consolidated Statement of Profit or Loss on "Income from recoveries of written-off, but legally existing loan" line in Risk cost.

2.12 Modified assets

If the net present value of the contracted cash-flows changes due to the modification of the contractual terms and it is not qualified as derecognition, modification gain or loss should be calculated and accounted for in the Consolidated Statement of Profit or Loss. Modification gain or loss is accounted in cases like restructuring – as defined in guidelines of the Group – prolongation, renewal with unchanged terms, renewal with shorter terms and prescribing capital repayment rate, if it doesn't exist or has not been earlier.
The changes of net present value should be calculated on portfolio level in case of retail exposures. Each retail contract is restructured based on restructuring frameworks.
The Group has to evaluate these frameworks (and not individual contracts). The changes of net present value should be calculated individually on contract level in case of corporate portfolio.

Among the possible contract amendments, the Group considers as a derecognition and a new recognition when the discounted present value – discounted at the original effective interest rate – of the cash-flows under the new terms is at least 10 per cent different from the discounted present value of the remaining cash-flows. In case of derecognition and new recognition the unamortized fees of the derecognized asset should be presented as Income similar to interest income. The newly recognized financial asset is initially measured at fair value and is placed in stage 1 if the derecognized financial asset was in stage 1 or stage 2 portfolio. The newly recognized financial asset will be purchased or originated credit impaired financial asset ("POCI") if the derecognized financial asset was in stage 3 portfolio or it was POCI.

The modification gain or loss shall be calculated at each contract amendments unless they are handled as a derecognition and new recognition. In case of modification the Group recalculates the gross carrying amount of the financial asset. To do this, the new contractual cash-flows should be discounted using the financial asset's original effective interest rate (or credit-adjusted effective interest rate for POCI financial asset). Any costs or fees incurred adjust the carrying amount of the modified financial asset are amortized over the remaining term of the modified financial asset.

2.13 Purchased or originated credit impaired financial assets

Purchased or originated financial assets are credit-impaired on initial recognition.
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash-flows of that financial asset have occurred.

A purchased credit-impaired asset is likely to be acquired at a deep discount. In unusual circumstances, it may be possible that an entity originates a credit-impaired asset, for example, following a substantial modification of a distressed financial asset that resulted in the derecogniton of the original financial asset.

In the case of POCI financial assets, interest income is always recognized by applying the credit-adjusted effective interest rate.

For POCI financial assets, in subsequent reporting periods an entity is required to recognize:

- the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance,
- the impairment gain or loss which is the amount of any change in lifetime expected credit losses.

  An impairment gain is recognized (with the parallel increase of the net amortized cost of receivable) if due to the favourable changes after initial recognition the lifetime expected credit loss estimation is becoming lower than the original estimated credit losses at initial recognition.

The POCI qualification remains from initial recognition to derecognition in the Group's books.

2.14 Loss allowance

A loss allowance for loans and placements with other banks and repo receivables is recognized by the Group based on the expected credit loss model in accordance with IFRS 9. Based on the three stage model the recognized loss allowance equals to 12-month expected credit loss from the initial recognition.
On financial assets with significantly increased credit risk or credit impaired financial assets (based on objective evidences) the recognized loss allowance is the lifetime expected credit loss.

In the case of purchased or originated credit impaired financial assets, a loss allowance is recognized in the amount of the lifetime expected credit loss since initial recognition. The impairment gain in the Consolidated Statement of Profit or Loss is recognized if lifetime expected credit loss for purchased or originated credit impaired financial assets at measurement date are less than the estimated credit loss at initial recognition.

A loss allowance for loans and placements with other banks and repo receivables represents Management's assessment for potential losses in relation to these activities.

Loss allowance for loan and placements are determined at a level that provides coverage for individually identified credit losses.
For loans for which it is not possible to determine the amount of the individually identified credit loss in the absence of objective evidence, a collective impairment loss is recognized. With this, the Group reduces the carrying amount of financial asset portfolios with similar credit risk characteristics to the amount expected to be recovered based on historical loss experience.

At subsequent measurement the Group recognizes an impairment gain or loss through "Impairment gain on POCI loans" in the Consolidated Statement of Profit or Loss as part of "Risk cost" line as an amount of expected credit losses or reversal which is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized in accordance with IFRS 9.

If a financial asset, for which previously there were no indicators of significant increase in credit risk (i.e. classified in Stage 1) is subsequently classified in Stage 2 or Stage 3 then loss allowance is adjusted to lifetime expected credit loss. If a financial asset, which was previously classified in Stage 2 or Stage 3 is subsequently classified in Stage 1 then the loss allowance is adjusted to the level of 12 month expected credit loss.

Classification into risk classes

According to the requirements of the IFRS 9 the Group classifies the financial assets measured at amortized cost, at fair value through other comprehensive income and loan commitments and financial guarantees into the following stages:

Stage 1	Performing financial instruments without significant increase in credit risk since initial recognition
Stage 2	Performing financial instruments with significant increase in credit risk since initial recognition but not credit-impaired
Stage 3	Non-performing, credit-impaired financial instruments
POCI	Purchased or originated credit impaired

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

- for the past 3 years the average annual balance of receivables under simplified approach is calculated,
- the written-off receivables under simplified approach are determined in the past 3 years,
- historical losses are adjusted to reflect information about current conditions and reasonable forecasts of future economic conditions,
- the loss allowance ratio is the sum of the written-off amounts divided by the sum of the average balances,
- the loss allowance is multiplied by the end-of-year balance and it is the actual loss allowance on these receivables,
- loss allowance should be recalculated annually.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. This might occur if the financial asset has a low risk of default, the borrower has a strong capacity to meet its contractual cash-flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash-flow obligations. The Group considers souvereign exposures as having low credit risk.

Stage 1: financial instruments for which the events and conditions specified in respect of Stage 2 and Stage 3 do not exist on the reporting date.

A client or loan must be qualified as default if one or both the following two conditions occur:

- The client delays more than 90 days. This is considered a hard trigger.
- There is reasonable probability that the client will not pay all of its obligation. This condition is examined on the basis of probability criteria of default.

The subject of default qualification is that exposure (on-balance and off-balance) which originates credit risk (so originated from loan commitments, risk-taking contracts).

A financial instruments shows significant increase in credit risk, and is allocated to Stage 2, if in respect of which any of the following triggers exist on the reporting date, without fulfilling any of the conditions for the allocation to the non-performing stage (stage 3):

- the payment delay exceeds 30 days,

- it is classified as performing forborne,
- based on individual decision, its currency suffered a significant "shock" since the disbursement of the loan,
- the transaction/client rating exceeds a predefined value or falls into a determined range, or compared to the historic value it deteriorates to a predefined degree,
- in the case retail mortgage loans, the loan-to-value ratio exceeds a predefined rate,
- default on another loan of the retail client, if no cross-default exists,
- monitoring classification of corporate and municipal clients above different thresholds defined on group
  - financial difficulties at the debtor (capital adequacy, liquidity, deterioration of the instrument quality),
  - significant decrease of the liquidity or the activity on the active market of the financial instrument can be observed,
  - the rating of the client reflects high risk but it is better than the default one,
  - significantly decrease in the value of the recovery from which the debtor would disburse the loan,
  - clients under liquidation.

A financial instrument is non-performing and it is allocated to Stage 3 when any of the following events or conditions exists on the reporting date:

- default (based on the group level default definition),
- classified as non-performing forborne (based on the group level forborne definition),
- the monitoring classification of corporate and municipal clients above different thresholds defined on group level (including but not limited to):
  - breaching of contracts,
  - significant financial difficulties of the debtor (like capital adequacy, liquidity, deterioration of the instrument quality),
  - bankruptcy, liquidation, debt settlement processes against debtor,
  - forced strike-off started against debtor,
  - termination of loan contract by the bank,
  - occurrence of fraud event,
  - termination of the active market of the financial instrument.

If the exposure is no longer considered as credit impaired, the Group allocates this exposure to Stage 2.

When loss allowance is calculated at exposures categorized into stages the following process is needed by stages:

- Stage 1 (performing): loss allowance at an amount equal to 12-month expected credit loss should be recognized,
- Stage 2 (significant increase in credit risk): loss allowance at an amount equal to lifetime expected credit loss should be recognized,
- Stage 3 (non-performing): loss allowance at an amount equal to lifetime expected credit loss should be recognized.

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

An entity shall measure expected credit losses of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes,
- the time value of money, and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2.15 Sale and repurchase agreements, security lending

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

2.16 Associates and other investments

Companies where the Bank has the ability to exercise significant influence are accounted for using the equity method. Subsidiaries and associated companies that were not accounted for using the equity method and other investments where the Bank does not hold a significant interest are recorded according to IFRS 9. When an investment in an associate is held indirectly through an entity that is a venture capital fund, the Group elects to measure these investments in the associate at fair value through profit or loss in accordance with IFRS 9.

Under the equity method, the investment is initially recognized at cost, and the carrying amount is adjusted subsequently for:

- the Group's share of the post-acquisition profits or losses of the investee, which are recognized in the Group's Consolidated Statement of Profit or Loss; and
- the distributions received from the investee, which reduce the carrying amount of the investment.

The Group's share of the profits or losses of the investee, or other changes in the investee's equity, is determined on the basis of its proportionate ownership interest. The Group recognizes its share of the investee's income and losses based on the percentage of the equity interest owned by the Group.
Gains and losses on the sale of investments are determined on the basis of the specific identification of the cost of each investment.

2.17 Property and equipment, Intangible assets

Property and equipment and Intangible assets are measured at cost, less accumulated depreciation and amortization and impairment, if any.
Internally generated intangibles, excluding capitalized development costs, are not capitalized – the related expenditures are accounted as cost in the period in which they are incurred. Development costs are capitalized only when the technical and commercial feasibility of the asset has been clearly demonstrated, the Group has the intent and ability to complete the intangible asset and either use it or sell it and be able to demonstrate how the asset will generate future economic benefits. Amortization of these type of assets begins when development is complete and the asset is available for use. During the period of development, the asset is tested for impairment annually.
The Group lists mainly self-developed softwares among internally generated intangible assets.
The depreciable amount (book value less residual value) of the non-current assets must be allocated over the useful lives.

Depreciation and amortization are computed usually by using the straight-line method over the estimated useful lives of the assets based on the following annual percentages:

Intangible assets	Annual percentages	Useful life period (years)
Software	6.3%–50.0%	2–15
Property right	16.7%–33.3%	3–6
Property	1.0%–50.0%	2–100
Machinery and office equipment	3.3%–63.0%	1.5–30
Vehicle	3.0%–33.3%	3–33

Depreciation and amortization on Property and equipment and Intangible assets commence on the day such assets are ready to use.

At each balance sheet date, the Group reviews the carrying value of its Property and equipment and Intangible assets to determine if there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent (if any) of the impairment loss.
Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.
Where the carrying value of Property and equipment and Intangible assets is greater than the estimated recoverable amount, it is impaired immediately to the estimated recoverable amount.

The Group may conclude contracts for purchasing property, equipment and intangible assets, where the purchase price is settled in foreign currency. By entering into such agreements, firm commitment in foreign currency due on a specified future date arises at the Group.
Reducing the foreign currency risk caused by firm commitment, forward foreign currency contracts may be concluded to ensure the amount payable in foreign currency on a specified future date on one hand and to eliminate the foreign currency risk arising until settlement date of the contract on the other hand.

In the case of an effective hedge the realized profit or loss of the hedging instrument is stated as the part of the cost of the hedged asset as it has arisen until recognizing the asset.

2.18 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.
The Group uses generally FIFO formulas to the measurement of inventories.
Inventories are removed from books when they are sold, unusable or destroyed.
When inventories are sold, the carrying amount of those inventories are recognized as an expense in the period in which the related revenue is recognized.
Repossessed assets are classified as inventories. The Group's policy is to sell repossessed assets and not to use them for its internal operations.

2.19 Government grants and government assistance

The Group recognise government grants only when there is a reasonable assurance that the grant will be received, and all attached conditions will be complied with.
The Group presents grants relating to assets as deferred income in the Consolidated Statement of Financial Position, which is recognized in profit or loss on a systematic basis over the useful life of the asset.
Grants related to an expense item are recorded as an other operating income in those periods when the related costs were recognized.

2.20 Financial liabilities

The financial liabilities are presented within these lines in the Consolidated Financial Statements:

- Amount due to banks, the National Governments, deposits from the National Banks and other banks
- Repo liabilities
- Financial liabilities designated at fair value through profit or loss
- Deposits from customers
- Liabilities from issued securities
- Derivative financial liabilities held for trading
- Derivative financial liabilities designated as hedge accounting
- Other financial liabilities

At initial recognition, the Group measures financial liabilities at fair value plus or minus – in the case of a financial liability not at fair value through profit or loss – transaction costs that are directly attributable to the acquisition or issue of the financial liability.

Usually, the initial fair value of financial liabilities equals to transaction value. However, when the amounts are not equal, the initial fair value difference should be recognized. If the fair value of financial liabilities is based on a valuation technique using only inputs observable in market transactions, the Group recognizes the initial fair value difference in the Consolidated Statement of Profit or Loss. When the fair value of financial liabilities is based on models for which inputs are not observable, the difference between the transaction price and the fair value is deferred and only recognized in profit or loss when the instrument is derecognized or the inputs became observable.

Financial liabilities at fair value through profit or loss are either financial liabilities held for trading or they are designated upon initial recognition as at fair value through profit or loss.
In connection to the derivative financial liabilities measured at fair value through profit or loss, the Group presents the amount of change in their fair value originated from the changes of market conditions and business environment.

The Group designated some financial liabilities upon initial recognition to measure at fair value through profit or loss. This classification eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases ("accounting mismatch"). The changes in fair value of these liabilities are recognized in profit or loss, except the fair value changes attributable to credit risk which are recognized among other comprehensive income.

In the case of financial liabilities measured at amortized cost fees and commissions related to the origination of the financial liability are recognized through profit or loss during the maturity of the instrument using effective interest method. In certain cases the Group repurchases a part of financial liabilities (mainly issued securities or subordinated bonds) and the difference between the carrying amount of the financial liability and the amount paid for it is recognized in the net profit or loss for the period and included in other operating income.

2.21 Leases

The Group as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Lease classification is made at the inception date and is reassessed only if there is a lease modification.

Finance leases

At the commencement date, a lessor derecognizes the assets held under a finance lease in the Consolidated Statement of Financial Position and present them as a receivable at an amount equal to the net investment in the lease. The lessor shall use the interest rate implicit in the lease to measure the net investment in the lease. Direct costs such

as commissions are included in the initial measurement of the finance lease receivables. The Group as a lessor recognizes finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease. The Group applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income.
The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease.

Operating leases

The Group as a lessor recognizes lease payments from operating leases as income on either a straight-line basis or another systematic basis. Costs, including depreciation, incurred in earning the lease income are recognized as an expense.
Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as an expense over the lease term on the same basis as the lease income.
The depreciation policy for depreciable underlying assets subject to operating leases is consistent with the Group's normal depreciation policy for similar assets. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

The Group as a lessee

The Group recognizes a right-of-use asset and a lease liability at the commencement of the lease term except for short-term leases and leases, where the underlying asset is of low value (less than USD 5,000). For these leases, the Group recognizes the lease payments as an expense on either a straight-line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the lessee's benefit.

Deferred tax implication if the Group is lessee: At the inception of the lease, there is no net lease asset or liability, no tax base and, therefore, no temporary difference. Subsequently, as depreciation on the right-of-use asset initially exceeds the rate at which the debt reduces, a net liability arises resulting in a deductible temporary difference on which a deferred tax asset should be recognized if recoverable. Assuming that the lease liability is not repaid in advance, the total discounted cash outflows should equal the total rental payments deductible for income tax purposes.

Right-of-use asset

The right-of-use assets are presented separately in the Consolidated Statement of Financial Position and initially measured at cost, subsequently the Group applies the cost model and these assets are depreciated on a straight line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the right-of-use asset are depreciated from the commencement date to the end of the useful life of the underlying asset.

Lease liability

At the commencement date, the lease liability is measured at the present value of the lease payments that are not paid at that date discounted by using the rate implicit in the lease, or if this cannot be determined, by using the incremental borrowing rate of the Group.Variable lease payments that do not depend on an index or a rate but e.g. on revenues or usage are recognized as an expense. The Group always separates the non-lease components of the lease contracts and accounts them as an expense. Lease payments must be included in the measurement of the lease liability without value added taxes. Non-deductible VAT is recognized as other expense.

The lease liability is remeasured in the event of a reassessment of the lease liability or lease modification

2.22 Investment properties

Investment properties of the Group are land, buildings, part of buildings which held (as the owner or as the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use in the production or supply of services or for administrative purposes or sale in the ordinary course of business. The Group measures the investment properties at cost less accumulated depreciation and impairment, if any.
The depreciable amount (book value less residual value) of the investment properties must be allocated over their useful lives. The depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets. The Group discloses the fair value of the investment properties in Note 14 established mainly by external experts.

2.23 Share capital

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

2.24 Treasury shares

Treasury shares are shares which are purchased on the stock exchange and the over-the-counter market by the Bank and its subsidiaries and are presented in the Consolidated Statement of Financial Position at cost as a deduction from Consolidated Shareholders' Equity. Gains and losses on the sale of treasury shares are credited or charged directly to shareholder's equity. Derecognition of treasury shares is based on the FIFO method.

2.25 Non-current assets held-for-sale and discontinued operations

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The Group does not account for a non-current asset that has been temporarily taken out of use as if it had been abandoned. The Group measures a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. When the sale is expected to occur beyond one year, the Group measures the costs to sell at their present value. Any increase in the present value of the costs to sell that arises from the passage of time shall be presented in profit or loss. Immediately before the initial classification of the asset (or disposal group) as held for sale, the carrying amounts of the asset (or all the assets and liabilities in the group) are measured in accordance with applicable IFRS.

The Group does not depreciate (or amortize) a non-current asset while it is classified as held for sale or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale shall continue to be recognized.

If the Group has classified an asset (or disposal group) as held for sale, but the criteria for that are no longer met, the Group ceases to classify the asset (or disposal group) as held for sale. The Group measures a non-current asset that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of:

- its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation,

amortisation or revaluations that would have been recognized had the asset (or disposal group) not been classified as held for sale, and
- its recoverable amount at the date of the subsequent decision not to sell.

The Group presents a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the Consolidated Statement of Financial Position. The liabilities of a disposal group classified as held for sale is presented separately from other liabilities in the Consolidated Statement of Financial Position. Those assets and liabilities shall not be offset and presented as a single amount. The major classes of assets and liabilities classified as held for sale are separately disclosed in the Notes.
The Group presents separately any cumulative income or expense recognized in other comprehensive income relating to a non-current asset (or disposal group) classified as held for sale. Results from discontinued operations are reported separately in the Consolidated Statement of Profit or Loss as result from discontinued operations.

2.26 Interest income and income similar to interest income and interest expense

Interest income and expense are recognized in profit or loss in the period to which they relate, using the effective interest rate method.
For exposures categorized into Stage 1 and Stage 2 the interest income is recognized on a gross basis. For exposures categorized into Stage 3 (using effective interest rate) and for POCI (using credit-adjusted effective interest rate) the interest income is recognized on a net basis. The time-proportional income similar to interest income of derivative financial instruments is calculated without using the effective interest method and the positive fair value adjustment of interest rate swaps are included in income similar to interest income.
Interest income of loans at fair value through profit or loss is calculated based on interest fixed in the contract and presented in "Income similar to interest income" line.
Interest from loans and deposits are accrued on a daily basis. Interest income and expense include certain transaction costs and the amortisation of any discount or premium between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

All interest income and expense recognized are arising from loans, placements with other banks, repo receivables, securities at fair value through other comprehensive income, securities at amortized cost and amounts due to banks, repo liabilities, deposits from customers, liabilities from issued securities, subordinated bonds and loans are presented under these lines of Consolidated Financial Statements.

2.27 Fees and Commissions

Fees and commissions that are not involved in the amortized cost model are recognized in the Consolidated Statement of Profit or Loss on an accrual basis according to IFRS 15 Revenue from contracts with customers (see more details in Note 32). These fees are related to deposits, cash withdrawals, security trading, bank card, etc.

The Group recognizes income if performance obligations related to the certain goods or services are satisfied, performed, and control over the asset is transferred to the customer, and it is probable that consideration payable will probably flow to the entity. In case of those services, where the Group transfers control over the asset continuously, income is recognised on accrual basis.

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

2.28 Profit from associates

Profit from associates refers to any distribution of an entity earnings to shareholders from stocks or mutual funds that is owned by the Group. The Group recognizes profit from associates in the Consolidated Financial Statements when its right to receive payment is established.

2.29 Income tax

The Group considers corporate income tax as current tax according to IAS 12. The Group also considers local business tax and the innovation contribution as income tax in Hungary.
The annual taxation charge is based on the tax payable under fiscal regulations prevailing in the country where the company is incorporated, adjusted for deferred taxation. Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences between the tax bases of assets and liabilities and their carrying value for financial reporting purposes, measured at the tax rates that apply to the future period when the asset is expected to be realized or the liability is settled.

Current tax asset or current tax liability is presented related to income tax and innovation contribution separately in the Consolidated Statement of Financial Position.

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

The Group recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint arrangements, to the extent that, and only to the extent that, it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

The Group considers the availability of qualifying taxable temporary differences and the probability of other future taxable profits to determine whether future taxable profits will be available according to IAS 12.
The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, except to the extent that both of the following conditions are satisfied:

- the Bank is able to control the timing of the reversal of the temporary difference, and
- it is probable that the temporary difference will not reverse in the foreseeable future.

The Group only offsets its deferred tax liabilities against deferred tax assets when:

- there is a legally enforceable right to set-off current tax liabilities against current tax assets, and
- the taxes are levied by the same taxation authorities on either
  - the same taxable entity or
  - different taxable entities which intend to settle current tax liabilities and assets on a net basis.

2.30 Banking tax

The Bank and some of its subsidiaries are obliged to pay banking tax based on Act LIX of 2006. As the calculation is not based on the taxable profit but on the adjusted total assets as reported in the Separate Financial Statements of the Bank and its entities for the second period preceding the current tax year, therefore, the banking tax is considered as an other administrative expense, not as income tax.

2.31 Off-balance sheet commitments and contingent liabilities

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

In the case of commitments and contingent liabilities, the Management determines the adequacy of the loss allowance based upon reviews of individual items, recent loss experience, current economic conditions, the risk characteristics of the various categories of transactions and other pertinent factors. The Group recognizes provision for off-balance sheet commitment and contingent liabilities in accordance with IAS 37 when it has a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the obligation. For financial guarantees and loan commitments given which are under IFRS 9 the expected credit loss model is applied when the provision is calculated (see more details in Note 2.14). After initial recognition the Group subsequently measures those contracts at a higher of the amount of the loss allowance or of the amount initially recognised less the cumulative amount of income recognized in accordance with IFRS 15.

2.32 Share-based payment

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

The Group issues equity-settled share-based payment to certain employees. Equity-settled share-based payment is measured at fair value at the grant date. The fair value determined at the grant date of the equity-settled share-based payment is expensed on a straight-line basis over the year, based on the Group's estimate of shares that will eventually vest. Share-based payment is recorded in Consolidated Statement of Profit or Loss as Personnel expenses.

Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on Management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

2.33 Employee benefits

The Group has applied the requirement of IAS 19 Employee Benefits. These benefits are recognised as an expense and liability undiscounted in the Consolidated Financial Statements. Liabilities are regularly remeasured. Gains or losses due to the remeasurement are recognised in the Consolidated Statement of Profit or Loss.

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. These can be wages, salaries and bonuses, premium, paid annual leave and paid sick leave and other free services (health care, reward holiday). Long-term employee benefits are mostly the jubilee reward.

Post-employment benefits are employee benefits (other than termination and short-term employee benefits) that are payable after the completion of employment. Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees. Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans, depending on the economic substance of the plan as derived from its principal terms and conditions.

Defined benefit plan is post-employment benefit plans other than defined contribution plan. The Group's net obligation is calculated by estimating the amount of employee's future benefit based on their servicies for the current and prior periods. The future value of benefit is being discounted to present value.

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

2.34 Biological assets and agricultural produce

The Group recognises a biological asset or agricultural produce according to IAS 41 only when it controls the asset as a result of past events, it is probable that future economic benefits will flow and the fair value or the cost can be measured reliably.
Biological assets are measured on initial recognition and at subsequent periods at fair value less estimated costs to sell, unless fair value cannot be reliably measured.
Agricultural produce is measured at fair value less estimated costs to sell at the point of harvest.
The gain on initial recognition of biological assets at fair value less costs to sell, and changes in fair value less costs to sell of biological assets during a period are included in profit or loss for the period in which it arises as other operating income.

2.35 Consolidated Statement of cash-flows

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

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

For the purposes of reporting Consolidated Statement of Cash-flows, cash and cash equivalents include cash, due from banks and balances with the National Banks, excluding the compulsory reserve established by the National Banks. This line item shows balances of HUF and foreign currency cash amounts, and sight deposit from NBH and from other banks, furthermore balances of current accounts.
Consolidated cash-flows from hedging activities are classified in the same category as the item being hedged. The unrealized gains and losses from the translation of monetary items to the closing foreign exchange rates and unrealized gains and losses from derivative financial instruments are presented net as operating activity separately in the Consolidated Statement of Cash-flows for the monetary items which have been revaluated.

2.36 Segment reporting

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

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

2.37 Comparative balances

Reclassification of certain business tax, innovation contribution and other lines in the Consolidated Statement of Profit or Loss

The Goup has reviewed prescriptions related to business tax and innovation contribution, the determination of their tax base and their effects on payment obligation. As a result of the review the local business tax and innovation contribution have been reclassified to income tax in line with banking industry practice. In these Consolidated Financial Statements prepared for the year ended 31 December 2021 the Group presents these taxes as income tax and reclassified the financial information for comparative periods.

There are other lines in the Consolidated Statement of Profit or Loss which are presented on separate lines like: derecognition of financial assets at amortized cost, modification loss and net result on derivative instruments, in the Consolidated Statement of Financial Position there is provision for conditional liability to be separated from those items, results which previously contained them. While gains on securities mandatorily at fair value through profi or loss was presented previously among Gains on securities now it is presented among Fair value adjustment on financial instruments at fair value through profit or loss. All these reclassifications were necessary to improve presentation.

The Group has reclassified the presentation of the detailed notes to the amended Consolidated Statement of Financial Position and Consolidated Statement of Profit or Loss line items for comparative information in accordance with the new values. These amendments have been marked "Reclassified" by the Group.

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

- Note 16: Other assets
- Note 24: Other liabilities
- Note 31: Loss allowances/impairment/ provisions
- Note 33: Gains and losses by transactions
- Note 35: Income tax

Except as described above these Consolidated Financial Statements are prepared in accordance with the same accounting policies in all respects as the Consolidated Financial Statements prepared in accordance with IFRS as adopted by the European Union for the year ended 31 December 2020.

Line item	2021	2020 Revised presentation	Reclassification of business tax and innovation contribution	Reclassification of provisions	2020 As previously presented
Current income tax receivables	29,978	39,171	235	–	38,936
Other assets	276,785	266,239	(235)	–	266,474
Further assets items	27,246,621	23,030,431	–	–	23,030,431
TOTAL ASSETS	**27,553,384**	**23,335,841**	**–**	**–**	**23,335,841**
Current income tax payable	36,581	29,528	1,844	–	27,684
Provisions	119,799	116,467	–	116,467	–
Other liabilities	598,081	489,426	(1,844)	(116,467)	607,737
Further liability items	23,762,157	20,163,308	–	–	20,163,308
TOTAL LIABILITIES	**24,516,618**	**20,798,729**	**–**	**–**	**20,798,729**

Line item	2021	2020 Revised presentation	Reclassification of business tax and innovation contribution	Reclassification of amounts related to derivative instruments	Reclassification of gains on securities mandatorily at fair value through profi or loss	Reclassification of amounts related to modification losses	Reclassification of amounts related to derecognition of financial assets at amortized cost	2020 As previously presented
Interest income calculated using the effective interest method	922,539	841,901	–	–	–	–	–	841,901
Income similar to interest income	194,920	135,986	–	–	–	–	–	135,986
Interest income and income similar to interest income	**1,117,459**	**977,887**	**–**	**–**	**–**	**–**	**–**	**977,887**
Interest expense	**(243,149)**	**(195,216)**	**–**	**–**	**–**	**–**	**–**	**(195,216)**
Loss allowance on loans, placements and on repo receivables	(27,721)	(172,520)	–	–	–	29,773	(1,978)	(200,315)
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	(16,289)	(3,262)	–	–	–	–	–	(3,262)
Further risk cost items	(3,635)	(15,093)	–	–	–	–	–	(15,093)
Risk cost total	**(47,645)**	**(190,875)**	**–**	**–**	**–**	**29,773**	**(1,978)**	**(218,670)**
NET INTEREST INCOME AFTER RISK COST	**826,665**	**591,796**	**–**	**–**	**–**	**29,773**	**(1,978)**	**564,001**
Gain from derecognition of financial assets at amortized cost	**1,885**	**3,380**	**–**	**–**	**–**	**–**	**3,380**	**–**
Modification loss	**(13,672)**	**(29,773)**	**–**	**–**	**–**	**(29,773)**	**–**	**–**
Net profit from fees and commissions	**442,174**	**397,633**	**–**	**–**	**–**	**–**	**–**	**397,633**
Foreign exchange gains, net	(4,075)	7,864	–	(11,340)	–	–	–	19,204
Gains on securities, net	5,560	7,465	–	–	(7,239)	–	(1,402)	16,106
Fair value adjustment on financial instruments at fair value through profit or loss	(532)	4,843	–	–	7,239	–	–	(2,396)
Gain on derivative instruments, net	6,798	11,340	–	11,340	–	–	–	
Further non-operating items	11,244	(5,459)	–	–	–	–	–	(5,459)
Net operating income	**18,995**	**26,053**	**–**	**–**	**–**	**–**	**(1,402)**	**27,455**
Other general expenses	(340,684)	(308,642)	–	–	–	–	–	(308,642)
Further administrative expenses	(406,928)	(382,483)	16,542	–	–	–	–	(399,025)
Other administrative expenses	**(747,612)**	**(691,125)**	**16,542**	**–**	**–**	**–**	**–**	**(707,667)**
Profit before income tax	**528,435**	**297,964**	**16,542**	**–**	**–**	**–**	**–**	**281,422**
Income tax expense	(72,123)	(43,918)	(16,542)	–	–	–	–	(27,376)
Net profit for the year	**456,312**	**254,046**	**–**	**–**	**–**	**–**	**–**	**254,046**

NOTE 3: SIGNIFICANT ACCOUNTING ESTIMATES AND DECISIONS IN THE APPLICATION OF ACCOUNTING POLICIES

The presentation of financial statements in conformity with IFRS as adopted by EU requires the Management of the Group to make judgement about estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on the expected loss and other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period. Actual results could differ from those estimates.

Significant areas of subjective judgement include:

3.1 Loss allowances on financial instruments exposed to credit risk

The Group regularly assesses its financial instruments portfolio for loss allowance. Management determines the adequacy of the loss allowances based upon reviews of individual loans and placements, recent loss experience, current economic conditions, the risk characteristics of the various categories of loans and other pertinent factors.
The use of the three stage model was implemented for IFRS 9 purposes.

The impairment methodology is used to classify financial instruments in order to determine whether credit risk has significantly increased since initial recognition and to identify the credit-impaired assets. For instruments with credit-impairment or significant increase of credit risk lifetime expected losses are recognized (see more details in Note 37.1).

3.2 Valuation of instruments without direct quotations

Financial instruments without direct quotations in an active market are valued using the valuation model technique. The models are regularly reviewed and each model is calibrated for the most recent available market data. While the models are built only on available data, their use is subject to certain assumptions and estimates (e.g. correlations, volatilities, etc.). Changes in the model assumptions may affect the reported fair value of the relevant financial instruments.
IFRS 13 Fair Value Measurement seeks to increase the consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The Group evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary, based on the facts at the beginning of the reporting period. The objective of a fair value measurement is to estimate the price at which

an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.

3.3 Provisions

Provision is recognized and measured for commitments to extend credit and for warranties arising from banking activities based on IFRS 9 Financial Instruments. Provision for these instruments is recognized based on the credit conversion factor, which shows the proportion of the undrawn credit line that will probably be drawn.
Other provisions are recognized and measured based on IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The Group is involved in a number of ongoing legal disputes. Based upon historical experience and expert reports, the Group assesses the developments in these cases, and the likelihood and the amount of potential financial losses which are appropriately provided for. (See Note 24.)
Other provision includes provision for litigation, provision for retirement and expected liabilities and provision for confirmed letter of credit.
A provision is recognized by the Group when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

3.4 Impairment on goodwill

Goodwill acquired in a business combination is tested for impairment annually or more frequently when there is an indication that the unit might be impaired, in accordance with IAS 36 "Impairment of assets".
The Group calculates the fair value based on discounted cash-flow model. The 3 year period explicit cash-flow model serves as a basis for the impairment test by which the Group defines the impairment need on goodwill based on the strategic factors and financial data of its cash-generating units. In the calculation of the goodwill impairment, also the expectations about possible variations in the amount or timing of those future cash-flows, the time value of money, represented by the current market risk-free rate of interest and other factors are reflected.

3.5 Business model

A business model refers to how the Group manages its financial instruments in order to generate cash-flows. It is determined at a level that reflects how groups of financial instruments are managed rather than at an instrument level.

The financial assets held by the Group are classified into three categories depending on the business model within the financial assets are managed.

- Business model whose objective is to hold financial assets in order to collect contractual cash-flows. Some sales can be consistent with hold to collect business model and the Group assesses the nature, frequency and significance of any sales occurring. The Group does not consider the sale frequent when at least six months have elapsed between sales. The significant sales are those when the sales exceed 2% of the total hold to collect portfolio. Within this business model the Group manages mainly loans and advances and long-term securities and other financial assets.
- Business model whose objective is achieved by both collecting contractual cash-flows and selling financial assets. Within this business model the Group only manages securities.
- Business model whose objective is to achieve gains in a short-term period. Within this business model the Group manages securities and derivative financial instrument.

If cash-flows are realised in a way that is different from the expectations at the date that the Bank/Group assessed the business model, that does not give rise to a prior error in the Group's financial statements nor does it change the classification of the remaining financial assets held in that business model. When, and only when the Group changes its business model for managing financial assets it reclassifies all affected assets. Such changes are determined by the Group's senior management as a result of external or internal changes and must be significant to the Group's operations and demonstrable to external parties. The Group shall not reclassify any financial liability.

3.6 Contractual cash-flow characteristics of financial assets

Classification of a financial asset is based on the characteristics of its contractual cash-flows if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash-flows or within a business model whose objective is achieved by both collecting contractual cash-flows and selling financial assets.
The Group should determine whether the asset's contractual cash-flows are solely payments of principal and interest on the principal amount outstanding (SPPI test). Contractual cash-flows that are solely payments of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash-flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash-flows that are solely payments of principal and interest on the principal amount outstanding. The Group assesses whether contractual cash-flows are solely payments of principal and interest on the principal amount outstanding for the currency in which the financial asset is denominated.

The time value of money is the element of interest that provides consideration for only the passage of time. However, in some cases, the time value of money element may be modified. In such cases, the Group assesses the modification to determine whether the contractual cash-flows represent solely payments of principal and interest on the principal amount outstanding.
When assessing a modified time value of money element, the objective is to determine how different the undiscounted contractual cash-flows could be from undiscounted cash-flows that would arise if the time value of money element was not modified (the benchmark cash-flows). The benchmark instrument can be an actual or a hypothetical financial asset. If the undiscounted contractual cash-flows significantly – above 2% – differ from the undiscounted benchmark cash-flows, the financial asset should be subsequently measured at fair value through profit or loss.

NOTE 4: IMPACT OF CORONAVIRUS (COVID-19)

Risks relating to the impact of COVID-19 pandemic

The COVID-19 pandemic has had, and continues to have, a material impact on businesses around the world and the economic environment. There are a number of factors associated with the COVID-19 pandemic and its impact on global economies that could have a material adverse effect on (among other things) the profitability, capital and liquidity of financial institutions such as the OTP Group.

The COVID-19 pandemic has caused disruption to the OTP Group's customers, suppliers and staff. A number of jurisdictions in which the OTP Group operates have implemented severe restrictions on the movement of their respective populations, with a resultant significant impact on economic activity in those jurisdictions. These restrictions are being determined by the governments of individual jurisdictions and impacts (including the timing of implementation and any subsequent lifting of restrictions) may vary from jurisdiction to jurisdiction. It remains unclear how this will evolve through 2020 and the OTP Group continues to monitor the situation closely. However, the OTP Group's ability to conduct business may be adversely affected by disruptions to its infrastructure, business processes and technology services, resulting from the unavailability of staff due to illness or the failure of third parties to supply services. This may cause significant customer detriment, costs to reimburse losses incurred by the OTP Group's customers, and reputational damage.

Furthermore, the OTP Group relies on models to support a broad range of business and risk management activities, including informing business decisions and strategies, measuring and limiting risk, valuing exposures, conducting stress testing and assessing capital adequacy. Models are, by their nature, imperfect and incomplete representations of reality because they rely on assumptions and inputs, and as such assumptions may later potentially prove to be incorrect, this can affect the accuracy of their outputs. This may be exacerbated when dealing with unprecedented scenarios, such as the COVID-19 pandemic, due to the lack of reliable historical reference points and data. Any and all such events mentioned above could have a material adverse effect on the OTP Group's business, financial condition, results of operations, prospects, liquidity, capital position and credit ratings, as well as on the OTP Group's customers, employees and suppliers.

Summary of economic policy measures made in response to the pandemic and other important developments, as well as post-balance sheet events

In the section below, the measures and developments which have been made since the beginning of 2021, and – in OTP Bank's view – are relevant and have materially influenced/can materially influence the operation of the Group members.

OTP Bank excludes any liability for the completeness and accuracy of the measures presented herein.

Hungary

- Effective from 13 January 2021 the National Bank of Hungary ("NBH") 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 NBH's exposure limit to a specific 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. The client interest rate is 0%, the loan tenor can be up to 10 years, and the servicing of the loan will start after a 3 year grace period. The scope of eligible entities was determined in agreement with the Hungarian Chamber of Commerce and Industry.

- On 1 April 2021, Moody's rating agency upgraded the outlook on the Hungarian banking sector from negative to stable.
- On 6 April 2021, the NBH raised the available amount for the *Funding for Growth Go!* Scheme by HUF 500 billion to HUF 3,000 billion.
- On 18 May 2021, the Hungarian Development Bank revealed that the interest-free, maximum HUF 10 million loan for micro- and small enterprises (the so-called interest-free restart quick loan) can be applied for by companies whose revenues in 2020 plummeted by more than 30%, irrespective of the scope of activities (certain other criteria must be met).
- On 25 May 2021, the National Bank of Hungary did not touch the benchmark interest rates, but stressed that the central bank is ready to tighten monetary conditions in a proactive manner to the extent necessary in order to ensure price stability and to mitigate inflation risks.
- On 9 June 2021, Viktor Orbán Prime Minister announced that their actual personal income tax payments (up to the tax burden of the average wage) will be refunded to families raising kids in early-2022 provided that the 2021 GDP growth surpasses 5.5%.
- According to Government Decree No. 317/2021. (VI. 9.) released on 9 June 2021 the payment moratorium was extended with unchanged conditions until 30 September 2021.
- On 9 June 2021, Viktor Orbán Prime Minister announced that once the central bank phases out its Funding for Growth scheme, the government will have to shoulder the financial burden of providing cheap (not higher than 0.5% interest rate) subsidized loans to domestic micro and small enterprises, through the Széchenyi Card programme by KAVOSZ. On 9 June László Krisán, CEO of KAVOSZ revealed the details of the *Széchenyi Card GO!* programme launched on 1 July 2021.
- On its 22 June 2021 meeting the Monetary Council embarked on a rate hike cycle: the base rate was increased by 30 bps to 0.9%. Also, effective from 24 June 2021 the National Bank of Hungary raised the one-week deposit rate to the level of the base rate.
  The Monetary Council has started to transform the use of instruments having an effect at longer maturities. Accordingly, with the exhaustion of the HUF 3,000 billion available amount, the *Funding for Growth Go!* programme will be phased out. However, the central bank continues to consider the government securities purchase programme to be crucial in its set of monetary policy instruments. The central bank will continue to use the programme by maintaining a lasting presence in the market, taking a flexible approach to changing the quantity and structure of weekly securities purchases, to the extent and for the time necessary.
- On 2 July 2021, the National Bank of Hungary recommended in its circular that financial institutions should abstain from charging prepayment fees in the case of full or partial prepayment of deferred interest and fee accumulated during the term of the moratorium. The central bank also recommended free of charge loan contract modification if borrowers voluntarily undertake higher monthly instalments in order to shorten the remaining maturity.
- On 6 July 2021, the National Bank of Hungary announced that with the aim of boosting green mortgage lending, it decided to launch the Green Mortgage Bond Purchase Programme and the FGS Green Home Programme as the first steps of the implementation of the new Green Monetary Policy Toolkit Strategy:
  - The strategic goal of the Green Mortgage Bond Purchase Programme is to contribute

  to the development of the domestic green mortgage bond market through targeted purchases and, through this, encourage green mortgage loan activities. The central bank will review the programme when the HUF 200 billion purchase volume has been reached. Additionally, the central bank also decided to re-launch the Mortgage Bond Rollover Facility for mortgage bonds without green rating.
  - The National Bank of Hungary will launch the Green Home Programme in October 2021 with a total limit of HUF 200 billion as part of the Funding for Growth Scheme (FGS). As in the previous phases of the FGS, the NBH will provide refinancing operation to credit institutions at 0% interest, which will be lent to residential customers at a maximum of 2.5%, fixed interest rate until the end of the maturity period. Under the scheme, loans of up to HUF 70 million and a maximum term of 25 years can be granted for constructions or purchases of new, highly energy-efficient residential real estates.
- On 23 July 2021, the European Central Bank announced that restrictions concerning dividend payments won't be prolonged beyond the previously effective deadline of 30 September 2021.
- A Government Decree was published on 23 July 2021 facilitating the VAT refund in the case of newly built houses in brownfield sites.
- On 27 July 2021, the National Bank of Hungary raised the base rate by 30 bps to 1.2%, then on 29 July the one-week deposit rate was hiked to the same level, by the same magnitude.
- On 30 July 2021, the results of the 2021 EU-wide stress test conducted by the European Banking Authority were revealed. The fully loaded consolidated Common Equity Tier1 (CET1) ratio of OTP Bank Plc. would change to 16.3% under the baseline scenario and to 11.2% under the adverse scenario in 2023, compared to 14.2% (fully loaded "CET1") as at the end of 2020.
- On 12 August 2021, the National Bank of Hungary announced that its management circular has been reviewed. According to one of the amendments, the central bank extended the deadline concerning restrictions on dividend payment and treasury share purchases until the end of 2021. Credit institutions might be exempted from the dividend payment ban only if they meet certain strict conditions.
- On 24 August 2021, the National Bank of Hungary raised the base rate by 30 bps to 1.5%. Additionally, the central bank decided to begin gradually withdrawing the government securities purchase programme while considering aspects of maintaining market stability. Also, the central bank increased the available amount under the Bond Funding for Growth scheme by HUF 400 billion to HUF 1,550 billion.
- Pursuant to Government Decree 536/2021. (IX. 15.) published on 15 September, the Government decided to extend the debt repayment moratorium with the following conditions:
  - The blanket moratorium was extended by an additional month, until the end of October, in an unchanged form.
  - From the beginning of November 2021 until 30 June 2022 only the eligible borrowers can participate in the moratorium provided that they submitted a request to their banks about their intention to stay. So, the extension beyond October is not automatic: borrowers had to submit a notification to their bank (opt-in). Eligible retail borrowers include private individuals whose income fell compared to the previous period, unemployed people, fostered workers, families raising children below the age of 25 or expecting a baby, and pensioners (for details see the relevant decree). Eligible companies shall fulfil the following criteria: more than 25% decline in revenues in the 18 months period preceding the submission of the request to participate, and if the company has not concluded a new subsidized loan contract since 18 March 2020. During the term of the one-month extension until the end of October, eligible clients could

submit the necessary documents to their banks in order to stay in the scheme until June 2022, so this one-month lengthening could be regarded as technical.

- According to Government Decree 537/2021. (IX. 15.) published on 15 September, credit institutions shall re-calculate the interest deferred during the period spent in the moratorium in the case of overdraft loans and credit card exposures. The base for the re-calculation shall be the NBH's statistical data for the average annualized cash loan interest rate published for February 2020. The difference between the deferred interest booked according to the original contract and the re-calculated amount shall be refunded to the borrowers by way of crediting the borrowers' account with the due amount.
- On 21 September 2021, the National Bank of Hungary hiked the base rate by 15 bps to 1.65%. Furthermore, the NBH continued to gradually withdraw the government securities purchase programme.
- On 4 October 2021, the National Bank of Hungary launched the FGS Green Home Programme as part of its green monetary policy toolkit strategy.
- On 5 October 2021, OTP Mortgage Bank issued green covered bonds in the amount of HUF 90 billion.
- On 19 October 2021, the National Bank of Hungary increased the base rate by 15 bps to 1.8%.
- On 16 November 2021, the Monetary Council of the NBH hiked the base rate by 30 bps to 2.1%. The Deputy Governor of NBH stressed after the Monetary Council meeting that the NBH is ready to set the rate of the 1-week central bank deposit above the level of the base rate already from 18 November. Accordingly, on 18 November the NBH raised the rate of the 1-week deposit facility to 2.5%, and the central bank accepted all offers at the tender. Consequently, the 1-week deposit has become the effective rate for the banking sector determining the marginal asset yields.
- On its weekly one-week deposit tender on 25 November 2021 the NBH offered an interest rate of 2.9%.
- On 30 November 2021, the NBH's Monetary Council widened the interest rate corridor and also decided to make it asymmetric. Accordingly, the lower bound of the corridor was raised by 45 bps and the upper one by 105 bps.
- On 2 December 2021, the NBH hiked the rate of the 1-week central bank deposit by 20 bps to 3.1%.
- On 9 December 2021, the NBH hiked the rate of the 1-week central bank deposit by 20 bps to 3.3%.
- On 14 December 2021, the NBH's Monetary Council raised the base rate by 30 bps to 2.4% and made a decision to phase out both the Bond Funding for Growth programme and the government bond purchase programme.
- On 16 December 2021, the NBH hiked the rate of the 1-week central bank deposit by 30 bps to 3.6%.
- Mr. Viktor Orbán Prime Minister announced on 22 December 2021 that the government will introduce an interest rate cap for certain retail mortgage loans (for example whose pricing is linked to a reference rate, but the legislation does not apply to those with longer fixation periods) for the period between 1 January and 30 June 2022. Accordingly, the affected mortgages' reference rate cannot be higher than the relevant reference rate as at 27 October 2021. Furthermore, banks had to inform their borrowers about the interest rate risk and offer amendments to the contract until 31 January 2022. Details were laid down by Government Decree 782/2021 (XII. 24.) and Decree 1/2022 (I. 3.) by the Prime Minister's Office.
- On 23 December 2021, the NBH hiked the rate of the 1-week central bank deposit by 20 bps to 3.8%.
- In its release published on 27 December 2021 the NBH said that from 1 January 2022 Hungarian credit institutions can pay dividends and buy back shares with shareholder remuneration purposes again. Thus, the NBH did not extend these restrictions in line with the similar step taken by the ECB at the end of September.

- On 30 December 2021, the NBH hiked the rate of the 1-week central bank deposit by 20 bps to 4.0%.
- Against the initially planned 2 pps social security contribution cut effective from July 2022, the government reduced employers' taxes by 4 pps already from 1 January 2022 (the 1.5% vocational training contribution was abolished and the social contribution taxes were cut by 2.5 pps).
- On 25 January 2022, the NBH hiked the base rate by 50 bps to 2.9%.
- On 27 January 2022, the NBH hiked the rate of the 1-week central bank deposit by 30 bps to 4.3%.
- On 15 February 2022, the CSO revealed the final GDP growth figures: accordingly, in 4Q 2021 the quarterly expansion of 2.1% was stronger than expected, lifting the annual growth rate to 7.1% in 2021 as a whole (seasonally and working day adjusted). Mr. Mihály Varga (Minister of Finance) announced that the government expects 5.9% growth for 2022.

Bulgaria

- On 19 February 2021, Fitch rating agency affirmed the credit rating of Bulgaria at 'BBB', while changing the outlook from stable to positive.
- The parliamentary elections held on 4 April 2021 were won by the GERB party led by Mr. Boyko Borisov, the previous prime minister.

Serbia

- On 12 March 2021, the credit rating of Serbia was upgraded by Moody's from 'Ba3' to 'Ba2'. The outlook is stable.
- At the end of April 2021 the integration process of the two Serbian banks was successfully completed, thus the merger process came to an end from all legal, operational and organizational point of view.

Slovenia

- On 2 February 2022, the Slovenian Parliament passed a law requiring banks to compensate customers for losses arising from FX rate depreciation of more than 10% in the case of CHF mortgages disbursed between 2004 and 2010. The law came into force 15 days after its Parliamentary approval, and under the law banks have 60 days to notify their customers about the reimbursement and the recalculated new instalments. SKB Banka intends to file a constitutional objection against the law, and plans to submit the appeal to the local Constitutional Court after the law's entry into force. A provision is expected to be made in March 2022 for the potential negative impact.

Romania

- On 15 January 2021, the National Bank of Romania decided to reduce the key interest rate by 25 bps to 1.25%.
- On 16 April 2021, Standard & Poor's changed outlook on the country's "BBB–" credit rating from negative to stable.
- On 5 October 2021, the central bank increased the reference rate by 25 bps to 1.5%.
- The National Bank of Romania raised the key interest rate by 25 bps on 10 January 2022, and by further 50 bps on 10 February 2022 to 2.5%.

Ukraine

- On 4 March 2021, the Ukrainian central bank increased the base rate by 50 bps to 6.5%.
- On 15 April 2021, the Ukrainian central bank increased the base by 100 bps to 7.5%.
- On 23 July 2021 the National Bank of Ukraine increased the base rate by 50 bps to 8%.
- On 6 August 2021, Fitch Ratings changed outlook on the country's "B" credit rating from stable to positive.
- On 9 September 2021, the National Bank of Ukraine raised the base rate by 50 bps to 8.5%.
- On 20 January 2022, the National Bank of Ukraine raised its key interest rate by 1 pp to 10%.

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.

- On 19 March 2021, the Russian central bank hiked the base rate from 4.25% to 4.5%.
- On 23 April 2021, the Russian central bank hiked the base rate from 4.5% to 5%.
- On 23 July 2021, the Central Bank of Russia hiked the base rate by 100 bps, to 6.5%.
- On 30 July 2021, the Central Bank of Russia announced that the risk weight of local currency denominated unsecured consumer loans granted after 1 October will be increased.
- On 10 September 2021, the Russian national bank hiked the base rate by 25 bps to 6.75%.
- On 22 October 2021, the Russian central bank raised the base rate by 75 bps to 7.5%.
- On 11 February 2022, CBR hiked the base rate by 100 bps to 9.5%.

Interest rate cap

For the period between 1 January and 30 June 2022 the government introduced an interest rate cap for variable-rate retail mortgage loans, and with its decision announced on 18 February, for housing purposes financial leasing contracts, too. Accordingly, the affected exposures' reference rate cannot be higher than the relevant reference rate as at 27 October 2021.
The modification loss related to the interest rate cap for variable rate mortgage loans announced on 22 December 2021 was recognized in the Bank's 2021 financial accounts. The extension of the interest rate cap to housing purposes financial leasing contracts does not have a significant negative effect.

Moratorium, one-off effect

In Hungary the first phase of the moratorium on loan payments was effective from 19 March 2020 to 31 December 2020. At the end of 2020 the moratorium was extended in unchanged form for the period between 1 January 2021 and 30 June 2021. Furthermore, according to Government Decree No. 317/2021. (VI. 9.) released on 9 June 2021 the payment moratorium was extended with unchanged conditions until 30 September 2021. Pursuant to Government Decree 536/2021. (IX. 15.) published on 15 September, the Government decided to extend the debt repayment moratorium: the blanket moratorium was extended by an additional month, until the end of October, in an unchanged form. Furthermore, from the beginning of November 2021 until 30 June 2022 only the eligible borrowers can participate in the moratorium provided that they submitted a request to their banks about their intention to stay.
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, in the course of 2020 and 2021 altogether HUF 43.3 billion after tax loss emerged in Hungary and Serbia altogether. Within that amount there was a -HUF 1.7 billion (after tax) negative impact booked in December 2020 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 later retroactively disallowed by the regulator).
Loan volumes under the Hungarian payment holiday followed a declining trend till the end of October 2021, then from November the participation dropped materially due to the changes to the structure. At the end of 2021 the total household and corporate exposures remaining under the moratorium comprised HUF 245 billion at OTP Core and Merkantil Group, which made up 4.1% of the total gross loan portfolio of those two entities.

The following table below shows the volume of loans in moratorium as at 31 December 2021 in OTP Group and the ratio of these loans of the portfolio by countries:

	Current volume in moratorium (million LCY)	Current volume in moratorium (million HUF)	Gross loans (million HUF)	Current participation ratio
OTP Core	237,027	237,027	5,549,019	4.27%
Merkantil Group	8,281	8,281	440,621	1.88%
OTP banka Srbija Group (Serbia)	276	868	1,715,347	0.05%
DSK Group (Bulgaria)	2	342	2,922,886	0.01%
SKB Banka d.d. Ljubljana (Slovenia)	0.02	7	984,605	0.001%
OTP banka d.d. (Croatia)	55	2,722	1,811,376	0.15%
Crnogorska komercijalna banka Group (Montenegro)	0.08	28	366,369	0.01%
JSC "OTP Bank" (Russia)	269	1,170	753,373	0.16%
Total		**250,445**	**14,543,596**	

The following table below shows the volume of loans in moratorium as at 31 December 2020 in OTP Group and the ratio of these loans of the portfolio by countries:

	Current volume in moratorium (million LCY)	Current volume in moratorium (million HUF)	Gross loans (million HUF)	Current participation ratio
OTP Core	1,760,231	1,760,231	4,631,974	38.00%
OTP banka d.d. (Croatia)	3,372	163,052	1,642,170	9.93%
Merkantil Group	120,379	120,379	416,987	28.87%
SKB Banka d.d. Ljubljana (Slovenia)	150	54,835	909,439	6.03%
OTP Bank Romania S.A. (Romania)	545	40,853	861,393	4.74%
DSK Group (Bulgaria)	60	11,190	2,634,870	0.42%
Crnogorska komercijalna banka Group (Montenegro)	13	4,589	362,067	1.27%
JSC "OTP Bank" (Russia)	734	2,907	597,849	0.49%
Total		**2,158,036**	**12,056,749**	

Financial assets modified during the period related to moratorium in the Group for the year ended 31 December 2021 (in HUF mn)

Modification due to prolongation of deadline of covid moratoria until 30 September:

	Group
Gross carrying amount before modification	1,175,230
Loss allowance before modification	(66,066)
Net amortised cost before modification	**1,109,164**
Modification loss due to covid moratoria	(6,620)
Net amortised cost after modification	**1,102,544**

Modification due to prolongation of deadline of covid moratoria until 31 October:

	Group
Gross carrying amount before modification	1,166,115
Loss allowance before modification	(69,415)
Net amortised cost before modification	**1,096,700**
Modification loss due to covid moratoria	(2,104)
Net amortised cost after modification	**1,094,596**

In the case of credit card and overdraft loans interest charged during the moratoria period should be refunded to the debtors in amount determined as a difference between the charged interest and a premoratoria personal loan interest at 11,99%. The Bank has managed this government measure as loan agreement modification in the financial statements.

Gross carrying amount before modification	57,892
Loss allowance before modification	(9,234)
Net amortised cost before modification	**48,658**
Modification loss due to covid moratoria	(1,983)
Net amortised cost after modification	**46,675**

Modification due to prolongation of deadline of covid moratoria until 30 June 2022:

	Group
Gross carrying amount before modification	113,728
Loss allowance before modification	(25,428)
Net amortised cost before modification	**88,300**
Modification loss due to covid moratoria	(2,838)
Net amortised cost after modification	**85,462**

Modification due to temporarily fixing of loan with variable interest rate:

On 24 December 2021 new regulation was issued on fixing of retail loan product's interest, under that interest rates of mortgage loans with variable interest shall be fixed at reference rates of 27 October 2021, predictably till 30 June 2022.

	Group
Gross carrying amount before modification	321,323
Loss allowance before modification	(9,317)
Net amortised cost before modification	**312,006**
Modification loss due to covid moratoria	(3,397)
Net amortised cost after modification	**308,609**

Financial assets modified during the period related to moratorium in the Group for the year ended 31 December 2020 (in HUF mn):

	Hungary	Serbia
Gross carrying amount before modification	1,119,943	53,080
Loss allowance before modification	(61,445)	(9,881)
Net amortized cost before modification	**1,058,498**	**43,199**
Modification loss due to covid moratorium	(26,774)	(239)
Net amortized cost after modification	**1,031,724**	**42,960**

NOTE 5: CASH, AMOUNTS DUE FROM BANKS AND BALANCES WITH THE NATIONAL BANKS (in HUF mn)

	2021	2020
Cash on hand		
In HUF	87,489	113,492
In foreign currency	409,045	372,972
	496,534	**486,464**
Amounts due from banks and balances with the National Banks		
Within one year		
In HUF	83,540	208,074
In foreign currency	1,977,069	1,675,628
	2,060,609	**1,883,702**
Over one year		
In HUF	–	–
In foreign currency	–	62,146
	–	**62,146**
Impairment on amounts due from bank and balances with the National Banks	(1,108)	–
Total	**2,556,035**	**2,432,312**
Compulsory reserve set by the National Banks*	(854,474)	(757,535)
Cash and cash equivalents	**1,701,561**	**1,674,777**

NOTE 6: PLACEMENTS WITH OTHER BANKS, NET OF LOSS ALLOWANCE FOR PLACEMENTS (in HUF mn)

	2021	2020
Within one year		
In HUF	851,053	251,206
In foreign currency	523,205	729,249
	1,374,258	**980,455**
Over one year		
In HUF	162,774	136,418
In foreign currency	50,823	33,359
	213,597	**169,777**
Loss allowance on placements	(2,994)	(1,489)
Total	**1,584,861**	**1,148,743**

An analysis of the change in the loss allowance on placements with other banks is as follows:

	2021	2020
Balance as at 1 January	**1,489**	**478**
Loss allowance for the period	25,133	16,476
Release of loss allowance for the period	(23,613)	(15,629)
Use of loss allowance for the period	(112)	–
Foreign currency translation difference	97	164
Closing balance	**2,994**	**1,489**

Interest conditions of placements with other banks:

	2021	2020
Interest rates on placements with other banks denominated in HUF	(1.50)%–5.90%	0.00%–3.84%
Interest rates on placements with other banks denominated in foreign currency	(5.00)%–29.00%	(17.33)%–5.50%
Average interest rates on placements with other banks	**1.52%**	**0.93%**

* Foreign subsidiary banks within the Group have to comply with country specific regulation of local National Banks. Each country within the Group has its own regulation for compulsory reserve calculation and maintenance. Based on that banks are obliged to place compulsory reserve at their National Bank in a specified percentage of their liabilities considered in compulsory reserve calculation.

NOTE 7: REPO RECEIVABLES (in HUF mn)

	2021	2020
Within one year		
In HUF	33,710	183,656
In foreign currency	27,632	7,485
	61,342	**191,141**
Loss allowance on repo receivables	(290)	(292)
Total	**61,052**	**190,849**

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

	2021	2020
Balance as at 1 January	**292**	**62**
Loss allowance for the period	1,112	362
Release of loss allowance for the period	(1,124)	(125)
Foreign currency translation difference	10	(7)
Closing balance	**290**	**292**

Interest conditions of repo receivables:

	2021	2020
Interest rates on repo receivables denominated in HUF	3.04%–3.20%	(0.10)%–0.90%
Interest rates on repo receivables denominated in foreign currency	(0.58)%–9.62%	(0.55)%–4.15%

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

	2021	2020
Securities held for trading		
Government bonds	97,531	38,036
Equity instruments and fund units	1,173	3,740
Corporate bonds	740	–
Discounted Treasury bills	923	12,721
Mortgage bonds	101	–
Other interest bearing securities	1,347	2,075
Other non-interest bearing securities	1,695	–
	103,510	**56,572**
Non-trading securities mandatorily at fair value through profit or loss		
Equity instruments, shares and open-ended fund units	44,894	46,063
Bonds	8,509	11,514
	53,403	**57,577**
Debt securities designated at fair value through profit or loss	**–**	**2,235**
Total	**156,913**	**116,384**

Positive fair value of derivative financial assets held for trading:

	2021	2020
Foreign exchange swaps held for trading	38,728	42,646
Interest rate swaps held for trading	59,504	36,922
Commodity swaps	51,523	9,695
CCIRS and mark-to-market CCIRS held -for trading*	11,758	7,359
Foreign exchange forward contracts held for trading	10,790	8,730
Held-for-trading option contracts	1,285	4,268
Held-for-trading forward security agreement	–	22
Other derivative transactions held for trading**	10,896	7,981
Total	**184,484**	**117,623**
Total	**341,397**	**234,007**

An analysis of securities held for trading portfolio by currency:

	2021	2020
Denominated in HUF	30.46%	19.75%
Denominated in foreign currency	69.54%	80.25%
Total	**100.00%**	**100.00%**

An analysis of government bond portfolio by currency:

	2021	2020
Denominated in HUF	28.31%	16.92%
Denominated in foreign currency	71.69%	83.08%
Total	**100.00%**	**100.00%**

Interest conditions of held for trading securities:

	2021	2020
Interest rates on securities held for trading denominated in HUF	0.00%-6.75%	0.50%-7.00%
Interest rates on securities held for trading denominated in foreign currency	0.00%-9.57%	0.38%-6.38%

Interest conditions and the remaining maturities of securities held for trading can be analysed as follows:

	2021	2020
Within one year:		
With variable interest	111	78
With fixed interest	44,011	17,147
	44,122	**17,225**
Over one year:		
With variable interest	1,544	1,370
With fixed interest	54,976	34,237
	56,520	**35,607**
Non-interest bearing securities	2,868	3,740
Total	**103,510**	**56,572**

* CCIRS: Cross Currency Interest Rate Swaps (see Note 2.6.3).
** Other category includes: equity swaps, option and index futures.

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

	2021	2020
Over one year:		
With variable interest	–	–
With fixed interest	–	5,492
	–	**5,492**
Non-interest bearing securities	53,403	52,085
Total	**53,403**	**57,577**
Profit from associates from shares measured at fair value through profit or loss	3,893	75

An analysis of non-trading securities mandatorily measured at fair value through profit or loss portfolio by currency:

	2021	2020
Denominated in HUF	57.11%	57.10%
Denominated in foreign currency	42.89%	42.90%
Total	**100.00%**	**100.0%**
Interest rates on non-trading securities mandatorily measured at fair value through profit or loss	0.00%–0.00%	0.00%–2.50%

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

	2021	2020
Securities at fair value through other comprehensive income		
Government bonds	1,765,172	1,855,134
Corporate bonds	88,519	81,620
Listed securities:		
In HUF	*2,896*	*2,968*
In foreign currency	*51,882*	*52,633*
	54,778	*55,601*
Non-listed securities:		
In HUF	*15,487*	*16,782*
In foreign currency	*18,254*	*9,237*
	33,741	*26,019*
Mortgage bonds	63,072	88,272
Discounted Treasury bills	96,625	76,358
Interest bearing treasury bills	63,115	–
Securities issued by the National Bank of Hungary	109,774	–
Other securities	3,257	–
Total	**2,189,534**	**2,101,384**
Non-trading equity instruments to be measured at fair value through other comprehensive income		
Listed securities:		
In HUF	–	–
In foreign currency	*8,416*	*4,931*
	8,416	*4,931*
Non-listed securities:		
In HUF	*403*	*539*
In foreign currency	*26,157*	*29,855*
	26,560	*30,394*
	34,976	**35,325**
Total	**2,224,510**	**2,136,709**

An analysis of securities at fair value through other comprehensive income by currency:

	2021	2020
Denominated in HUF	32.74%	36.62%
Denominated in foreign currency	67.26%	63.38%
Total	**100.00%**	**100.00%**

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

	2021	2020
Strategic investments closely related to banking actitvity		
Fair value	29,320	27,502
Dividend income from instruments held at the reporting date	438	180
Other strategic investments		
Fair value	5,656	7,823
Dividend income from instruments held at the reporting date	29	43
Total		
Total fair values	**34,976**	**35,325**
Dividend income from instruments held at the reporting date	**467**	**223**

During the year ended 31 December 2021 the Group sold HUF 65 million equity instruments designated to measure at fair value through other comprehensive income while during the year ended 31 December 2020 there wasn't any sale transaction.

An analysis of government bonds by currency:

	2021	2020
Denominated in HUF	24.29%	35.83%
Denominated in foreign currency	75.71%	64.17%
Total	**100.00%**	**100.00%**

Interest conditions of the security portfolio at fair value through other comprehensive income are as follows:

	2021	2020
Interest rates on securities at fair value through other comprehensive income denominated in HUF	1.25%-7.00%	0.50%-7.50%
Interest rates on securities at fair value through other comprehensive income denominated in foreign currency	0.00%-17.25%	0.00%-18.00%
Average interest rates securities at fair value through other comprehensive income denominated in HUF	2.00%	1.63%
Average interest rates on securities at fair value through other comprehensive income denominated in foreign currency	2.51%	2.31%

Interest conditions and the remaining maturities of securities at fair value through other comprehensive income can be analysed as follows:

	2021	2020
Within one year:		
With variable interest	1,091	4,780
With fixed interest	522,939	346,928
	524,030	**351,708**
Over one year:		
With variable interest	51,211	62,068
With fixed interest	1,614,293	1,687,608
	1,665,504	**1,749,676**
Non-interest bearing securities	34,976	35,325
Total	**2,224,510**	**2,136,709**

Certain securities are hedged against interest rate risk. See Note 37.4.

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

	2021	2020
Government bonds	3,651,508	2,545,476
Corporate bonds	172,526	74,632
Discounted Treasury bills	15,705	10,469
Mortgage bonds	24,356	–
Other securities	36,353	–
	3,900,448	**2,630,577**
Loss allowance on securities at amortized cost	(9,113)	(5,657)
Total	**3,891,335**	**2,624,920**

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

	2021	2020
Within one year:		
With variable interest	8,101	–
With fixed interest	480,296	156,532
	488,397	**156,532**
Over one year:		
With variable interest	5,122	–
With fixed interest	3,406,929	2,474,045
	3,412,051	**2,474,045**
Total	**3,900,448**	**2,630,577**

An analysis of securities at amortized cost by currency:

	2021	2020
Denominated in HUF	75.42%	86.86%
Denominated in foreign currency	24.58%	13.14%
Total	**100.00%**	**100.00%**

Interest conditions of securities at amortized cost:

	2021	2020
Interest rates of securities at amortized cost with variable interest	1.20%–2.08%	–
Interest rates of securities at amortized cost with fixed interest	0.00%–9.00%	0.50%–7.00%
Average interest rates on securities at amortized cost (%)	2.46%	3.07%

An analysis of the change in the loss allowance on securities at amortized cost is as follows:

	2021	2020
Balance as at 1 January	**5,657**	**2,739**
Opening change due to modification	**1,281**	**–**
Balance as at 1 January after modification	**6,938**	**2,739**
Loss allowance for the period	6,634	6,863
Release of loss allowance	(3,621)	(4,061)
Use of loss allowance	(992)	12
Foreign currency translation difference	154	104
Closing balance	**9,113**	**5,657**

NOTE 11: LOANS AT AMORTIZED COST AND AT FAIR VALUE (in HUF mn)

Loans at amortized cost:

	2021	2020
Within one year:		
In HUF	1,243,635	1,154,223
In foreign currency	2,901,682	2,445,006
	4,145,317	**3,599,229**
Over one year:		
In HUF	2,359,485	2,002,814
In foreign currency	7,840,375	6,902,342
	10,199,860	**8,905,156**
	14,345,177	**12,504,385**
Loss allowance on loans	(851,994)	(829,543)
Total	**13,493,183**	**11,674,842**

An analysis of the gross loan portfolio at amortized cost by currency:

	2021	2020
In HUF	25.12%	25.25%
In foreign currency	74.88%	74.75%
Total	**100.00%**	**100.00%**

Interest rates of the loan portfolio at amortized cost are as follows:

	2021	2020
Within one year:		
In HUF	0.00%–52.00%*	0.00%–47.70%*
In foreign currency	(0.59)%–90.00%**	(0.50)%–90.00%**
Over one year:		
In HUF	0.00%–38.70%*	0.00%–37.45%*
In foreign currency	(0.59)%–90.00%**	(0.50)%–60.00%**
Average interest rates on loans at amortized cost denominated in HUF	6.49%	6.00%
Average interest rates on loans at amortized cost denominated in foreign currency	4.85%	5.53%

The amount of those loans which were written-off in the current year but they are still subject to enforcement activity to be collected is still going on were HUF 104,940 million and HUF 94,197 million as at 31 December 2021 and 2020 respectively.

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

	2021	2020
Balance as at 1 January	**829,543**	**684,319**
Opening change due to modification	**(1,281)**	**–**
Balance as at 1 January after modification	**828,262**	**684,319**
Loss allowance for the period	*546,284*	*650,165*
Release of loss allowance	*(464,888)*	*(382,800)*
Loss allowance in the current period	81,396	267,365
from this: effect of change in parameters used for loss allowance calculation	*(60,531)*	*126,002*
Use of loss allowance	(66,784)	(100,711)
Partial write-off***	(17,936)	(12,503)
Unwinding	345	
Foreign currency translation difference	26,711	(8,927)
Closing balance	**851,994**	**829,543**

Movement in loss allowance on loans and placements is summarized as below:

	2021	2020
Loss allowance on placements and gains from write-off and sale of placements	1,664	851
Loss allowance on loans and gains from write-off and sale of loans	34,776	162,733
Total****	**36,440**	**163,584**

* The highest interest rate relates to HUF loans within one year is overdraft loan, over one year is car loan.
** The highest interest rate relates to loans in foreign currency regarding POS services in Russia.
*** See details in Note 2.11.
**** See details in Note 31.

Loans mandatorily at fair value through profit or loss:

	2021	2020
Within one year:		
In HUF	61,537	48,770
In foreign currency	–	–
	61,537	**48,770**
Over one year:		
In HUF	1,006,293	750,211
In foreign currency	281	3,624
	1,006,574	**753,835**
Total	**1,068,111**	**802,605**

An analysis of the loan portfolio mandatorily at fair value through profit or loss by currency:

	2021	2020
In HUF	99.17%	99.55%
In foreign currency	0.83%	0.45%
Total	**100.00%**	**100.00%**

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

	2021	2020
Interest rates on loans denominated in HUF	1.21%–10.83%	0.77%–12.83%
Interest rates on loans denominated in foreign currency	4.00%–4.00%	2.50%–7.89%
Average interest rates on loan portfolio at fair value through profit or loss denominated in HUF	4.17%	1.32%
Average interest rates on loan portfolio at fair value through profit or loss denominated in foreign currency	1.82%	0.00%

NOTE 12: ASSOCIATES AND OTHER INVESTMENTS (in HUF mn)

	2021	2020
Investments		
Investments in associates (non-listed)	42,409	14,149
Other investments (non-listed)	37,327	44,158
	79,736	**58,307**
Impairment on investments	(12,514)	(5,864)
Total	**67,222**	**52,443**

An analysis of the change in the impairment on investments is as follows:

	2021	2020
Balance as at 1 January	**5,864**	**8,816**
Impairment for the period	7,266	43
Release of impairment for the period	(626)	(424)
Modification due to merge	28	–
Reclassification to securities at fair value through other comprehensive income	–	(2,654)
Foreign currency translation difference	(18)	83
Closing balance	**12,514**	**5,864**

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

For the year ended 31 December 2021:

Cost	Intangible assets	Goodwill	Property	Machinery and office equipment	Vehicle	Construction in progress	Tangible assets subject to operating lease	Total
Balance as at 1 January	**364,495**	**101,393**	**285,506**	**212,105**	**23,893**	**23,403**	**28,926**	**1,039,721**
Additions	90,887	–	28,684	37,266	19,135	111,316	13,427	**300,715**
Foreign currency translation differences	4,656	4,247	3,609	3,237	163	136	422	**16,470**
Disposals	(52,035)		(12,877)	(8,877)	(1,939)	(67,198)	(11,942)	**(154,868)**
Closing balance	**408,003**	**105,640**	**304,922**	**243,731**	**41,252**	**67,657**	**30,833**	**1,202,038**

Depreciation and amortization	Intangible assets	Property	Machinery and office equipment	Vehicle	Tangible assets subject to operating lease	Total
Balance as at 1 January	**224,180**	**77,753**	**155,292**	**6,241**	**10,279**	**473,745**
Charge for the period	44,973	9,219	22,753	1,986	4,212	**83,143**
Foreign currency translation differences	3,263	1,266	2,394	102	262	**7,287**
Disposals	(10,109)	(4,531)	(7,301)	(1,141)	(5,260)	**(28,342)**
Closing balance	**262,307**	**83,707**	**173,138**	**7,188**	**9,493**	**535,833**

Impairment	Intangible assets	Property	Machinery and office equipment	Tangible assets subject to operating lease	Total
Balance as at 1 January	**2,704**	**1,122**	**42**	**338**	**4,206**
Impairment for the period		2,967	–	9	**2,976**
Release of impairment for the period				(204)	**(204)**
Foreign currency translation differences	5	55	6	(1)	**65**
Use of impairment	(4)	(591)	(5)	(5)	**(605)**
Closing balance	**2,705**	**3,553**	**43**	**137**	**6,438**

Carrying value	Intangible assets	Goodwill	Property	Machinery and office equipment	Vehicle	Construction in progress	Tangible assets subject to operating lease	Total
Balance as at 1 January	**137,611**	**101,393**	**206,631**	**56,771**	**17,652**	**23,403**	**18,309**	**561,770**
Closing balance	**142,991**	**105,640**	**217,662**	**70,550**	**34,064**	**67,657**	**21,203**	**659,767**
Fair values	**–**	**–**	**247,754**	**70,258**	**34,063**	**–**	**21,339**	**373,414**

Carrying amount of the temporarily idle properties was HUF 3,057 million and HUF 4,211 million as at 31 December 2021 and 2020 respectively.

There were no restrictions on title and properties, plants or equipment pledged as security for liabilities as at 31 December 2021 and 2020.

As at 31 December 2021 and 2020 the amount of contractual commitments for the acquisition of tangible and intangible assets was HUF 1,595 million and HUF 200 million, respectively.

Impairment for the propertied in the current period was needed as a result of the valuation performed by using the comparative value method (market analogy method) with direct comparison to the market price of other similar properties. Actual market transactions were used based on the 6-month period prior to the valuation date where the market price of the analogous property is adjusted by an expert coefficient for market adaptation ("ECMA"). Usually this range is from –25% to +25%, and reflects the availability of sufficient market information for similar items but at these properties ECMA exceeded this range where the circumstances were exceptional although by decision of the appraiser it was used only for unique properties with characteristics similar to the appraised ones, for which no sufficient market analogues are available.
The price was adjusted by coefficients reflecting the area, location, size and structure of the property, as well as a weighing factor reflecting the weight of the selected market analogies in the determined fair value.

An analysis of the intangible assets for the year ended 31 December 2021 is as follows:

Intangible assets	Self-developed	Purchased	Total
Gross values	12,700	395,303	**408,003**
Accumulated amortization	(5,017)	(257,290)	**(262,307)**
Impairment	–	(2,705)	**(2,705)**
Carrying value	**7,683**	**135,308**	**142,991**

Carrying value of the investment and goodwill allocated to the appropriate cash generating units:

Subsidiaries	Carrying amounts of the subsidiary in HUF million	Goodwill values in HUF million	Goodwill values in million functional currency	Type of functional currency	Consolidated ownership interest	With ownership adjusted company value in HUF million	Applied long-term grow rate	Applied long-term discount rate
DSK Bank EAD (Bulgaria)	280,692	43,138	28,541 77	HUF BGN	99.91%	832,445	3.00%	7.90%
OTP banka d.d. (Croatia)	205,349	21,421	58	EUR	100.00%	361,995	2.69%	8.83%
JSC "OTP Bank" (Russia)	124,411	40,866	9,395	RUB	97.92%	187,552	1.89%	15.44%
POK-DSK Rodina a.d. (Bulgaria)	1,680	11	11	HUF	99.85%	15,299	3.00%	7.90%
George Consult (Croatia)	225	204	4	HRK	76.00%	171	2.69%	8.83%
	612,357	**105,640**						

The Bank decided that the recoverable amount of goodwill is determined based on fair value less cost of disposal. In the fair value hierarchy goodwill is categorized into level 3. When the Bank prepares goodwill impairment tests of the subsidiaries, the two methods which are used based on discounted cash-flow calculation that shows the same result; however they represent different economical logics.

Based on the internal regulation of the Bank as at 31 December 2021 impairment test was prepared where a three-year cash-flow model was applied with an explicit period between 2022–2024. The basis for the estimation was the financial preliminary estimations for December 2021, and based on the prepared medium-term (2022–2024) forecasts.
When the Bank prepared the calculations for the period 2022–2024, it considered the actual worldwide economic situations, the expected economic growth for the following years, their possible effects on the financial sector, the plans for growing which result from these, and the expected changes of the mentioned factors.

Present value calculation with the FCF method

The Bank calculated the expected cash-flow for the given period based on the expected after tax profit of the companies.
The calculation is highly sensitive to the level of discount rate and growth rate used.
As discount factor the Bank uses a zero coupon yield curve derived by the Headquarter Asset-Liability Management department.
This zero coupon curve is estimated for each related countries, based on the countries' issued bonds and segmented by the issuances' currencies.
The Bank calculated risk premiums on the basis of information from the country risk premiums that are published by Aswath Damodaran – New York STERN University, according to the

Bank's assumption the risk free interest rate includes the country-dependent risks in an implicit way.
When the subsidiary owns subordinated debt, the discount rate is calculated as a weighted average of the expected return on equity presented previously and the subordinated debt's interest rate. At the end of the calculation, the value of subordinated debt is being subtracted from the valuations' result.

The growth rate in the explicit period is the growth rate of the profit after tax adjusted by the interest rate of the cash and subordinated loans. The supposed growth rates for the periods of residual values reflect the long-term economic expectations in case of every country.
The values of the subsidiaries in the FCF method were then calculated as the sum of the discounted cash-flows of the explicit period, the present value of the terminal values and the initial free capital assuming an effective capital structure.

Summary of the impairment test for the year ended 31 December 2021

Based on the valuations of the subsidiaries as at 31 December 2021 no goodwill impairment was needed to be recorded by the Group.

For the year ended 31 December 2020:

Cost	Intangible assets	Goodwill	Property	Machinery and office equipment	Vehicle	Construction in progress	Tangible assets subject to operating lease	Total
Balance as at 1 January	**320,749**	**111,687**	**279,538**	**192,369**	**23,079**	**22,717**	**31,799**	**981,938**
Additions	92,313	1,413	7,342	27,533	2,208	36,835	6,586	**174,230**
Foreign currency translation differences	7,769	(5,319)	12,987	4,094	215	538	2,602	**22,886**
Disposals	(56,183)	(6,388)	(14,361)	(11,737)	(1,609)	(36,687)	(12,061)	**(139,026)**
Reclassified as held-for-sale	(153)	–	–	(154)	–	–	–	**(307)**
Closing balance	**364,495**	**101,393**	**285,506**	**212,105**	**23,893**	**23,403**	**28,926**	**1,039,721**

Depreciation and amortization	Intangible assets	Property	Machinery and office equipment	Vehicle	Tangible assets subject to operating lease	Total
Balance as at 1 January	**183,026**	**71,085**	**139,813**	**5,508**	**10,889**	**410,321**
Charge for the period	44,115	8,981	22,195	1,570	5,064	**81,925**
Foreign currency translation differences	3,875	2,540	2,681	150	1,113	**10,359**
Disposals	(6,733)	(4,853)	(9,302)	(987)	(6,787)	**(28,662)**
Reclassified as held-for-sale	(103)	–	(95)	–	–	**(198)**
Closing balance	**224,180**	**77,753**	**155,292**	**6,241**	**10,279**	**473,745**

Impairment	Intangible assets	Goodwill	Property	Machinery and office equipment	Tangible assets subject to operating lease	Total
Balance as at 1 January	**803**	**6,388**	**–**	**1,337**	**440**	**8,968**
Impairment for the period	2,328	–	1,601	–	–	**3,929**
Release of impairment for the period	–	–	–	–	(137)	**(137)**
Foreign currency translation differences	85	–	129	5	35	**254**
Use of impairment	(512)	(6,388)	(608)	(1,300)	–	**(8,808)**
Closing balance	**2,704**	**–**	**1,122**	**42**	**338**	**4,206**

Carrying value	Intangible assets	Goodwill	Property	Machinery and office equipment	Vehicle	Construction in progress	Tangible assets subject to operating lease	Total
Balance as at 1 January	**136,920**	**105,299**	**208,453**	**51,219**	**17,571**	**22,717**	**20,470**	**562,649**
Closing balance	**137,611**	**101,393**	**206,631**	**56,771**	**17,652**	**23,403**	**18,309**	**561,770**
Fair values	**–**	**–**	**217,161**	**57,614**	**16,962**	**–**	**18,309**	**310,046**

An analysis of the intangible assets for the year ended 31 December 2020 is as follows:

Intangible assets	Self-developed	Purchased	Total
Gross values	8,117	356,378	**364,495**
Accumulated amortization	(3,675)	(220,505)	**(224,180)**
Impairment	–	(2,704)	**(2,704)**
Carrying value	4,442	133,169	**137,611**

Carrying value of the investment and goodwill allocated to the appropriate cash generating units:

Subsidiaries	Carrying amounts of the subsidiary in HUF million	Goodwill values in HUF million	Goodwill values in million functional currency	Type of functional currency	Consolidated ownership interest	With ownership adjusted company value in HUF million	Applied long-term grow rate	Applied long-term discount rate
DSK Bank EAD (Bulgaria)	280,692	42,984	28,541 77	HUF BGN	99.91%	717,318	3.00%	8.13%
OTP banka d.d. (Croatia)	205,349	21,196	58	EUR	100.00%	336,403	2.69%	9.37%
JSC "OTP Bank" (Russia)	124,410	37,202	9,395	RUB	97.91%	173,315	1.89%	13.26%
POK-DSK Rodina a.d. (Bulgaria)	943	11	11	HUF	99.75%	941	3.00%	8.13%
	611,394	**101,393**						

Summary of the impairment test for the year ended 31 December 2020

Based on the valuations of the subsidiaries as at 31 December 2020 no goodwill impairment was needed to be recorded by the Group.

NOTE 14: INVESTMENT PROPERTIES (in HUF mn)

An analysis of the change in gross values of investment properties is as follows:

Gross values	2021	2020
Balance as at 1 January	**54,154**	**53,906**
Increase due to transfer from inventories or owner-occupied properties	3,425	6,896
Increase from purchase	134	574
Increase due to transfer from held-for-sale properties	–	86
Transfer to held-for-sale properties	(66)	(118)
Transfer to inventories or owner-occupied properties	(2,858)	(936)
Disposal due to sale	(14,993)	(8,725)
Foreign currency translation difference	445	2,471
Closing balance	**40,241**	**54,154**

The applied depreciation and amortization rates were as follows:

	2021	2020
Depreciation and amortization rates	1.00%–20.00%	1.00%–20.00%

An analysis of the movement in the depreciation and amortization on investment properties is as follows:

Depreciation and amortization	2021	2020
Balance as at 1 January	**11,383**	**8,352**
Additions due to transfer from inventories or owner-occupied properties	1,296	1,657
Charge for the period	1,113	908
Transfer to inventories or owner-occupied properties	(236)	(10)
Disposal due to sale	(4,577)	(322)
Foreign currency translation difference	132	798
Closing balance	**9,111**	**11,383**

An analysis of the movement in the impairment on investment properties is as follows:

Impairment	2021	2020
Balance as at 1 January	**4,170**	**3,994**
Impairment for the period	54	178
Release of impairment for the period	(297)	(919)
Use of impairment	(2,726)	–
Additions due to transfer from inventories or owner-occupied properties	–	587
Foreign currency translation difference	47	330
Closing balance	**1,248**	**4,170**

Carrying values	2021	2020
Balance as at 1 January	**38,601**	**41,560**
Closing balance	**29,882**	**38,601**
Fair values	**34,257**	**37,842**

The Group chose the cost model for measuring investment properties but estimates and reviews the fair value of the investment properties by external experts, these investment properties would have been presented on level 3 in the fair value hierarchy if the Group didn't apply cost method for these recognition.

Income and expenses	2021	2020
Rental income	2,621	2,520
Direct operating expenses of investment properties – income generating	318	455
Direct operating expenses of investment properties – non income generating	14	8

NOTE 15: DERIVATIVE FINANCIAL ASSETS DESIGNATED AS HEDGE ACCOUNTING (in HUF mn)

Positive fair value of derivative financial assets designated as fair value hedge:

	2021	2020
CCIRS and mark-to-market CCIRS designated as fair value hedge	5,471	6,179
Interest rate swaps designated as fair value hedge	13,286	641
Total	**18,757**	**6,820**

NOTE 16: OTHER ASSETS* (in HUF mn)

	2021	2020 Reclassified
Other financial assets		
Receivables from card operations	27,820	24,816
Prepayments and accrued income on other financial assets	27,778	23,521
Trade receivables	24,951	17,039
Receivables from investment services	15,077	10,716
Other advances	21,043	26,806
Stock exchange deals	12,255	10,632
Giro clearing accounts	2,635	2,441
Receivables due from pension funds and investment funds	3,250	8,323
Receivables from leasing activities	363	431
Advances for securities and investments	525	774
Accrued day one gain of loans provided at below-market interest	–	14,465
Other financial assets	17,019	19,057
Loss allowance on other financial assets	(16,800)	(18,459)
Total	**135,916**	**140,562**
Other non-financial assets		
Prepayments and accrued income on other non-financial assets	46,418	19,307
Receivables, subsidies from the State, Government	15,800	11,767
Settlement and suspense accounts	14,974	16,355
Biological assets and agricultural produce	5,193	–
Other non-financial assets	15,495	11,513
Impairment on other non-financial assets	(4,413)	(4,699)
Total	**93,467**	**54,243**
Other assets (under IAS 2)		
Inventories	43,843	66,748
Repossessed real estate	6,354	9,706
Repossessed other non-financial assets	1,069	2,034
Write-down of the assets measured under IAS 2	(3,864)	(7,054)
Total	**47,402**	**71,434**
Total other assets	**276,785**	**266,239**

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

	2021	2020
Balance as at 1 January	**18,459**	**14,617**
Loss allowance for the period	8,569	10,057
Release of allowance for the period	(6,903)	(4,755)
Use of loss allowance	(3,767)	(1,607)
Foreign currency translation difference	442	147
Closing balance	**16,800**	**18,459**

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

	2021	2020 Reclassified
Balance as at 1 January	**4,699**	**11,871**
Transfer due to separation of assets under IAS 2	**–**	**(7,419)**
Impairment for the period	949	1,358
Release of impairment for the period	(653)	(522)
Use of impairment	(751)	(516)
Foreign currency translation difference	169	(73)
Closing balance	**4,413**	**4,699**

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

NOTE 17: AMOUNTS DUE TO BANKS, THE NATIONAL GOVERNMENTS, DEPOSITS FROM THE NATIONAL BANKS AND OTHER BANKS (in HUF mn)

	2021	2020
Within one year:		
In HUF	277,397	132,182
In foreign currency	225,398	117,672
	502,795	**249,854**
Over one year:		
In HUF	900,948	741,772
In foreign currency	163,605	193,689
	1,064,553	**935,461**
Total	**1,567,348**	**1,185,315**

Interest rates on amounts due to banks, the National Governments, deposits from the National Banks and other banks are as follows:

	2021	2020
Within one year:		
In HUF	(2.04)%–4.66%	0.00%–20.00%
In foreign currency	(2.40)%–17.60%*	(0.56)%–5.00%
Over one year:		
In HUF	(2.40)%–4.66%	(2.40)%–2.73%
In foreign currency	(2.40)%–12.00%	(2,40)%–17.60%
Average interest rates on amounts due to banks, the National Governments, deposits from the National Banks and other banks denominated in HUF	1.20%	1.00%
Average interest rates on amounts due to banks, the National Governments, deposits from the National Banks and other banks denominated in in foreign currency	1.49%	2.11%

NOTE 18: REPO LIABILITIES (in HUF mn)

	2021	2020
Within one year:		
In HUF	49,726	–
In foreign currency	29,321	8,379
	79,047	**8,379**
Over one year:		
In HUF	–	–
In foreign currency	–	109,612
	–	**109,612**
Total	**79,047**	**117,991**

Interest rates on repo liabilities are as follows:

	2021	2020
Interest rates on repo liabilities denominated in HUF	0.00%–2.80%	–
Interest rates on repo liabilities denominated in foreign currency	(0.95)%–0.00%	0.00%–3.85%

* The highest interest rate for due to banks relate to loans taken from EBRD in Ukraine.

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

	2021	2020
Within one year:		
In HUF	1,784	2,010
In foreign currency	–	–
	1,784	**2,010**
Over one year:		
In HUF	39,400	29,886
In foreign currency	–	2,235
	39,400	**32,121**
Total	**41,184**	**34,131**
Contractual amount outstanding	21,479	23,332

Interest conditions of financial liabilities designated at fair value through profit or loss can be analysed as follows:

	2021	2020
Interest rates on financial liabilities designated at fair value denominated in HUF within one year	0.46%–2.46%	0.51%–2.50%
Interest rates on financial liabilities designated at fair value denominated in HUF over one year	0.01%–2.90%	0.00%–2.50%

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

The Group controls capital funds where it does not hold the 100% of the owner rights. The related non-controlling interest is treated as financial liability designated at fair value through profit or loss as it is not considered equity under IAS 32.

NOTE 20: DEPOSITS FROM CUSTOMERS (in HUF mn)

	2021	2020
Within one year:		
In HUF	7,829,595	6,383,882
In foreign currency	12,758,360	10,990,543
	20,587,955	**17,374,425**
Over one year:		
In HUF	293,606	327,165
In foreign currency	187,083	189,273
	480,689	**516,438**
Total	**21,068,644**	**17,890,863**

Interest rates on deposits from customers are as follows:

	2021	2020
Within one year:		
In HUF	(2.48)%–7.96%	(4,58)%–7.96%
In foreign currency	(1.01)%–17.20%*	(0.58)%–16.50%
Over one year:		
In HUF	0.01%–3.00%	0.01%–3.00%
In foreign currency	0.00%–8.90%	0.00%–7.75%
Average interest rates on deposits from customers denominated in HUF	0.18%	0.10%
Average interest rates on deposits from customers denominated in foreign currency	0.34%	0.49%

An analysis of deposits from customers by type is as follows:

	2021		2020	
Retail deposits	11,982,784	56.88%	10,695,792	59.78%
Corporate deposits	8,093,206	38.41%	6,298,143	35.20%
Municipality deposits	992,654	4.71%	896,928	5.01%
Total	**21,068,644**	**100.00%**	**17,890,863**	**100.00%**

NOTE 21: LIABILITIES FROM ISSUED SECURITIES (in HUF mn)

	2021	2020
With original maturity		
Within one year:		
In HUF	9,332	130,676
In foreign currency	13	1,366
	9,345	**132,042**
Over one year:		
In HUF	426,929	332,125
In foreign currency	51	46
	426,980	**332,171**
Total	**436,325**	**464,213**

Interest rates on liabilities from issued securities are as follows:

	2021	2020
Issued securities denominated in HUF	0.60%–4.26%	0.00%–2.50%
Issued securities denominated in foreign currency	0.74%–5.00%	0.01%–1.11%
Average interest rates on issued securities denominated in HUF	2.20%	1.83%
Average interest rates on issued securities denominated in foreign currency	0.25%	1.32%

* The highest interest rate regarding foreign currency deposits for the current year relate to treasury deposit in Turkish lira in Hungary, in the previous year relate to individually agreed deposits in Ukraine.

Issued securities denominated in HUF as at 31 December 2021 (in HUF mn):

	Name	Date of issue	Maturity	Nominal value (in HUF mn)	Amortized cost (in HUF mn)	Interest conditions (actual interest rate in % p.a.)		Hedged
1	OTPX2022A	22/03/2012	23/03/2022	175	236	indexed	–	hedged
2	OTPX2022B	18/07/2012	18/07/2022	164	549	indexed	1.70	hedged
3	OTPX2022C	29/10/2012	28/10/2022	177	317	indexed	1.70	hedged
4	OTPX2022D	28/12/2012	27/12/2022	238	290	indexed	1.70	hedged
5	OTPX2023A	22/03/2013	24/03/2023	312	366	indexed	1.70	hedged
6	OTPX2023B	28/06/2013	26/06/2023	198	272	indexed	0.60	hedged
7	OTPX2024A	18/06/2014	21/06/2024	241	277	indexed	1.30	hedged
8	OTPX2024B	10/10/2014	16/10/2024	295	336	indexed	0.70	hedged
9	OTPX2024C	15/12/2014	20/12/2024	242	275	indexed	0.60	hedged
10	OTPRF2022A	22/03/2012	23/03/2022	2,321	2,513	indexed	1.70	hedged
11	OTPRF2022B	22/03/2012	23/03/2022	934	1011	indexed	1.70	hedged
12	OTPRF2022C	28/06/2012	28/06/2022	209	266	indexed	1.70	hedged
13	OTPRF2022D	28/06/2012	28/06/2022	286	324	indexed	1.70	hedged
14	OTPRF2022E	29/10/2012	31/10/2022	862	933	indexed	1.70	hedged
15	OTPRF2022F	28/12/2012	28/12/2022	708	773	indexed	1.70	hedged
16	OTPRF2023A	22/03/2013	24/03/2023	899	977	indexed	1.70	hedged
17	OJB2023_I	05/04/2018	24/11/2023	44,120	42,300	1.75	fix	
18	OJB2024_A	17/09/2018	20/05/2024	57,067	57,010	4.26	floating	
19	OJB2024_C	24/02/2020	24/10/2024	80,125	79,972	3.95	floating	
20	OJB2024_II	10/10/2018	24/10/2024	96,800	89,138	2.50	fix	
21	OJB2025_II	03/02/2020	26/11/2025	22,550	20,003	1.50	fix	hedged
22	OJB2027_I	23/07/2020	27/10/2027	76,850	67,257	1.25	fix	
23	OJB2031_I	18/08/2021	22/10/2031	82,000	70,655	2.50	fix	
24	Other			211	211			
	Total issued securities in HUF			**467,984**	**436,261**			

Issued securities denominated in foreign currency are promissory notes issued by JSC "OTP Bank" (Russia) in the amount of HUF 64 million as at 31 December 2021.

Issued securities denominated in HUF as at 31 December 2020 (in HUF mn):

	Name	Date of issue	Maturity	Nominal value (in HUF mn)	Amortized cost (in HUF mn)	Interest conditions (actual interest rate in % p.a.)		Hedged
1	OTPX2021A	01/04/2011	01/04/2021	183	246	indexed	NaN	hedged
2	OTPX2021B	17/06/2011	21/06/2021	245	370	indexed	NaN	hedged
3	OTPX2021C	19/09/2011	24/09/2021	231	192	indexed	NaN	hedged
4	OTPX2021D	21/12/2011	27/12/2021	259	325	indexed	NaN	hedged
5	OTPX2022A	22/03/2012	23/03/2022	201	214	indexed	NaN	hedged
6	OTPX2022B	18/07/2012	18/07/2022	172	440	indexed	1.70	hedged
7	OTPX2022C	29/10/2012	28/10/2022	201	233	indexed	1.70	hedged
8	OTPX2022D	28/12/2012	27/12/2022	248	299	indexed	1.70	hedged
9	OTPX2023A	22/03/2013	24/03/2023	324	327	indexed	1.70	hedged
10	OTPX2023B	28/06/2013	26/06/2023	198	225	indexed	0.60	hedged
11	OTPX2024A	18/06/2014	21/06/2024	241	237	indexed	1.30	hedged
12	OTPX2024B	10/10/2014	16/10/2024	295	284	indexed	0.70	hedged
13	OTPX2024C	15/12/2014	20/12/2024	242	232	indexed	0.60	hedged
14	OTPRF2021A	05/07/2011	13/07/2021	2,607	2,807	indexed	NaN	hedged
15	OTPRF2021B	20/10/2011	25/10/2021	2,894	2,954	indexed	NaN	hedged
16	OTPRF2021C	21/12/2011	30/12/2021	527	544	indexed	NaN	hedged
17	OTPRF2021D	21/12/2011	30/12/2021	372	381	indexed	NaN	hedged
18	OTPRF2021E	21/12/2011	30/12/2021	76	74	indexed	NaN	hedged
19	OTPRF2022A	22/03/2012	23/03/2022	2,065	1,920	indexed	1.70	hedged
20	OTPRF2022B	22/03/2012	23/03/2022	831	772	indexed	1.70	hedged
21	OTPRF2022C	28/06/2012	28/06/2022	190	196	indexed	1.70	hedged
22	OTPRF2022D	28/06/2012	28/06/2022	260	251	indexed	1.70	hedged
23	OTPRF2022E	29/10/2012	31/10/2022	761	715	indexed	1.70	hedged
24	OTPRF2022F	28/12/2012	28/12/2022	623	592	indexed	1.70	hedged
25	OTPRF2023A	22/03/2013	24/03/2023	787	740	indexed	1.70	hedged
26	OJB2021_I	15/02/2017	27/10/2021	114,000	113,732	2.00	fix	
27	OJB2023_I	05/04/2018	24/11/2023	44,120	44,623	1.75	fix	
28	OJB2024_A	17/09/2018	20/05/2024	46,771	46,639	1.35	floating	
29	OJB2024_C	24/02/2020	24/10/2024	64,379	64,175	1.05	floating	
30	OJB2024_II	10/10/2018	24/10/2024	96,800	95,645	2.50	fix	
31	OJB2025_II	03/02/2020	26/11/2025	17,650	17,499	1.50	fix	hedged
32	OJB2027_I	23/07/2020	27/10/2027	65,800	64,705	1.25	fix	
33	Other			213	213			
	Total issued securities in HUF			**464,766**	**462,801**			

Issued securities denominated in foreign currency as at 31 December 2020:

	Name	Date of issue	Maturity	Type of FX	Nominal value in FX million	Nominal value in HUF million	Amortized cost in FX million	Amortized cost in HUF million	Interest conditions (actual interest rate in % p.a.)	
1					1.39	414	1.39	414	1.1	floating
2	OTP_VK1_21/2	02/04/2020	02/04/2021	USD	1.24	370	1.24	370	0.1	floating
3	OTP_VK1_21/3	14/05/2020	14/05/2021	USD	1.18	351	1.18	351	0.01	floating
4	OTP_VK1_21/4	18/06/2020	18/06/2021	USD	0.74	221	0.74	221	1.1	floating
5	Other*				12	47	14	56		
	Total issued securities in FX				**16.55**	**1,403**	**18.55**	**1,412**		
	Total issued securities							**464,213**		

Hedge accounting

Certain issued structured securities are hedged by the Bank with interest rate swaps ("IRS") which exchange the fixed and floating interest rate with the interest rate of the securities between the parties at a notional amount that equals the nominal amount of the hedged securities. These are considered as fair value hedge relationships as they cover the interest rate risk arising from the coupons of the hedged securities. OTP Bank does not

* Other category includes promissory notes issued by JSC "OTP Bank" (Russia) in the amount of HUF 56 million as at 31 December 2020.

intend to be exposed to the risk embedded in the structured bonds, consequently as part of interest rate swap transaction the structured interest payments are swapped to floating interest rate.

This hedging relationship meets all of the following hedge effectiveness requirements:
- there is an economic relationship between the hedged item and the hedging instrument
- the effect of credit risk does not dominate the value changes that result from that economic relationship
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Bank actually hedges and the quantity of the hedging instrument that the Bank actually uses to hedge that quantity of hedged item

The cash-flows of the fixed rate securities issued by the Bank are exposed to the changes in the HUF/EUR foreign exchange rate and the volatility of the quoted interest rates of EUR and HUF. The interest rate risk and foreign exchange risk related to these securities are hedged with EUR and HUF IRS transactions, where the fixed interests were swapped to payments linked to 3 month HUF BUBOR and EURIBOR, resulting in a decrease in the interest rate and foreign exchange exposure of issued securities.

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

On 28 May 2021 the Bank initiated term note program in the value of HUF 200 billion with the intention of issuing registered dematerialized bonds in public. On 8 July 2021, the National Bank of Hungary approved the prospectus of Term Note Program and the disclosure as at 9 July 2021. The prospectus is valid for 12 months following the disclosure. The Issuer can initiate to introduce the bonds issued under the program to the Hungarian and to other stock exchanges without any obligations.

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

On 21 April 2020 the Bank initiated term note program in the value of HUF 200 billion with the intention of issuing registered dematerialized bonds in public. On 9 July 2020, the National Bank of Hungary approved the prospectus of Term Note Program and the disclosure as at 10 July 2020. The prospectus is valid for 12 months following the disclosure. The Issuer can initiate to introduce the bonds issued under the program to the Hungarian and to other stock exchanges without any obligations.

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

Negative fair value of derivative financial liabilities held for trading by type of contracts:

	2021	2020
Foreign exchange swaps held for trading	46,380	39,103
Commodity swaps	51,508	8,269
Interest rate swaps held for trading	87,945	32,960
Foreign exchange forward contracts held-for-trading	7,738	10,750
CCIRS and mark-to-market CCIRS held for trading	7,789	7,419
Held for trading option contracts	479	3,843
Held-for-trading forward security agreement	13	116
Other derivative transactions held for trading*	864	2,363
Total	**202,716**	**104,823**

* Other category includes: fx spot, equity swaps, options and index futures.

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

Negative fair value of derivative financial liabilities designated as hedge accounting by type of contracts:

	2021	2020
CCIRS and mark-to-market CCIRS designated as fair value hedge	5,451	6,007
Interest rate swaps designated as fair value hedge	5,777	5,334
Total	**11,228**	**11,341**

NOTE 24: PROVISIONS AND OTHER LIABILITIES* (in HUF mn)

	2021	2020 Reclassified
Other financial liabilities		
Liabilities connected to Cafeteria benefits	114,867	121,711
Liabilities from investment services	92,612	62,667
Accrued expenses on other financial liabilities	58,247	42,212
Liabilities from card transactions	31,484	20,402
Accounts payable	46,243	41,460
Liabilities due to short positions	16,904	9,131
Giro clearing accounts	14,830	14,589
Advances received from customers	11,903	11,259
Liabilities from wages and other salary related payments	13,092	17,784
Loans from government	5,851	3,435
Accrued day one gain of loan liabilities at below-market interest	–	14,391
Dividend payable	135	119
Other financial liabilities	79,603	48,526
Subtotal	**485,771**	**407,686**
Other non-financial liabilities		
Clearing and giro settlement accounts	48,715	38,912
Liabilities from social security contributions	11,853	7,423
Accrued expenses on other non-financial liabilities	13,029	6,997
Liabilities related to housing loans	11,428	8,868
Insurance technical reserve	3,416	4,545
Other non-financial liabilities	23,869	14,995
Subtotal	**112,310**	**81,740**
Total	**598,081**	**489,426**

* Other liabilities are expected to be recovered or settled no more than twelve months after the reporting period. Besides the total other liabilities mentioned above, which are expected to be recovered or settled more than twelve months after the reporting period are the following: accrued contractual liabilities, compulsory pension reserve, loans from government and liabilities from preferential dividend shares.

The provisions are detailed as follows:

	2021	2020
Commitments and guarantees given	51,990	54,810
Total provision according to IFRS 9	**51,990**	**54,810**
Pending legal issues and tax litigation	35,354	34,894
Pensions and other retirement benefit obligations	9,308	10,975
Other long-term employee benefits	910	2,396
Restructuring	1,801	1,531
Provision due to CHF loans conversion at foreign subsidiaries	1,285	1,949
Other provision	19,151	9,912
Total provision according to IAS 37	**67,809**	**61,657**
Total	**119,799**	**116,467**

The movements of provisions according to IFRS 9 can be summarized as follows:

	2021	2020
Balance as at 1 January	**54,810**	**48,662**
Provision for the period	28,869	98,703
Release of provision for the period	(28,770)	(90,041)
Use of provision	(7)	(2,276)
Transfer	(4,426)	–
Foreign currency translation differences	1,514	(238)
Closing balance	**51,990**	**54,810**

The movements of provisions according to IAS 37 can be summarized as follows:

	2021	2020
Balance as at 1 January	**61,657**	**55,772**
Provision for the period	37,924	23,381
Release of provision for the period	(27,167)	(17,251)
Use of provision	(10,953)	(4,501)
Change due to actuarial gains or losses related to employee benefits	(42)	(144)
Unwinding of the discounted amount	7	–
Transfer	4,426	–
Foreign currency translation differences	1,957	4,400
Closing balance	**67,809**	**61,657**

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

	2021	2020
Within one year:		
In HUF	–	–
In foreign currency	2,841	2,843
	2,841	**2,843**
Over one year:		
In HUF	–	–
In foreign currency	275,493	271,861
	275,493	**271,861**
Total	**278,334**	**274,704**

Types of subordinated bonds and loans are as follows:

	2021	2020
Debt securities issued	6,558	269,566
Loan received	271,776	5,138
Total	**278,334**	**274,704**

Interest rates on subordinated bonds and loans are as follows:

	2021	2020
Denominated in HUF	–	–
Denominated in foreign currency	2.50%–5.00%	2.50%–5.00%
Average interest rates on subordinated bonds and loans	2.75%	2.94%

Subordinated bonds and loans can be detailed as follows:

Type	Nominal value	Date of issuance	Date of maturity	Issue price	Interest conditions	Interest rate as at 31 December 2021
Subordinated bond	EUR 231 million	07/11/2006	Perpetual	99.375%	Three-month EURIBOR + 3%, variable after year 10 (payable quarterly)	2.428%
Subordinated bond	EUR 500 million	15/07/2019	15/07/2029	99.738%	Fixed 2.875% annual in the first 5 years and callable after 5 years, starting from year 6 fix coupon (payable annually) is calculated as a sum of the initial margin (320 basis points) and the 5 year mid-swap rate prevailing at the end of the 5 year	2.875%
Subordinated loan	USD 17.0 million	05/06/2018	30/06/2025	100.00%	Bullet repayment, once at the end of the loan agreement	5.00%

NOTE 26: SHARE CAPITAL (in HUF mn)

	2021	2020
Authorized, issued and fully paid:		
Ordinary shares	28,000	28,000

The nominal value of the shares is HUF 100 per shares. All of the shares are ordinary shares representing the same rights to the shareholders. Furthermore there are no restrictions on the distribution of dividends and the repayment of capital.

NOTE 27: RETAINED EARNINGS AND RESERVES (in HUF mn)

In 2021, the Bank did not pay dividend based on the earlier NBH warnings issued due to covid moratoria. In 2022 dividend of HUF 119 billion from the profit of years 2019 and 2020 and HUF 1 billion from the profit of year 2021 (totally HUF 120 billion) are expected to be proposed by the Management, which means HUF 425,89 (for the year 2019 and 2020) and HUF 3,57 (for the year 2021) dividend per share payable to shareholders, respectively. In the opinion of the Management dividend is still considered to be payable, which will be decided on the Bank's Board meeting in March taken in consideration the Russian-Ukrainian conflict.

The retained earnings and reserves according to IFRS contains the retained earnings (HUF 841,261 million and HUF 744,802 million) and reserves (HUF 2,265,262 million and HUF 1,884,274 million) as at 31 December 2021 and 31 December 2020 respectively. The reserves include mainly the option reserve, other reserves, the fair value adjustment of financial instruments at fair value through other comprehensive income, share-based payment reserve, fair value of hedge transactions, additional reserves of Income Certificates Exchangeable for Shares ("ICES"), changes in equity accumulated in the previous years at the subsidiaries and due to consolidation as well as translation of foreign exchange differences.

In the Consolidated Financial Statements the Group recognizes the non-monetary items at historical cost. The difference between the historical cost of the non-monetary items in forint amount and the translated foreign currencies into the presentation currency using the exchange rate at the balance sheet date, is presented in the shareholders' equity as a translation difference. The accumulated amounts of exchange differences were HUF 58,164 million and HUF (3,369) million as at 31 December 2021 and 2020, respectively.

On 19 October 2006, the Bank sold 14.5 million Treasury shares owned by the Group through an issue of ICES. Within the transaction 10 million shares owned by OTP Bank, and a further 4.5 million shares owned by the Group were sold during the underwriting period of ICES on the weighted average market price (HUF 7,080) of the Budapest Stock Exchange. The shares have been purchased by Opus Securities S.A. ("OPUS"), which issued an exchangeable bond with a total face value of EUR 514,274,000 backed by those shares. The exchangeable bonds have been sold at a 32% premium over the selling price of the shares. The EUR denominated exchangeable bonds were perpetual and the investors could have exercised the conversion right between years 6 and 10. The bonds carried a fixed coupon of 3.95% during the first 10 years, and thereafter the Issuer had the right to redeem the bonds at face value. Following year 10, the bonds carried a coupon of 3 month EURIBOR +3%. OTP Bank had a discretional right to cancel the interest payments. The interest payable was non-cumulative. Due to the conditions described above, ICES was accounted as an equity instrument and therefore any payment was accounted as equity distribution paid to ICES holders.

On 14 September 2021 the Bank decided to terminate the subordinated swap agreement related to ICES transaction as at 29 October 2021, and to exercise its option for repurchasing approximately 14.5 million OTP ordinary shares held by Opus at market price based on the swap agreement. On the same day, the Bank recognised liability due to Opus as a reduction of EUR 514 million in the shareholder's equity.

Treasury shares were repurchased on 29 October 2021 on a price HUF 18,118 and on the same day the swap transaction was financially settled. As a result of the closure of the subordinated swap agreement the Bank's shareholder's equity increased by HUF 75,421 million, the Group's shareholders' equity increased by HUF 35,063 million.

Approximately 12 million pieces of treasury shares were sold to OTP SECOP I. ("OTP Special Employee Stock Ownership Program") and OTP SECOP II.

Share capital

Share capital is the portion of the Bank's equity that has been obtained by the issue of shares in the corporation to a shareholder, usually for cash.

Retained earnings

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

Other reserves

The other reserves contain separated reserves due to statutory provisions.

Option reserve

OTP Bank Plc. and MOL Plc. entered into a share swap agreement in 16 April 2009, whereby OTP has changed 24,000,000 OTP ordinary shares for 5,010,501 "A series" MOL shares. The final maturity of the share swap agreement is 11 July 2022, until which any party can initiate cash or physical settlement of the transaction. Option reserve represents the written put option over OTP ordinary shares were accounted as a deduction from equity at the date of OTP–MOL share swap transaction.

Share-based payment reserve

Share-based payment reserve represents the increase in the equity due to the goods or services were received by the Bank in an equity-settled share-based payment transaction, valued at the fair value of the goods or services received (see details in Note 40).

Other comprehensive income

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

Net investment hedge in foreign operations

Reserve presented as net investment hedge in foreign operations in the sharholders' equity is related to DSK Bank EAD, OTP banka d.d. and Crnogorska komercijalna banka a.d.

Extra reserves

The result of ICES bond issuance was presented as extra reserve, any payment to the owner of the ICES was booked as decreaseing item in the extra reserve in the consolidation books until the termination of the subordinated swap agreement related to ICES transaction as it was detailed above in this note when the whole extra reserve presented here was transferred to retained earnings.

Changes in equity accumulated in the previous year at the subsidiaries and due to consolidation

The accumulated changes at the subsidiaries contain the accumulated gains and losses of the subsidiaries from the first day when they were included in the consolidation process. The changes due to consolidation contain the effect on the result of the eliminations in the consolidation process of the previous years.

	2021	2020
Retained earnings	844,343	744,802
Capital reserve	52	52
Option reserve	(55,468)	(55,468)
Other reserves	129,208	93,569
Actuarial loss related to employee defined benefits	(471)	(513)
Fair value of financial instruments measured at fair value through other comprehensive income	11,690	61,396
Share-based payment reserve	46,162	42,573
Net investment hedge in foreign operations	(27,405)	(27,405)
Extra reserves	–	89,935
Net profit for the period	455,592	259,416
Changes in equity accumulated in the previous year at the subsidiaries and due to consolidation	1,647,642	1,424,088
Foreign currency translation differences	58,164	(3,369)
Retained earnings and other reserves	**3,109,509**	**2,629,076**

Fair value adjustment of securities at fair value through other comprehensive income	2021	2020
Balance as at 1 January	**43,958**	**50,272**
Change of fair value	(49,621)	(10,897)
Deferred tax related to change of fair value	3,035	1,403
Transfer to profit or loss due to reclassification to FVTPL securities	–	(144)
Other transfer to retained earnings	(5,070)	–
Deferred tax related to other transfer to retained earnings	457	–
Transfer to profit or loss due to derecognition	(2,547)	3,329
Deferred tax related to transfer to proft or loss	491	(472)
Foreign currency translation difference	1,644	467
Closing balance	**(7,653)**	**43,958**

Expected credit loss on securities at fair value through other comprehensive income	2021	2020
Balance as at 1 January	**6,984**	**2,927**
Increase of loss allowance	4,414	6,303
Release of loss allowance	(3,453)	(1,441)
Decrease due to sale, derecognition	(1,749)	(724)
Foreign currency translation difference	514	(81)
Closing balance	**6,710**	**6,984**

Fair value changes of equity instruments as at fair value through other comprehensive income	2021	2020
Balance as at 1 January	**10,454**	**15,115**
Change of fair value	2,465	(3,336)
Deferred tax related to change of fair value	(361)	363
Transfer to retained earnings due to derecognition	(207)	(1,746)
Foreign currency translation difference	282	58
Closing balance	**12,633**	**10,454**

Net investment hedge in foreign operations	2021	2020
Balance as at 1 January	**(27,405)**	**(18,814)**
Change of fair value on hedging item	–	(9,440)
Deferred tax related to change of fair value	–	849
Closing balance	**(27,405)**	**(27,405)**

Actuarial loss related to employee benefits	2021	2020
Balance as at 1 January	**(513)**	**(640)**
Change of actuarial loss related to employee benefits	98	126
Deferred tax related to change of actuarial loss related to employee benefits	(11)	1
Foreign currency translation difference	(45)	–
Closing balance	**(471)**	**(513)**

Foreign currency translation difference	2021	2020
Balance as at 1 January	**(3,369)**	**(72,404)**
Change of foreign currency translation	61,533	69,035
Closing balance	**58,164**	**(3,369)**

NOTE 28: TREASURY SHARES (in HUF mn)

	2021	2020
Nominal value (Ordinary shares)	1,091	2,392
Carrying value at acquisition cost	106,941	124,080

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

Change in number of shares:

	2021	2020
Number of shares as at 1 January	**23,924,900**	**17,779,845**
Additions	16,251,451	8,296,388
Disposals	(29,269,470)	(2,151,333)
Closing number of shares	**10,906,881**	**23,924,900**

Change in carrying value:

	2021	2020
Balance as at 1 January	**124,080**	**60,931**
Additions	276,433	85,922
Disposals	(293,572)	(22,773)
Closing balance	**106,941**	**124,080**

NOTE 29: NON-CONTROLLING INTEREST (in HUF mn)

	2021	2020
Balance as at 1 January	**4,116**	**4,956**
Increase due to business combination	1,041	–
Non-controlling interest included in net profit for the period	836	221
Purchase of non-controlling interest	–	(382)
Decrease due to discontinued operation	–	(235)
Foreign currency translation difference	205	(444)
Closing balance	**6,198**	**4,116**

The non-controlling interest is not significant in respect of the whole OTP Group.

NOTE 30: INTEREST INCOME, INCOME SIMILAR TO INTEREST INCOME AND EXPENSE (in HUF mn)

	2021	2020
Interest income calculated using the effective interest method from/on		
Loans	692,432	658,579
Securities at amortized cost	79,602	69,905
Finance lease receivables	59,084	54,046
Securities at fair value through other comprehensive income	49,473	44,782
Banks and balances with the National Banks	16,527	5,103
Placements with other banks	20,922	7,572
Liabilities (negative interest expense)	3,672	1,628
Repo receivables	827	286
Subtotal	**922,539**	**841,901**
Income similar to interest income from		
Swap deals related to placements with other banks	128,519	78,577
Loans mandatorily at fair value through profit or loss	40,131	28,251
Swap deals related to credit institutions	15,557	20,322
Rental income	8,964	8,363
Non-trading securities mandatorily at fair value through profit or loss	1,749	473
Subtotal	**194,920**	**135,986**
Total interest income and incomes similar to interest income	**1,117,459**	**977,887**
Interest expense due to/from/on		
Swaps related to banks, National Governments and to deposits from the National Banks	116,895	82,301
Deposits from customers	50,645	53,196
swaps related to deposits from customers	23,860	17,226
Banks, National Governments and on deposits from the National Banks	17,467	13,785
Issued securities	9,822	7,750
Subordinated and supplementary bonds and loans	7,598	7,718
financial assets (negative interest income)	7,275	5,014
Depreciation of assets subject to operating lease and investment properties	5,325	5,624
Leases	1,556	1,623
Repo liabilities	2,299	653
Other	407	326
Total interest expense	**243,149**	**195,216**

NOTE 31: LOSS ALLOWANCES/IMPAIRMENT/PROVISIONS (in HUF mn)

	2021	2020 Reclassified
Loss allowance on loans		
Loss allowance for the period	546,284	650,165
Release of loss allowance	(475,067)	(390,102)
Income from loan recoveries	(51,876)	(98,300)
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	16,289	3,262
Loss allowance on finance lease	20,694	23,807
Release of loss allowance on finance lease	(14,918)	(13,835)
	41,406	**174,997**
Loss allowance on due from banks, balances with National Banks, on placements and on repo receivables		
Allowance for the period	27,341	16,476
Release of allowance	(24,737)	(15,691)
	2,604	**785**
Loss allowance on securities at fair value through other comprehensive income and on securities at amortized cost		
Allowance for the period	11,048	13,166
Release of allowance	(7,074)	(5,857)
	3,974	**7,309**
Release of impairment of intangible, tangible assets subject to operating lease and of investment properties		
Impairment for the period	63	178
Release of impairment	(501)	(1,056)
	(438)	**(878)**
Provision for commitments and guarantees given		
Provision for the period	28,869	98,703
Release of provision	(28,770)	(90,041)
	99	**8,662**
Loss allowances/Impairment and provisions	**47,645**	**190,875**

NOTE 32: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn)

Income from fees and commissions:

	2021	2020
Fees and commissions related to lending*	**36,999**	**33,233**
Deposit and account maintenance fees and commissions	198,145	173,578
Fees and commissions related to the issued bank cards	99,766	83,474
Currency exchange gains and losses	47,843	46,290
Fees related to cash withdrawal	46,143	39,120
Fees and commissions related to security trading	30,224	25,830
Fees and commissions related to fund management	23,553	28,800
Insurance fee income	16,974	13,603
Other	54,466	42,601
Fees and commissions from contracts with customers	**517,114**	**453,296**
Total	**554,113**	**486,529**

* Such kinds of fees and commissions related to lending which aren't included in the effective interest rate calculation due to their nature.

Fee type	Nature and timing of obligation settlement, and the significant payment terms	Revenue recognition under IFRS 15
Deposit and account maintenance fees and commissions and fees related to cash withdrawal	The Group provides a number of account management services for both retail and corporate customers in which they charge a fee. Fees related to these services can be typically account transaction fees (money transfer fees, direct debit fees, money standing order fees, etc.), internet banking fees (e.g. OTPdirect fee), account control fees (e.g. sms fee), or other fees for occasional services (account statement fees, other administration fees, etc.). Fees for ongoing account management services are charged to the customer's account on a monthly basis. The fees are commonly fixed amounts that can be vary per account package and customer category. In the case of the transaction based fees where the services include money transfer the fee is charged when the transaction takes place. The rate of the fee is typically determined in a certain % of the transaction amount. In the case of other transaction-based fees (e.g. SMS fee), the fee is settled monthly. In the case of occasional services the Group basically charges the fees when the services are used by the customer. The fees can be fixed fees or they can be set in %. The rates are reviewed by the Group regularly.	Fees for ongoing account management services are charged on a monthly basis during the period when they are provided. Transaction-based fees are charged when the transaction takes place or charged monthly at the end of the month.
Fees and commission related to the issued bank cards	The Group provides a variety of bank cards to its customers, for which different fees are charged. The fees are basically charged in connection with the issuance of cards and the related card transactions. The annual fees of the cards are charged in advance in a fixed amount. The amount of the annual card fee depends on the type of card. In case of transaction-based fees (e.g. cash withdrawal/payment fee, merchant fee, interchange fee, etc.), the settlement of the fees will take place immediately after the transaction or on a monthly basis. The fee is typically determined in % of the transaction with a fixed minimum amount. For all other cases where the Group provides a continuous service to the customers (e.g. card closing fee), the fees are charged monthly. The fee is calculated in a fix amount. The rates are reviewed by the Group regularly.	Fees for ongoing services are charged on a monthly basis during the period when they are provided. Transaction-based fees are charged when the transaction takes place or charged monthly at the end of the month.
Fees and commissions related to security account management services	The Group provides its clients security account management services. Fees will be charged for account management and transactions on accounts. Account management fees are typically charged quarterly or annually. The amount is determined in %, based on the stocks of securities managed by the clients on the account in a given period. Fees for transactions on the securities account are charged immediately after the transaction. They are determined in %, based on the transaction amount. Fees for complex services provided to clients (e.g. portfolio management or custody) are typically charged monthly or annually. The fees are fixed monthly amounts and in some cases a bonus fee are charged.	Fees for ongoing services are charged quarterly or annually during the period when they are provided. The fees are accrued monthly. Transaction-based fees are charged when the transaction takes place.
Fees and commissions related to fund management	Fees from fund management services provided to investment funds and from portfolio management provided to insurance companies, funds. The fee income are calculated on the basis of net asset value of the portfolio and by the fee rates determined in the contracts about portfolio management.	Fees for ongoing services are charged usually on monthly (mutual funds) or semi-annually (venture capital funds) during the period when they are provided but accrued monthly.
Net insurance fee income	Due to the fact that the Group rarely provides insurance services to its clients, only acts as an agent, the fee income charged to the customers and fees payable to the insurance company are presented net in the fee income. In addition, agency fee charged for the sale of insurance contracts is also recorded in this line. The fee is charged on a monthly basis and determined in %.	Fees for ongoing services are charged on a monthly basis during the period when they are provided.
Other	Fees that are not significant in the Group total income are included in Other fees category. Such fees are safe lease, special procedure fee, account rent fee, fee of a copy of document, etc. Other fees may include charges for continuous services or for ad hoc administration services. Continuous fees are charged monthly (e.g., safe lease fees) at the beginning of the period, typically at a fixed rate. Fees for ad hoc services are charged immediately after the service obligation were met, usually in a fixed amount.	Fees for ongoing services are charged on a monthly basis during the period when they are provided. Fees for ad hoc services are charged when the transaction takes place.

Expense from fees and commissions:

	2021	2020
Fees and commissions related to issued bank cards	42,662	32,487
Interchange fees	22,831	18,958
Fees and commissions paid on loans	9,502	6,974
Fees and commissions related to deposits	7,467	7,000
Cash withdrawal transaction fees	4,063	3,696
Fees and commissions related to security trading	3,730	3,776
Insurance fees	1,413	1,036
Fees and commissions related to collection of loans	830	1,447
Postal fees	590	714
Money market transaction fees and commissions	281	113
Other	18,570	12,695
Total	**111,939**	**88,896**
Net profit from fees and commissions	**442,174**	**397,633**

NOTE 33: GAIN AND LOSSES BY TRANSACTIONS (in HUF mn)

	2021	2020 Reclassified
Gain by transactions	5,662	6,479
Loss by transactions	(4,808)	(4,501)
Gain from sale of loans, placements, finance lease	**854**	**1,978**
Gain by transactions	3,552	1,402
Loss by transactions	(2,521)	–
Gain from derecognition of securities at amortized cost	**1,031**	**1,402**
Gain from derecognition of financial assets at amortized cost, net	**1,885**	**3,380**

Foreign exchange result consists revaluation difference from converting assets and liabilities in foreign currencies into the presentation currency of the consolidation financial statements.

	2021	2020 Reclassified
Gain by transactions	9,553	4,855
Loss by transactions	(4,537)	(2,110)
Fx gain on securities at fair value through profit or loss	**5,016**	**2,745**
Gain by transactions	2,405	–
Loss by transactions	(1,889)	–
Fx gain on derecognition of investment in subsidiaries, associates	**516**	**–**
Gain by transactions	10,505	8,831
Loss by transactions	(13,092)	(6,506)
Fx (loss)/gain on securities at fair value through other comprehensive income	**(2,587)**	**2,325**
Gain by transactions	2,847	10,486
Loss by transactions	(232)	(8,091)
Fx gain on other securities	**2,615**	**2,395**
Gains on securities, net	**5,560**	**7,465**

	2021	2020 Reclassified
Gain by transactions	5,835	14,781
Loss by transactions	(1,023)	(7,542)
Gain on non-trading securities mandatorily at fair value through profit or loss	**4,812**	**7,239**
Gain by transactions	36,591	999
Loss by transactions	(44,346)	(2,125)
Loss on loans mandatorily at fair value through profit or loss (adjustment resulting from change in market factors)	**(7,755)**	**(1,126)**
Gain by transactions	2,868	–
Loss by transactions	(457)	(1,270)
Gain/(Loss) on financial assets and liabilities designated at fair value through profit or loss	**2,411**	**(1,270)**
Fair value adjustment on financial instruments measured at fair value through profit or loss	**(532)**	**4,843**

	2021	2020 Reclassified
Gain by transactions	74,582	63,574
Loss by transactions	(64,034)	(52,890)
Gain from FX-swap, swap and option deals	**10,548**	**10,684**
Gain by transactions	2,684	619
Loss by transactions	(3,005)	(50)
(Loss)/Gain from option deals	**(321)**	**569**
Gain by transactions	94,639	5,237
Loss by transactions	(95,794)	(5,264)
Loss from commodities deals	**(1,155)**	**(27)**
Gain by transactions	745	155
Loss by transactions	(3,019)	(41)
(Loss)/Gain from futures deals	**(2,274)**	**114**
Gain on derivative instruments, net	**6,798**	**11,340**

NOTE 34: OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn)

	2021	2020
Other operating income		
Income from agricultural activity	42,526	–
Income from tourism activity	8,588	–
Gains on transactions related to property activities	6,424	3,631
Rental income	2,132	1,835
Income from computer programming	1,113	1,529
Fair value adjustment of biological assets and agricultural produce	(2,551)	–
Income from real estate management	–	1,092
Gains on transactions related to insurance activity	657	721
Non-repayable assets received	165	65
Negative goodwill due to acquisition	31	7,504
Other income from non-financial activities	22,243	17,084
Total	**81,328**	**33,461**
Other operating expenses		
Expense related to agricultural activity	30,392	–
Provision for off-balance sheet commitments and contingent liabilities	11,395	6,336
Financial support for sport association and organization of public utility	11,111	12,080
Expenses related to tourism activity	7,928	
Loss allowance and loan losses on other financial assets	2,624	6,036
Expenses from losses due to foreign currency loan conversion at foreign subsidiaries	949	224
Impairment/(Release of impairment) on investments*	6,640	(381)
Non-repayable assets contributed	881	688
Impairment on tangible and intangible assets	2,967	51
(Release of impairment)/Impairment, loan losses on other non-financial assets and assets measured under IAS 2	(638)	1,537
Release of provision due to foreign currency loan conversion at foreign subsidiaries	(638)	(206)
Other	12,121	13,082
Other expenses from non-financial activities	*5,613*	*5,576*
Other costs	*6,508*	*7,506*
Total	**85,732**	**39,447**
Other administrative expenses		
Personnel expenses		
Wages	271,497	242,970
Taxes related to personnel expenses	44,049	42,576
Other personnel expenses	25,138	23,096
Subtotal	**340,684**	**308,642**
Depreciation, amortization of tangible, intangible assets, right-of-use assets and goodwill impairment**	**94,996**	**92,761**
Other general expenses		
Taxes, other than income tax***	93,678	84,317
Services	113,400	105,384
Professional fees	21,775	17,583
Fees payable to authorities and other fees	44,113	44,542
Advertising	19,457	17,913
Administration expenses	14,662	15,100
Rental fees	4,847	4,883
Subtotal	**311,932**	**289,722**
Total	**747,612**	**691,125**

* See details in Note 12.

** See details in Note 13 and Note 36.

*** Special tax of financial institutions was paid by the Group in the amount of HUF 19,652 million for the year 2021 and HUF 17,665 million for the year 2020, recognized as an expense thus decreased the corporate tax base. For the year ended 31 December 2021 financial transaction duty was paid by the Bank in the amount of HUF 68 billion while for the year ended 31 December 2020 the same dutiy was HUF 60 billion.

The table below contains the detailing of the fees for audit and non-audit services:

Ernst & Young Audit Ltd.	2021 in thousand EUR
OTP – annual audit – separate financial statements	458
OTP – annual audit – consolidated financial statements	659
Other audit services based on statutory provisions to OTP Group members	1,050
Other services providing assurance	1,575
Other non-audit services	316
Total	**4,058**

Ernst & Young Network	2021 in thousand EUR
Audit based on statutory provisions	1,788
Other services providing assurance	–
Tax consulting services	29
Other non-audit services	209
Total	**2,026**

NOTE 35: INCOME TAXES (in HUF mn)

The Group is presently liable for income tax at rates between 9% and 35% of taxable income.

Deferred tax is calculated at the income tax rate of 9% in Hungary and Montenegro, 10% in Bulgaria, 12% in Moldova, 12.5% in Cyprus, 15% in Serbia and Albania, 16% in Romania, 18% in Ukraine and Croatia, 19% in Slovenia, 20% in Russia, 25.5% in the Netherlands and 35% in Malta.

The breakdown of the income tax expense is:

	2021	2020 Reclassified
Current tax expense	65,692	42,085
Deferred tax expense	6,431	1,833
Total	**72,123**	**43,918**

A reconciliation of the net deferred tax asset/liability is as follows:

	2021	2020
Balance as at 1 January	**(3,673)**	**(2,652)**
Deferred tax expense in profit or loss	(6,431)	(1,833)
Deferred tax receivable related to items recognized directly in equity and in Comprehensive Income	1,294	3,555
Due to merge of subsidiary	–	(919)
Due to acquisition of subsidiary	(737)	–
Foreign currency translation difference	611	(1,824)
Closing balance	**(8,936)**	**(3,673)**

A breakdown of the deferred tax assets are as follows:

	2021	2020
Loss allowance on granted loans	8,244	9,048
Provision for off-balance sheet commitments and contingent liabilities, derivative financial instruments	7,688	6,469
Securities at amortized cost	9	4,394
Difference in depreciation of tangible assets	3,636	3,323
Fair value adjustment of non-trading instruments mandatorily at fair value though profit or loss	256	2,053
Fair value adjustment of derivative financial instruments	992	1,302
Provision on other financial, non-financial liabilities	1,073	1,091
Difference in accounting for leases	999	801
Fair value adjustment of securities at fair value through other comprehensive income	202	–
Unused tax allowance	–	1,552
Loss allowance/impairment on other financial, non-financial assets	2,427	1,824
Tax accrual caused by negative taxable income	152	237
Loss allowance on investment (goodwill)	77	71
Fair value adjustment of securities at fair value through profit or loss	95	9
Amounts unenforceable by tax law	–	247
Other	4,198	5,238
Deferred tax asset	**30,048**	**37,659**

A breakdown of the deferred tax liabilities are as follows:

	2021	2020
Difference in depreciation of tangible assets	(10,245)	(8,115)
Fair value adjustment of securities at fair value through other comprehensive income	(6,569)	(2,779)
Fair value adjustment of securities at fair value through profit or loss	(2,781)	(9,053)
Loss allowance on investment (goodwill)	(1,142)	(769)
Fair value adjustment of non-trading instruments mandatorily at fair value though profit or loss	–	(233)
Securities at amortized cost	(210)	–
Provision for off-balance sheet commitments and contingent liabilities, derivative financial instruments	(559)	(630)
Loss allowance on granted loans	(944)	(450)
Interbank placements and receivables	(491)	(322)
Fair value adjustment of derivative financial instruments	(214)	(317)
Amounts unenforceable by tax law	–	(102)
Loss allowance/impairment on other financial, non-financial assets	(2,261)	(82)
Repurchase agreement and security lending	–	(1)
Provision on other financial, non-financial liabilities	(1,875)	(1)
Other	(11,693)	(18,478)
Deferred tax liabilities	**(38,984)**	**(41,332)**
Net deferred tax liability (amounts presented in the consolidated statement of financial position)	**(8,936)**	**(3,673)**
Deferred tax assets	15,109	22,317
Deferred tax liabilities	(24,045)	(25,990)

Among deferred tax assets the tax accruals are included the following accruals by entities:

Tax accrual caused by negative taxable income	2021	2020	Date until it can be used
Merkantil Bank Ltd.	40	181	31/12/2030
OTP Real Estate Leasing Ltd.	55	56	31/12/2030
Nagisz Ltd.	57	–	31/12/2030
	152	**237**	

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

	2021	2020 Reclassified
Profit before income tax	528,435	297,964
Income tax expense at statutory tax rates	68,823	36,847
Income tax adjustments due to permanent differences are as follows:		
Deferred use of tax allowance	(8)	(1,039)
Tax effect of transaction costs related to share-based payment recognized directly in shareholders' equity	323	305
Correction on tax basis due to change of accounting policy	–	230
Permanent differences from unused tax losses	(103)	(167)
Amounts unenforceable by tax law	(846)	(38)
Use of tax allowance in the current year	(4,036)	(2,023)
Other	(11,250)	(6,739)
Income tax expense	**52,903**	**27,376**
Effective tax rate	**10.01%**	**9.19%**
Business tax and innovation contribution	**19,220**	**16,542**
Total income tax expense	**72,123**	**43,918**
Net current tax (liability)/asset(amounts presented in the consolidated statement of financial position)	**(6,603)**	**9,643**
Current income tax receivables	**29,978**	**39,171**
Current income tax payable	**(36,581)**	**(29,528)**

NOTE 36: LEASES (in HUF mn)

The Group as a lessee

Right-of-use assets by class of underlying assets:

As at 31 December 2021:

	Property	Office equipment and vehicles	Total
Depreciation expense of right-of-use assets	15,710	355	**16,065**
Additions to right-of-use assets	13,915	245	**14,160**
Carrying amount of right-of-use assets at the end of the reporting period	50,265	461	**50,726**

As at 31 December 2020:

	Property	Office equipment and vehicles	Total
Depreciation expense of right-of-use assets	15,933	514	**16,447**
Additions to right-of-use assets	17,999	250	**18,249**
Carrying amount of right-of-use assets at the end of the reporting period	45,642	641	**46,283**

The total cash outflow for leases was HUF 19,663 million as at 31 December 2021 and HUF 23,028 million as at 31 December 2020.

The Group mainly leases real estate, a significant part of its right-of-use assets are related to branch offices, a smaller part to office buildings and office space.

Leasing liabilities by maturities:

	2021	2020
Within one year	11,761	10,937
Over one year	41,525	37,514
Total	**53,286**	**48,451**

Lease liabilities by payments:

	2021	2020
Arising from fixed lease payments	36,047	35,018
Arising from variable lease payments	17,239	13,433
Total	**53,286**	**48,451**

On 31 December 2021 and 2020 HUF 123 million and HUF 126 million is the lease payment respectively to be paid in the future due to leases not yet commenced to which the Group is committed. The future lease payment not taken into account would be HUF 4,041 million arising from extension options if they had been taken into account.

The most typical indexes/rates on which the variable lease payments depend are: Consumer Price Index, Inflation Rate, BUBOR, EURIBOR.

Amounts recognised in profit and loss:

	2021	2020
Interest expense on lease liabilities	1,556	1,623
Expense relating to short-term leases	3,885	3,857
Expense relating to leases of low value assets	694	721
Expense relating to variable lease payments not included in the measurement of lease liabilities	–	2
Income from subleasing right-of-use assets	11	405
Gains or losses arising from sale and leaseback transactions	–	–

The Group as a lessor

The Group's leasing activities are most significant in Hungary, Bulgaria, Slovenia, Ukraine and Croatia. The main activity of the leasing companies is finance leasing. About half of the underlying assets are passenger cars, besides this the Group leases mainly agricultural machinery, commercial vehicles, vessels and construction machinery. The Group manages the risk associated with the rights held in the underlying assets by, inter alia, buy-back agreements, determining the residual values on level lower than future market values and registering pledge on the underlying asset.

The Group as a lessor, finance lease

Amounts receivable under finance leases:

	2021	2020
In less than 1 year	469,646	410,639
Between 1 and 2 years	332,360	298,354
Between 2 and 3 years	241,217	211,257
Between 3 and 4 years	159,306	127,052
Between 4 and 5 years	90,548	71,428
More than 5 years	60,000	44,473
Total receivables from undiscounted lease payments	**1,353,077**	**1,163,203**
Unguaranteed residual values	692	796
Gross investment in the lease	**1,353,769**	**1,163,999**
Less: unearned finance income	(141,138)	(88,257)
Present value of minimum lease payments receivable	**1,212,631**	**1,075,742**
Loss allowance	(30,003)	(24,602)
Net investment in the lease	**1,182,628**	**1,051,140**

An analysis of the change in the gross values on finance receivables is as follows:

	2021	2020
Balance as at 1 January	**1,075,742**	**982,853**
Additions due to new contracts	656,055	372,664
Additions due to interest income and amortized fees	64,168	54,110
Decrease due to write-off	(543)	(349)
Decrease due to repossession of the asset	(3,174)	(4,422)
Decrease due to sale	(3,864)	(3,924)
Decrease due to early repayment	(59,246)	(52,703)
Decrease due to regular lease payment	(530,157)	(328,357)
Foreign currency translation difference	13,650	55,870
Closing balance	**1,212,631**	**1,075,742**

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

	2021	2020
Balance as at 1 January	**24,602**	**13,590**
Loss allowance for the period	20,694	23,807
Release of loss allowance	(14,918)	(13,240)
Use of loss allowance	(257)	(21)
Partial write-off	–	(50)
Decrease due to sale	(513)	–
Foreign currency translation difference	395	516
Closing balance	**30,003**	**24,602**

Result from finance leases:

	2021	2020
Selling profit or loss	325	249
Finance income on the net investment in the lease	59,084	54,046
Income relating to variable lease payments not included in the measurement of the net investment in the lease	–	–

The Group as a lessor, operating lease

Amounts receivable under operating leases:

	2021	2020
In less than 1 year	10,383	11,285
Between 1 and 2 years	5,172	8,634
Between 2 and 3 years	3,527	4,856
Between 3 and 4 years	2,704	2,692
Between 4 and 5 years	2,019	1,653
More than 5 years	904	20
Total receivables from undiscounted lease payments	**24,709**	**29,140**

Result from operating leases:

	2021	2020
Lease income	10,791	9,861
Therein lease income relating to variable lease payments that do not depend on an index or a rate	–	–

NOTE 37: FINANCIAL RISK MANAGEMENT (in HUF mn)

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
Financial instruments may result in certain risks to the Group. The most significant risks the Group faces include:

37.1 Credit risk

The Group takes on exposure to credit risk which is the risk that a counter-party will be unable to pay amounts in full when due.
The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or banks of borrowers, and to geographical areas and loan types. Such risks are monitored on a periodical basis and are subject to an annual or more frequent review. The exposure to any borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is managed by obtaining collateral, corporate and personal guarantees.

Defining the expected credit loss on individual and collective basis

On individual basis:
Individually assessed are the non-retail or non- micro- and small enterprise exposure of significant amount on a stand-alone basis:
- exposure in stage 3,
- exposure in workout management,
- purchased or originated credit-impaired instruments which are in accordance with the conditions mentioned above.

The calculation of impairment must be prepared and approved by the risk management functional areas. The calculation, all relevant factors (amortized cost, original and current EIR, contracted and expected cash-flows (from business and/or collateral) for the individual periods of the entire lifecycle, other essential information enforced during the valuation) and the criteria thereof (including the factors underlying the classification as stage 3) must be documented individually.

The expected credit loss of the exposure equals the difference of the items' AC (gross book value) on the valuation date and the present value of the receivable's expected cash-flows discounted to the valuation date by the exposure's original effective interest rate (EIR) (calculated at the initial recognition, or in the case of variable rate, recalculated due to the last interest rate change). The estimation of the expected future cash-flows should be forward looking, it must also contain the effects of the possible change of macroeconomic outlook.
At least two scenarios must be used for the estimation of the expected cash-flow. It should be at least one scenario in which the entity anticipates that realized cash-flows will be significantly different from the contractual cash-flows. Probability weights must be allocated to the individual scenarios.
The estimation must reflect the probability of the occurrence and non-occurrence of the credit loss, even if the most probable result is the non-occurrence of the loss.

On collective basis:
The following exposures are subject to collective assessment:
- retail exposure irrespective of the amount,
- micro and small enterprise exposures irrespective of the amount,

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

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

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

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

At least on a yearly basis the impairment parameters should be back tested as well.

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

37.1.1 Financial instruments by stages

Gross carrying amount and accumulated loss allowance of financial assets at amortized cost and of interest bearing securities at fair value through other comprehensive income and financial commitments and provision on them by stages:

As at 31 December 2021:

	Carrying amount/	Gross carrying amount/Notinal value					Accumulated loss allowance/Provision				
	Exposure	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Placements with other banks	**1,584,861**	1,587,827	–	28	–	**1,587,855**	2,966	–	28	–	**2,994**
Repo receivables	**61,052**	61,342	–	–	–	**61,342**	290	–	–	–	**290**
Mortgage loans	**3,822,426**	3,173,491	559,939	178,066	57,988	**3,969,484**	10,450	25,590	84,937	26,081	**147,058**
Loans to medium and large corporates	**5,294,170**	4,680,180	657,586	158,773	24,117	**5,520,656**	51,724	69,724	98,017	7,021	**226,486**
Consumer loans	**2,963,112**	2,585,014	422,975	356,485	12,856	**3,377,330**	49,104	84,158	274,098	6,858	**414,218**
Loans to micro and small enterprises	**500,991**	412,247	76,131	54,458	2,339	**545,175**	4,751	9,707	28,351	1,375	**44,184**
Car-finance loans	**446,341**	370,790	79,965	9,675	2,452	**462,882**	2,988	4,978	6,508	2,067	**16,541**
Municipal loans	**466,143**	444,944	23,890	816	–	**469,650**	1,372	1,475	660	–	**3,507**
Loans at amortized cost	***13,493,183***	***11,666,666***	***1,820,486***	***758,273***	***99,752***	***14,345,177***	***120,389***	***195,632***	***492,571***	***43,402***	***851,994***
Finance lease receivable	**1,182,628**	959,361	210,955	41,944	371	**1,212,631**	4,432	11,140	14,243	188	**30,003**
Interest bearing securities at fair value through other comprehensive income*	**2,189,534**	2,187,835	1,699	–	–	**2,189,534**	6,566	144	–	–	**6,710**
Securities at amortized cost	**3,891,335**	3,879,749	20,699	–	–	**3,900,448**	7,789	1,324	–	–	**9,113**
Financial assets total	**22,402,593**	**20,342,780**	**2,053,839**	**800,245**	**100,123**	**23,296,987**	**142,432**	**208,240**	**506,842**	**43,590**	**901,104**
Loan commitments given	3,776,768	3,665,153	128,603	14,805	211	**3,808,772**	20,539	7,482	3,961	22	**32,004**
Financial guarantees given	913,038	887,585	35,648	4,568	7	**927,808**	11,814	1,408	1,542	6	**14,770**
Other commitments given	1,174,462	1,127,354	44,064	8,260	–	**1,179,678**	3,170	1,140	906	–	**5,216**
Financial liabilities total	**5,864,268**	**5,680,092**	**208,315**	**27,633**	**218**	**5,916,258**	**35,523**	**10,030**	**6,409**	**28**	**51,990**

As at 31 December 2020:

	Carrying amount/	Gross carrying amount/Notinal value					Accumulated loss allowance/Provision				
	Exposure	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Placements with other banks	**1,148,743**	1,150,113	1	118	–	**1,150,232**	1,377	1	111	–	**1,489**
Repo receivables	**190,849**	191,141	–	–	–	**191,141**	292	–	–	–	**292**
Mortgage loans	**3,311,651**	2,729,387	522,312	174,137	70,809	**3,496,645**	10,486	29,970	101,972	42,566	**184,994**
Loans to medium and large corporates	**4,342,003**	3,758,377	604,480	167,402	31,744	**4,562,003**	43,544	67,479	98,800	10,177	**220,000**
Consumer loans	**2,689,621**	2,317,004	397,170	318,448	13,988	**3,046,610**	42,050	75,111	232,138	7,690	**356,989**
Loans to micro and small enterprises	**521,578**	391,810	141,197	34,721	4,105	**571,833**	5,671	17,982	24,654	1,948	**50,255**
Car-finance loans	**362,425**	292,973	71,576	8,370	3,219	**376,138**	1,732	3,746	5,735	2,500	**13,713**
Municipal loans	**447,564**	445,039	5,501	616	–	**451,156**	2,668	653	271	–	**3,592**
Loans at amortized cost	***11,674,842***	***9,934,590***	***1,742,236***	***703,694***	***123,865***	***12,504,385***	***106,151***	***194,941***	***463,570***	***64,881***	***829,543***
Finance lease receivable	**1,051,140**	857,452	183,719	33,606	965	**1,075,742**	4,141	8,103	12,188	170	**24,602**
Interest bearing securities at fair value through other comprehensive income*	**2,101,384**	2,099,713	1,671	–	–	**2,101,384**	6,856	128	–	–	**6,984**
Securities at amortized cost	**2,624,920**	2,629,778	–	799	–	**2,630,577**	4,858	–	799	–	**5,657**
Financial assets total	**18,791,878**	**16,862,787**	**1,927,627**	**738,217**	**124,830**	**19,653,461**	**123,675**	**203,173**	**476,668**	**65,051**	**868,567**
Loan commitments given	3,151,051	3,034,782	141,527	5,827	–	**3,182,136**	19,914	8,632	2,539	–	**31,085**
Financial guarantees given	796,961	777,513	28,646	5,065	–	**811,224**	10,044	1,450	2,769	–	**14,263**
Other commitments given	954,544	931,515	28,214	4,277	–	**964,006**	7,339	973	1,150	–	**9,462**
Financial liabilities total	**4,902,556**	**4,743,810**	**198,387**	**15,169**	**–**	**4,957,366**	**37,297**	**11,055**	**6,458**	**–**	**54,810**

* Interest bearing securities at fair value through other comprehensive income are recognized in the Consolidated statement of financial position as at fair value (see in Note 9).
Loss allowances for securities at fair value through other comprehensive income that are in Stage 1 and/or in Stage 2 is recognized in the Other comprehensive income.
It is included in the accumulated loss allowance of this table showed above.

37.1.2 Movement table of loss allowance/provision on financial instruments

Movement of loss allowance on financial assets at amortized cost and on interest bearing securities at fair value through other comprehensive income and of provision of financial commitments:

As at 31 December 2021:

	Opening balance	Modification	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between stages (net)	Changes due to change in credit risk (net)	Changes due to modifications without derecognition (net)	Decrease in loss allowance account due to write-offs	Other adjustments	Closing balance
Stage 1	**123,675**	**–**	**141,894**	**(37,619)**	**(103,930)**	**25,663**	**(4,885)**	**(102)**	**(2,264)**	**142,432**
Placements with other banks	1,377	–	24,635	(4,383)	–	(18,854)	–	–	191	**2,966**
Repo receivables	292	–	667	–	–	(669)	–	–	–	**290**
Loans at amortized cost	106,151	–	109,970	(29,761)	(91,303)	33,215	(4,442)	(102)	(3,339)	**120,389**
Finance lease receivables	4,141	–	2,643	(255)	(12,106)	10,426	(443)	–	26	**4,432**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	11,714	–	3,979	(3,220)	(521)	1,545	–	–	858	**14,355**
Stage 2	**203,173**	**–**	**29,705**	**(21,813)**	**9,826**	**(27,800)**	**8,202**	**(498)**	**7,445**	**208,240**
Placements with other banks	1	–	–	–	–	–	–	(1)	–	**–**
Repo receivables	–	–	–	–	–	–	–	–	–	**–**
Loans at amortized cost	194,941	(1,281)	26,947	(21,200)	3,766	(23,004)	8,550	(497)	7,410	**195,632**
Finance lease receivables	8,103	–	2,696	(613)	5,539	(4,229)	(348)		(8)	**11,140**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	128	1,281	62	–	521	(567)	–	–	43	**1,468**
Stage 3	**476,668**	**–**	**19,133**	**(44,871)**	**94,104**	**21,425**	**8,856**	**(69,523)**	**1,050**	**506,842**
Placements with other banks	111	–	–	–	–	46	–	(240)	111	**28**
Repo receivables	–	–	–	–	–	–	–	–	–	**–**
Loans at amortized cost	463,570	–	17,649	(43,539)	87,537	25,360	9,852	(67,453)	(405)	**492,571**
Finance lease receivables	12,188	–	1,484	(1,332)	6,567	(3,981)	(996)	(1,022)	1,335	**14,243**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	799	–	–	–	–	–	–	(808)	9	**–**
Loss allowance on financial assets subtotal	**803,516**	**–**	**190,732**	**(104,303)**	**–**	**19,288**	**12,173**	**(70,123)**	**6,231**	**857,514**
POCI	**65,051**	**–**	**–**	**(2,929)**	**–**	**(17,138)**	**(129)**	**(4,370)**	**3,105**	**43,590**
Placements with other banks	–	–	–	(2,929)	–	6,004	(129)	(4,370)	1,424	**–**
Repo receivables	–	–	–	–	–	–	–	–	–	**–**
Loans at amortized cost	64,881	–	–	–	–	(23,142)	–	–	1,663	**43,402**
Finance lease receivables	170	–	–	–	–	–	–	–	18	**188**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	–	–	–	–	–	–	–	–	–	**–**
Loss allowance on financial assets total	**868,567**	**–**	**190,652**	**(90,565)**	**–**	**2,150**	**12,044**	**(74,493)**	**(7,251)**	**901,104**
Loan commitments and financial guarantees given – stage 1	37,297	–	23,514	(5,522)	1,446	(20,069)	(1,031)	–	(112)	**35,523**
Loan commitments and financial guarantees given – stage 2	11,055	–	3,804	(791)	(2,173)	(2,216)	436	–	(85)	**10,030**
Loan commitments and financial guarantees given – stage 3	6,458	–	932	(1,337)	727	196	(65)	–	(502)	**6,409**
Loan commitments and financial guarantees given – POCI	–	–	31	(4)	–	3	(1)	–	(1)	**28**
Provision on financial liabilities total	**54,810**	**–**	**28,281**	**(7,654)**	**–**	**(22,086)**	**(661)**	**–**	**(700)**	**51,990**

As at 31 December 2020:

	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Transfers between stages (net)	Changes due to change in credit risk (net)	Changes due to modifications without derecognition (net)	Decrease in loss allowance account due to write-offs	Other adjustments	Closing balance
Stage 1	**119,180**	**141,735**	**(42,569)**	**(185,201)**	**84,111**	**(4,294)**	**(56)**	**10,769**	**123,675**
Placements with other banks	451	10,430	(263)	–	(12,805)	–	–	3,564	**1,377**
Repo receivables	62	306	–	–	(76)	–	–	–	**292**
Loans at amortized cost	109,921	125,137	(40,604)	(183,599)	92,372	(4,132)	(55)	7,111	**106,151**
Finance lease receivables	3,805	1,884	(739)	(1,602)	1,034	(162)	(1)	(78)	**4,141**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	4,941	3,978	(963)	–	3,586	–	–	172	**11,714**
Stage 2	**68,778**	**57,383**	**(15,678)**	**83,013**	**3,297**	**6,130**	**(98)**	**348**	**203,173**
Placements with other banks	5	–	–	–	–	–	–	(4)	**1**
Repo receivables	–	–	–	–	–	–	–	–	**–**
Loans at amortized cost	66,390	53,445	(15,537)	81,777	2,802	6,208	(98)	(46)	**194,941**
Finance lease receivables	2,383	3,938	(141)	1,236	367	(78)	–	398	**8,103**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	–	–	–	–	128	–	–	–	**128**
Stage 3	**464,313**	**119,894**	**(99,345)**	**99,117**	**(15,385)**	**364**	**(92,476)**	**186**	**476,668**
Placements with other banks	22	–	–	–	45	–	–	44	**111**
Repo receivables	–	–	–	–	–	–	–	–	**–**
Loans at amortized cost	456,246	117,198	(98,810)	98,813	(15,913)	373	(92,226)	(2,111)	**463,570**
Finance lease receivables	7,320	2,696	(535)	304	483	(9)	(250)	2,179	**12,188**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	725	–	–	–	–	–	–	74	**799**
Loss allowance on financial assets subtotal	**652,271**	**319,012**	**(157,592)**	**(3,071)**	**72,023**	**2,200**	**(92,630)**	**11,303**	**803,516**
POCI	**51,844**	**16,933**	**(11,752)**	**3,071**	**1,527**	**489**	**(735)**	**3,674**	**65,051**
Placements with other banks	–	–	–	–	–	–	–	–	**–**
Repo receivables	–	–	–	–	–	–	–	–	**–**
Loans at amortized cost	51,762	16,933	(11,752)	3,009	1,501	489	(735)	3,674	**64,881**
Finance lease receivables	82	–	–	62	26	–	–	–	**170**
Interest bearing securities at fair value through other comprehensive income and securities at amortized cost	–	–	–	–	–	–	–	–	**–**
Loss allowance on financial assets total	**704,115**	**335,945**	**(169,344)**	**–**	**73,550**	**2,689**	**(93,365)**	**14,977**	**868,567**
Loan commitments and financial guarantees given – stage 1	36,497	20,712	(2,118)	(900)	(15,344)	(453)	(1,785)	688	**37,297**
Loan commitments and financial guarantees given – stage 2	2,728	3,984	(458)	351	4,474	237	–	(261)	**11,055**
Loan commitments and financial guarantees given – stage 3	7,508	1,071	(570)	549	(3,545)	257	–	1,188	**6,458**
Provision on financial liabilities total	**46,733**	**25,767**	**(3,146)**	**–**	**(14,415)**	**41**	**(1,785)**	**1,615**	**54,810**

37.1.3 Loan portfolio by internal ratings

Internal rating grade	Gross carrying amount				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Low risk grade (1–4)	7,644,341	631,138	–	2,921	**8,278,400**
Medium risk grade (5–7)	4,692,656	869,200	–	46,708	**5,608,564**
High risk grade (8–9)	289,030	526,928	–	2,563	**818,521**
Non performing	–	4,175	800,217	47,931	**852,323**
Total loans at amortized cost and finance lease receivable	**12,626,027**	**2,031,441**	**800,217**	**100,123**	**15,557,808**

Internal rating grade	Accumulated loss allowance				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Low risk grade (1–4)	52,654	42,988	–	129	**95,771**
Medium risk grade (5–7)	57,421	81,894	–	13,009	**152,324**
High risk grade (8–9)	14,746	78,111	–	375	**93,232**
Non performing	–	3,779	506,814	30,077	**540,670**
Total loans at amortized cost and finance lease receivable	**124,821**	**206,772**	**506,814**	**43,590**	**881,997**

37.1.4 Loan portfolio by countries

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

Country	2021		2020	
	Gross amount of loan, finance lease receivable at amortized cost, placement with other banks and repo receivable portfolio	Loss allowance	Gross amount of loan, finance lease receivable at amortized cost, placement with other banks and repo receivable portfolio	Loss allowance
Hungary	5,528,516	215,911	4,513,208	209,216
Bulgaria	2,972,390	206,233	2,722,998	202,018
Croatia	1,826,233	101,067	1,663,534	101,640
Serbia	1,729,147	47,085	1,557,129	48,429
Romania	1,076,696	57,665	915,030	52,016
Slovenia	981,307	16,244	905,881	14,022
Russia	812,070	137,920	626,269	133,293
Ukraine	684,030	52,678	449,503	50,393
Montenegro	385,342	24,930	376,351	23,440
France	182,850	725	231,122	645
Albania	233,391	10,551	185,711	8,243
Moldova	166,720	5,025	132,163	4,586
Germany	84,164	675	151,101	485
Belgium	80,434	328	49,401	119
Austria	40,426	201	54,009	58
Slovakia	80,117	319	74,614	225
The Netherlands	36,858	622	31,144	497
Switzerland	80,611	1,701	61,804	615
United Kingdom	21,209	1,763	21,692	1,282
United States of America	106,347	419	70,901	67
Luxembourg	33,251	1,271	25,062	46
Poland	19,203	239	2,006	119
Italy	10,558	239	25,614	164
Ireland	5,375	106	14,053	211
Cyprus	8,646	562	16,890	3,102
Denmark	339	16	5,817	15
Czech Republic	899	12	902	9
Canada	4,823	16	17,026	5
Australia	3,164	10	3,649	1
Greece	1,808	192	989	141
Turkey	1,810	95	1,567	93
Spain	1,095	25	996	55
Israel	1,174	15	455	5
Bosnia and Herzegovina	467	76	795	248
Sweden	810	63	536	54
Norway	334	23	7,525	39
Saudi Arabia	239	9	424	7
United Arab Emirates	532	30	388	31
Egypt	582	15	78	6
Kazakhstan	209	15	193	8
Iceland	1	–	56	56
Latvia	46	26	34	20
Other*	2,782	164	2,880	202
Total	**17,207,005**	**885,281**	**14,921,500**	**855,926**

* Other category as at 31 December 2021 mainly includes e.g.: Georgia, Japan, Saudi Arabia, Macedonia, Portugal, China, Brazil, Lithuania, Republic of South-africa, Algeria, Armenia, Belorussia, Finland, Tunisia, Morocco, South-Korea, Jordan, India, Iran, Estonia, Nigeria, Malta, Syria, Vietnam, Republic of Pakistan, Kyrgyzstan and other countries.

Loans at fair value:

Country	2021	2020
Hungary	1,067,830	798,981
Croatia	281	1,089
Bosnia-Herzegovina	–	2,535
Total	**1,068,111**	**802,605**

37.1.5 Loan portfolio classification by economic activities

Gross loan at amortized cost and finance lease receivable portfolio by economic activities	2021	2020
Retail	7,392,496	6,575,162
Agriculture, forestry and fishing	607,122	508,175
Manufacturing, mining and quarrying and other industry	1,721,170	1,436,038
Construction	593,682	481,402
Wholesale and retail trade, transportation and storage accommodation and food service activities	2,474,616	2,133,063
Information and communication	195,561	155,055
Financial and insurance activities	268,748	217,982
Real estate activities	562,227	524,665
Public administration, defence, education and support service activities	440,381	370,454
Public administration, defence, education, human health and social work activities	416,634	401,932
Other services	885,171	776,199
Total gross loans and finance lease receivable	**15,557,808**	**13,580,127**

Loss allowance on loans at amortized cost and finance lease receivable by economic activities	2021	2020
Retail	523,065	493,759
Agriculture, forestry and fishing	17,547	15,013
Manufacturing, mining and quarrying and other industry	60,054	57,804
Construction	19,382	18,170
Wholesale and retail trade, transportation and storage accommodation and food service activities	92,934	84,141
Information and communication	4,880	4,457
Financial and insurance activities	12,798	14,773
Real estate activities	20,783	24,058
Professional, scientific, technical, administration and support service activities	10,789	11,245
Public administration, defence, education, human health and social work activities	4,310	4,821
Other services	115,455	125,904
Total loss allowance on loans and finance lease receivable	**881,997**	**854,145**

37.1.6 Collateral

The values of collateral received and held by the Group by type are as follows **(total collateral).** The collateral covers loans as well as off-balance sheet exposures..

Types of collateral	2021	2020
Mortgages	13,367,891	12,346,773
Guarantees and warranties	1,296,415	178,139
Guarantees of state or organizations owned by state	1,070,479	731,529
Assignments (revenue or other receivables)	422,030	486,670
Securities	237,076	156,857
Cash deposits	187,934	163,489
Other	2,211,671	2,159,894
Total	**18,793,496**	**16,223,351**

The values of collateral received and held by the Group by type are as follows **(to the extent of the exposures).** The collaterals cover loans as well as off-balance sheet exposures.

Types of collateral	2021	2020
Mortgages	6,479,871	5,902,854
Guarantees of state or organizations owned by state	832,432	190,700
Guarantees and warranties	799,775	984,532
Assignments (revenue or other receivables)	290,066	344,716
Securities	156,715	115,269
Cash deposits	76,338	67,158
Other	1,295,740	1,244,771
Total	**9,930,937**	**8,850,000**

The coverage level of the loan portfolio (total collateral) increased by 2.74% and the coverage level to the extent of the exposures was almost the same as at 31 December 2021.

The values of collateral given and held by the Group according to which financial asset is recognized as collateral are as follows:

Financial assets as collaterals recognized in the consolidated statement of financial position	2021	2020
Cash, amounts due from banks and balances with the National Banks	15,791	–
Placements with other banks	9,590	830
Repo receivables	35,826	–
Securities at fair value through other comprehensive income	16,546	54,948
Securities at amortized cost	42,233	11,071
Loans at amortized cost	1,089,614	–
Finance lease receivables	32,553	12,561
Other financial assets	–	3,443
Total	**1,242,153**	**82,853**

37.1.7 Restructured loans

	2021		2020	
	Gross portfolio	Loss allowance	Gross portfolio	Loss allowance
Retail mortgage loans	269,700	(8,779)	15,159	(2,754)
Loans to medium and large corporations	276,796	(44,197)	58,271	(12,260)
Retail consumer loans	149,469	(32,850)	31,108	(14,714)
Loans to micro and small enterprises	57,403	(7,668)	11,782	(1,237)
Municipal	75	(8)	41	(16)
Other loans	27,092	(2,555)	4,412	(791)
Total	**780,535**	**(96,057)**	**120,773**	**(31,772)**

The forborne definition used by the Group is based on EU 2015/227 regulation.

Restructuring (forbearance) is a modification of the contract – initiated by either the client or the bank – that provides a concession or allowance towards the client in respect to the client's current or future financial difficulties. The table of restructured loans contains exposures classified as performing forborne. An exposure is considered performing forborne if the conditions of the non-performing status are not met at the time of the restructuring, or the exposure fulfilled the requirements of the minimum one-year cure period as non-performing forborne.

The significant increase of the performing forborne loan volume is due to the forborne classification rules set by the NBH executive circulars of 21 January 2021 and 25 November 2021 for loans participating in phase 2 and phase 3 of the moratoria. The loan volume classified as performing forborne exclusively due to moratoria participation is in the Group: HUF 544 bn (in OTP Core: HUF 503 bn, in OTP Bank: HUF 290 bn, in OTP Mortgage Bank Ltd.: HUF 208 bn, in OTP Building Society Ltd.: HUF 5 bn). For the affected portfolios the earliest possible exit from the forborne status is 6 months after the exit from moratorium for retail and 2 years after the exit from moratorium for corporate exposures.

37.1.8 Financial instruments by rating categories*

Securities held for trading as at fair value through profit or loss as at 31 December 2021:

	Aaa	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	B1	B3	Not rated	Total
Government bonds	–	–	–	16	–	18,747	26,024	11,282	10,156	31,306	–	–	–	**97,531**
Equity instruments and fund units	569	19	49	59	35	12	24	83	–	2	6	–	315	**1,173**
Corporate bonds	–	–	–	–	485	–	–	97	–	–	–	–	158	**740**
Discounted Treasury bills	–	–	–	–	–	–	869	–	–	–	–	54	–	**923**
Mortgage bonds	–	–	–	–	–	–	–	–	–	–		–	101	**101**
Other interest bearing securities	–	–	–	–	–	–	1,347	–	–	–	–	–	–	**1,347**
Other non-interest bearing securities	561	–	–	–	–	–	–	–	–	–	–	–	1,134	**1,695**
Total	**1,130**	**19**	**49**	**75**	**520**	**18,759**	**28,264**	**11,462**	**10,156**	**31,308**	**6**	**54**	**1,708**	**103,510**

Non-trading securities mandatorily at fair value through profit or loss as at 31 December 2021:

	Aa3	Baa3	Ba1	Not rated	Total
Non-trading equity instruments mandatorily at fair value through profit or loss	–	–	7,811	37,083	**44,894**
Non-trading debt instruments mandatorily at fair value through profit or loss	3,498	1,043	56	3,912	**8,509**
Total	**3,498**	**1,043**	**7,867**	**40,995**	**53,403**

Securities at fair value through other comprehensive income as at 31 December 2021:

	Aaa	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	B3	Caa1	Not rated	Total
Government bonds	21,728	7,849	–	17,808	28,492	99,425	203,172	495,231	372,198	188,395	162,477	–	76,732	91,487	178	–	**1,765,172**
Corporate bonds	–	–	–	–	–	2,896	–	6,152	44,606	4,144	12,630	–	–	–	–	18,091	**88,519**
Mortgage bonds	–	–	–	47,568	–	–	–	–	–	–	–	–	–	–	–	15,504	**63,072**
Discounted Treasury bills	–	–	–	–	–	–	–	44,924	–	51,701	–	–	–	–	–	–	**96,625**
National Bank of Hungary bonds	–	–	–	–	–	–	–	–	–	–	–	109,774	–	–	–	–	**109,774**
Interest bearing treasury bills	–	–	–	–	–	–	–	63,115	–	–	–	–	–	–	–	–	**63,115**
Other securities	–	–		–	–	–	–	–	–	–	–	–	–	–	–	3,257	**3,257**
Non-trading equity instruments	–	–	6,112	349	–	–	–	–	305	–	–	–	–	–	–	28,210	**34,976**
Total	**21,728**	**7,849**	**6,112**	**65,725**	**28,492**	**102,321**	**203,172**	**609,422**	**417,109**	**244,240**	**175,107**	**109,774**	**76,732**	**91,487**	**178**	**65,062**	**2,224,510**

Securities at amortized cost as at 31 December2021:

	Aaa	Aa2	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	B1	B3	Not rated	Total
Government bonds	185,261	45,392	20,043	–	31,892	172,502	2,858,111	174,929	26,544	12,617	25,587	91,423	–	**3,644,301**
Corporate bonds	–	–	–	–	–	–	–	32,013	–	–	–	–	138,862	**170,875**
Discounted Treasury bills	–	–	–	–	–	–	6	–	–	–	–	15,696	–	**15,702**
Mortgage bonds	–	–	12,992	–	–	–	–	47	–	–	–	–	11,282	**24,321**
Other securities	298	–	–	8,210	–	7,343	3,682	–	–	–	–	–	16,603	**36,136**
Total	**185,559**	**45,392**	**33,035**	**8,210**	**31,892**	**179,845**	**2,861,799**	**206,989**	**26,544**	**12,617**	**25,587**	**107,119**	**166,747**	**3,891,335**

* Moody's ratings.

Securities held for trading as at fair value through profit or loss as at 31 December 2020:

	Aaa	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	Not rated	Total
Government bonds	–	–	–	9,138	2,155	5,734	7,247	–	13,762	–	–	**38,036**
Discounted Treasury bills	–	–	–	–	–	1,233	–	–	11,428	–	60	**12,721**
Equity instruments and fund units	535	36	33	45	7	36	–	7	–	5	3,036	**3,740**
Other interest bearing securities	–	–	495	–	–	998	–	–	–	–	582	**2,075**
Total	**535**	**36**	**528**	**9,183**	**2,162**	**8,001**	**7,247**	**7**	**25,190**	**5**	**3,678**	**56,572**

Non-trading securities mandatorily at fair value through profit or loss as at 31 December 2020:

	Aa3	A1	Baa3	Not rated	Total
Non-trading equity instruments mandatorily at fair value through profit or loss	–	–	–	46,063	**46,063**
Non-trading debt instruments mandatorily at fair value through profit or loss	2,794	–	1,457	7,263	**11,514**
Debt securities designated at fair value through profit or loss	–	2,235	–	–	**2,235**
Total	**2,794**	**2,235**	**1,457**	**53,326**	**59,812**

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

	Aaa	Aa2	Aa3	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	B3	Caa1	C	Not rated	Total
Government bonds	20,639	8,215	–	37,195	120,112	192,994	–	959,133	182,685	–	200,478	18,166	69,248	145	46,124	–	**1,855,134**
Mortgage bonds	–	–	–	63,577	–	–	–	–	–	–	–	–	–	–	–	24,695	**88,272**
Corporate bonds	–	–	–	–	4,815	–	2,336	39,179	4,997	979	12,532	–	–	–	–	16,782	**81,620**
Discounted Treasury bills	–	–	–	–	–	–	–	9,957	66,401	–	–	–	–	–	–	–	**76,358**
Non-trading equity instruments	–	–	3,875	–	–	47	–	898	–	–	–	–	–	–	–	30,505	**35,325**
Total	**20,639**	**8,215**	**3,875**	**100,772**	**124,927**	**193,041**	**2,336**	**1,009,167**	**254,083**	**979**	**213,010**	**18,166**	**69,248**	**145**	**46,124**	**71,982**	**2,136,709**

Securities at amortized cost as at 31 December 2020:

	Aa2	A1	A3	Baa1	Baa3	Ba1	Ba3	B1	B3	Not rated	Total
Government bonds	45,975	10,939	38,987	38,573	2,306,821	9,922	4,147	9,961	74,743	–	**2,540,068**
Corporate bonds	–	–	–	–	14,605	10,517	–	–	–	49,372	**74,494**
Discounted Treasury bills	–	–	–	–	–	–	–	–	10,358	–	**10,358**
Total	**45,975**	**10,939**	**38,987**	**38,573**	**2,321,426**	**20,439**	**4,147**	**9,961**	**85,101**	**49,372**	**2,624,920**

37.2 Maturity analysis of assets, liabilities and liquidity risk

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

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

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

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

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

Due to the balance sheet adjustment process (deleveraging) experienced in the last few years, the liquidity reserves of the Group increased significantly while the liquidity risk exposure has decreased considerably. Currently the (over)coverage of potential liquidity risk exposure by high quality liquid assets is high. There were no material changes in the liquidity risk management process for the year ended 31 December 2021.

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

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

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

As at 31 December 2021:

	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash, amounts due from banks and balances with the National Banks	2,557,092	51	–	–	–	2,557,143
Placements with other banks, net of loss allowance for placements	1,314,523	61,455	145,180	67,764	–	1,588,922
Repo receivables	61,373	–	–	–	–	61,373
Trading securities at fair value through profit or loss	29,714	21,975	37,345	13,530	1,738	104,302
Non-trading instruments mandatorily at fair value through profit or loss	–	–	9,769	19	43,615	53,403
Securities at fair value through other comprehensive income	295,977	249,131	1,114,027	544,167	40,798	2,244,100
Securities at amortized cost	34,190	482,530	2,146,652	1,202,747	–	3,866,119
Loans at amortized cost	1,827,131	2,599,854	5,897,202	4,742,146	136,975	15,203,308
Finance lease receivable	124,074	307,745	770,154	48,636	–	1,250,609
Loans measured at fair value through profit or loss	30,164	31,662	221,069	835,014	–	1,117,909
Associates and other investments	–	–	–	–	79,736	79,736
Other financial assets*	130,133	3,244	6,265	3,270	9,804	152,716
TOTAL ASSETS	**6,404,371**	**3,757,647**	**10,347,663**	**7,457,293**	**312,666**	**28,279,640**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	332,330	173,171	704,505	366,025	–	1,576,031
Repo liabilities	79,045	–	2	–	–	79,047
Financial liabilities designated at fair value through profit or loss	530	1,253	4,421	34,980	–	41,184
Deposits from customers	19,593,347	997,565	336,246	148,580	–	21,075,738
Liabilities from issued securities	6,702	2,664	303,223	159,139	–	471,728
Leasing liabilities	3,060	9,058	27,307	15,530	–	54,955
Other financial liabilities*	465,022	26,311	10,312	674	6,235	508,554
Subordinated bonds and loans	2,886	–	7,495	269,698	–	280,079
TOTAL LIABILITIES	**20,482,922**	**1,210,022**	**1,393,511**	**994,626**	**6,235**	**24,087,316**
NET POSITION	**(14,078,551)****	**2,547,625**	**8,954,152**	**6,462,667**	**298,142**	**4,184,035**
Receivables from derivative financial instruments held for trading	4,396,050	1,993,311	302,924	151,959	–	6,844,244
Liabilities from derivative financial instruments held for trading	(4,349,598)	(1,991,763)	(296,648)	(146,398)	–	(6,784,407)
Net position of financial instruments held for trading	***46,452***	***1,548***	***6,276***	***5,561***	**–**	***59,837***
Receivables from derivative financial instruments designated as hedge accounting	5,693	37,815	580,489	16,195	–	640,192
Liabilities from derivative financial instruments designated as hedge accounting	(7,765)	(47,374)	(595,938)	(16,417)	–	(667,494)
Net position of financial instruments designated as hedge accounting	***(2,072)***	***(9,559)***	***(15,449)***	***(222)***	**–**	***(27,302)***
Net position of derivative financial instruments total	**44,380**	**(8,011)**	**(9,173)**	**5,339**	**–**	**32,535**
Commitments to extend credit	3,749,199	234,503	74,915	6,385	–	4,065,002
Bank guarantees	532,445	347,448	307,030	106,918	–	1,293,841
Confirmed letters of credit	61,124	2,937	853	163	–	65,077
Factoring loan commitment	464,341	–	–	–	–	464,341
Off-balance sheet commitments	**4,807,109**	**584,888**	**382,798**	**113,466**	**–**	**5,888,261**

* Without derivative financial instruments

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

As at 31 December 2020:

	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash, amounts due from banks and balances with the National Banks	2,370,130	36	41,471	20,675	–	2,432,312
Placements with other banks, net of loss allowance for placements	902,977	77,646	134,780	34,502	635	1,150,540
Repo receivables	191,143	–	–	–	–	191,143
Trading securities at fair value through profit or loss	14,546	16,163	15,093	8,032	777	54,611
Non-trading instruments mandatorily at fair value through profit or loss	28	–	–	9,590	42,879	52,497
Debt securities designated at fair value through profit or loss	2,235	–	–	–	–	2,235
Securities at fair value through other comprehensive income	136,746	278,017	984,596	644,612	31,688	2,075,659
Securities at amortized cost	121,993	47,251	1,577,822	819,600	–	2,566,666
Loans at amortized cost	1,720,314	2,130,394	5,190,401	4,219,165	–	13,260,274
Finance lease receivable	127,856	274,143	659,682	42,439	–	1,104,120
Loans measured at fair value through profit or loss	24,352	25,193	159,934	607,274	–	816,753
Associates and other investments	–	–	–	–	58,307	58,307
Other financial assets*	134,672	3,520	4,551	1,902	14,376	159,021
TOTAL ASSETS	**5,746,992**	**2,852,363**	**8,768,330**	**6,407,791**	**148,662**	**23,924,138**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	165,619	86,991	695,707	254,897	–	1,203,214
Repo liabilities	8,379	–	109,612	–	–	117,991
Financial liabilities designated at fair value through profit or loss	3,159	1,421	8,350	21,201	–	34,131
Deposits from customers	15,065,456	2,300,365	305,074	221,028	–	17,891,923
Liabilities from issued securities	1,971	130,445	269,133	65,841	–	467,390
Leasing liabilities	2,859	8,163	27,776	11,169	–	49,967
Other financial liabilities*	374,525	19,447	3,239	89	10,496	407,796
Subordinated bonds and loans	2,843	–	6,838	267,083	–	276,764
TOTAL LIABILITIES	**15,624,811**	**2,546,832**	**1,425,729**	**841,308**	**10,496**	**20,449,176**
NET POSITION	**(9,877,819)****	**305,531**	**7,342,601**	**5,566,483**	**138,166**	**3,474,962**
Receivables from derivative financial instruments held for trading	594,663	3,080,660	532,012	246,922	–	4,454,257
Liabilities from derivative financial instruments held for trading	(473,510)	(3,302,801)	(441,330)	(200,525)	(31)	(4,418,197)
Net position of financial instruments held for trading	***121,153***	***(222,141)***	***90,682***	***46,397***	***(31)***	***36,060***
Receivables from derivative financial instruments designated as hedge accounting	186	8,082	169,339	173,109	–	350,716
Liabilities from derivative financial instruments designated as hedge accounting	(41,382)	(118,914)	(468,378)	(88,720)	–	(717,394)
Net position of financial instruments designated as hedge accounting	***(41,196)***	***(110,832)***	***(299,039)***	***84,389***	***–***	***(366,678)***
Net position of derivative financial instruments total	**79,957**	**(332,973)**	**(208,357)**	**130,786**	**(31)**	**(330,618)**
Commitments to extend credit	2,375,279	609,431	350,195	85,813	–	3,420,718
Bank guarantees	225,440	280,625	416,293	137,739	99,602	1,159,699
Confirmed letters of credit	13,670	8,916	1,476	11,377	276	35,715
Factoring loan commitment	305,269	–	–	–	–	305,269
Off-balance sheet commitments	**2,919,658**	**898,972**	**767,964**	**234,929**	**99,878**	**4,921,401**

* Without derivative financial instruments

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

37.3 Net foreign currency position and foreign currency risk

As at 31 December 2021:

	USD	EUR	CHF	Other	Total
Assets	1,163,960	7,661,460	88,639	7,677,060	16,591,119
Liabilities	(1,013,972)	(6,769,472)	(107,902)	(5,971,941)	(13,863,287)
Derivative financial instruments	(186,774)	(371,225)	32,021	(101,951)	(627,929)
Net position	**(36,786)**	**520,763**	**12,758**	**1,603,168**	**2,099,903**

As at 31 December 2020:

	USD	EUR	CHF	Other	Total
Assets	717,819	7,003,090	73,344	6,435,309	14,229,562
Liabilities	(878,916)	(5,926,666)	(87,551)	(5,195,693)	(12,088,826)
Derivative financial instruments	259,993	(921,666)	32,905	(147,436)	(776,204)
Net position	**98,896**	**154,758**	**18,698**	**1,092,180**	**1,364,532**

The table above provides an analysis of the main foreign currency exposures of the Group that arise in the non-functional currency of the entities constituting the Group. The remaining foreign currencies are shown within 'Others'. 'Others' category contains mainly foreign currencies in RON, RSD, HRK, UAH, RUB, BGN, ALL and MDL. The Group monitors its foreign exchange position for compliance with the regulatory requirements of the National Banks and its own limit system established in respect of limits on open positions. The measurement of the open foreign currency position of the Group involves monitoring the "VaR" limit on the foreign exchange exposure of the Group. The derivative financial instruments detailed in the table above are presented at fair value.

37.4 Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument, therefore, indicates to what extent it is exposed to interest rate risk.

The majority of the interest bearing assets and liabilities of the Group are structured to match either short-term assets and short-term liabilities, or long-term assets and liabilities with repricing opportunities within one year, or long-term assets and corresponding liabilities where repricing is performed simultaneously.

In addition, the significant spread existing between the different types of interest bearing assets and liabilities enables the Group to benefit from a high level of flexibility in adjusting for its interest rate matching and interest rate risk exposure.

The following table presents the interest repricing dates of the Group. Variable yield assets and liabilities have been reported in accordance with their next repricing date. Fixed income assets and liabilities have been reported in accordance with their maturity.

As at 31 December 2021:

ASSETS	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
Cash, amounts due from banks and balances with the National Banks	**37,712**	**821,501**	**–**	**28,183**	**–**	**12,391**	**–**	**6,697**	**–**	**12,423**	**133,248**	**1,503,880**	**170,960**	**2,385,075**	**2,556,035**
fixed rate	36,376	661,318	–	28,183	–	12,391	–	6,697	–	12,423	–	–	36,376	721,012	757,388
variable rate	1,336	160,183	–	–	–	–	–	–	–	–	–	–	1,336	160,183	161,519
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	133,248	1,503,880	133,248	1,503,880	1,637,128
Placements with other banks, net of allowance for placements losses	**435,888**	**360,795**	**67,304**	**109,822**	**30,509**	**50,770**	**49,632**	**27,234**	**405,437**	**17,202**	**24,415**	**5,853**	**1,013,185**	**571,676**	**1,584,861**
fixed rate	271,734	134,382	449	96,918	1,007	50,238	49,632	27,234	254,065	17,202	–	–	576,887	325,974	902,861
variable rate	164,154	226,413	66,855	12,904	29,502	532	–	–	151,372	–	–	–	411,883	239,849	651,732
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	24,415	5,853	24,415	5,853	30,268
Repo receivables	**33,638**	**21,535**	**–**	**5,828**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**51**	**33,638**	**27,414**	**61,052**
fixed rate	33,638	21,535	–	5,828	–	–	–	–	–	–	–	–	33,638	27,363	61,001
variable rate	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	–	51	–	51	51
Trading instruments at fair value through profit or loss	**1,237**	**7,034**	**664**	**26,796**	**2,506**	**16,960**	**360**	**6,634**	**25,036**	**13,415**	**1,770**	**1,098**	**31,573**	**71,937**	**103,510**
fixed rate	32	7,034	487	26,796	2,233	16,960	360	6,634	25,036	13,415	–	–	28,148	70,839	98,987
variable rate	1,205	–	177	–	273	–	–	–	–	–	–	–	1,655	–	1,655
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	1,770	1,098	1,770	1,098	2,868
Non-trading instruments mandatorily at fair value through profit or loss	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**28,074**	**25,329**	**28,074**	**25,329**	**53,403**
fixed rate	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
variable rate	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	28,074	25,329	28,074	25,329	53,403
Securities at fair value through other comprehensive income	**205,473**	**291,988**	**22,420**	**92,258**	**97,202**	**202,157**	**40,289**	**177,681**	**362,610**	**697,456**	**(353)**	**35,329**	**727,641**	**1,496,869**	**2,224,510**
fixed rate	157,136	291,987	6,897	92,258	88,628	202,157	40,289	177,681	395,460	684,739	–	–	688,410	1,448,822	2,137,232
variable rate	48,337	1	15,523	–	8,574	–	–	–	(32,850)	12,717	–	–	39,584	12,718	52,302
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	(353)	35,329	(353)	35,329	34,976
Securities at amortized cost	**117**	**124,634**	**–**	**24,325**	**365,576**	**28,559**	**264,200**	**56,712**	**2,305,098**	**722,114**	**–**	**–**	**2,934,991**	**956,344**	**3,891,335**
fixed rate	–	117,026	–	19,513	365,576	28,559	264,200	56,712	2,305,098	722,114	–	–	2,934,874	943,924	3,878,798
variable rate	117	7,608	–	4,812	–	–	–	–	–	–	–	–	117	12,420	12,537
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Loans at amortized cost, net of allowance for loan losses	**800,665**	**5,419,263**	**534,858**	**1,525,057**	**60,259**	**1,431,981**	**264,434**	**410,199**	**1,636,001**	**1,180,170**	**121,187**	**109,109**	**3,417,404**	**10,075,779**	**13,493,183**
fixed rate	51,410	1,029,075	2,075	260,668	16,048	683,927	187,209	374,260	942,294	835,327	–	–	1,199,036	3,183,257	4,382,293
variable rate	749,255	4,390,188	532,783	1,264,389	44,211	748,054	77,225	35,939	693,707	344,843	–	–	2,097,181	6,783,413	8,880,594
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	121,187	109,109	121,187	109,109	230,296
Finance lease receivables	**117,384**	**304,444**	**16,580**	**131,417**	**5,736**	**161,672**	**20,288**	**88,194**	**197,583**	**137,387**	**–**	**1,943**	**357,571**	**825,057**	**1,182,628**
fixed rate	6,555	118,251	440	8,408	5,736	37,140	20,288	40,715	188,967	64,125	–	–	221,986	268,639	490,625
variable rate	110,829	186,193	16,140	123,009	–	124,532	–	47,479	8,616	73,262	–	–	135,585	554,475	690,060
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	–	1,943	–	1,943	1,943
Loans mandatorily at fair value through profit or loss	**27,185**	**281**	**11,172**	**–**	**73,893**	**–**	**29,473**	**–**	**926,107**	**–**	**–**	**–**	**1,067,830**	**281**	**1,068,111**
fixed rate	2	–	–	–	–	–	–	–	–	–	–	–	2	–	2
variable rate	27,183	281	11,172	–	73,893	–	29,473	–	926,107	–	–	–	1,067,828	281	1,068,109
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Fair value adjustment of derivative financial instruments	**1,516,897**	**1,249,024**	**395,951**	**937,234**	**680,161**	**863,886**	**10,760**	**57,580**	**221,053**	**17,693**	**181,110**	**672,531**	**3,005,932**	**3,797,948**	**6,803,880**
fixed rate	1,409,585	1,125,415	188,029	551,410	574,143	862,177	10,760	57,521	221,053	17,681	–	–	2,403,570	2,614,204	5,017,774
variable rate	107,312	123,609	207,922	385,824	106,018	1,709	–	59	–	12	–	–	421,252	511,213	932,465
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	181,110	672,531	181,110	672,531	853,641
Other financial assets	**3,395**	**13,864**	**1,261**	**19**	**–**	**212**	**–**	**–**	**–**	**128**	**49,086**	**67,951**	**53,742**	**82,174**	**135,916**
fixed rate	3,393	4,860	1,155	13	–	12	–	–	–	103	–	–	4,548	4,988	9,536
variable rate	2	9,004	106	6	–	200	–	–	–	25	–	–	108	9,235	9,343
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	49,086	67,951	49,086	67,951	117,037

LIABILITIES	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks	**103,123**	**200,292**	**41,404**	**56,912**	**26,730**	**79,200**	**355,132**	**26,401**	**616,005**	**12,724**	**35,951**	**13,474**	**1,178,345**	**389,003**	**1,567,348**
fixed rate	58,913	103,240	12,367	23,208	26,730	52,310	355,132	26,356	615,961	12,724	–	–	1,069,103	217,838	1,286,941
variable rate	44,210	97,052	29,037	33,704	–	26,890	–	45	44	–	–	–	73,291	157,691	230,982
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	35,951	13,474	35,951	13,474	49,425
Repo liabilities	**49,726**	**29,321**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**49,726**	**29,321**	**79,047**
fixed rate	49,726	29,321	–	–	–	–	–	–	–	–	–	–	49,726	29,321	79,047
variable rate	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Financial liabilities designated at fair value through profit or loss	**20,133**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**21,051**	**–**	**41,184**	**–**	**41,184**
fixed rate	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
variable rate	20,133	–	–	–	–	–	–	–	–	–	–	–	20,133	–	20,133
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	21,051	–	21,051	–	21,051
Deposits from customers	**7,533,566**	**10,675,265**	**198,955**	**456,849**	**94,140**	**735,911**	**31,975**	**75,104**	**248,209**	**120,403**	**16,356**	**881,911**	**8,123,201**	**12,945,443**	**21,068,644**
fixed rate	463,512	4,039,568	198,955	456,849	92,653	735,911	31,975	74,680	248,209	120,403	–	–	1,035,304	5,427,411	6,462,715
variable rate	7,070,054	6,635,697	–	–	1,487	–	–	424	–	–	–	–	7,071,541	6,636,121	13,707,662
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	16,356	881,911	16,356	881,911	898,267
Liabilities from issued securities	**864**	**–**	**8,514**	**–**	**170,732**	**–**	**–**	**51**	**256,151**	**–**	**–**	**13**	**436,261**	**64**	**436,325**
fixed rate	211	–	–	–	–	–	–	51	256,151	–	–	–	256,362	51	256,413
variable rate	653	–	8,514	–	170,732	–	–	–	–	–	–	–	179,899	–	179,899
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	–	13	–	13	13
Fair value adjustment of derivative financial instruments	**941,607**	**1,905,033**	**220,057**	**1,084,185**	**709,948**	**870,647**	**12,943**	**54,920**	**96,381**	**77,044**	**453,672**	**388,146**	**2,434,608**	**4,379,975**	**6,814,583**
fixed rate	721,374	1,714,718	151,795	579,964	526,007	868,848	12,398	54,847	96,558	77,044	–	–	1,508,132	3,295,421	4,803,553
variable rate	220,233	190,315	68,262	504,221	183,941	1,799	545	73	(177)	–	–	–	472,804	696,408	1,169,212
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	453,672	388,146	453,672	388,146	841,818
Leasing liabilities	**916**	**7,401**	**353**	**1,076**	**483**	**5,359**	**892**	**4,534**	**1,011**	**24,823**	**–**	**6,438**	**3,655**	**49,631**	**53,286**
fixed rate	830	6,948	72	435	7	1,757	319	2,582	1,011	17,403	–	–	2,239	29,125	31,364
variable rate	86	453	281	641	476	3,602	573	1,952	–	7,420	–	–	1,416	14,068	15,484
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	–	6,438	–	6,438	6,438
Other financial liabilities	**117,189**	**50,063**	**2,518**	**672**	**–**	**479**	**–**	**133**	**–**	**103**	**173,503**	**141,111**	**293,210**	**192,561**	**485,771**
fixed rate	117,185	50,046	907	564	–	211	–	133	–	67	–	–	118,092	51,021	169,113
variable rate	4	17	1,611	108	–	268	–	–	–	36	–	–	1,615	429	2,044
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	173,503	141,111	173,503	141,111	314,614
Subordinated bonds and loans	**–**	**–**	**–**	**85,551**	**–**	**186,225**	**–**	**–**	**–**	**6,514**	**–**	**44**	**–**	**278,334**	**278,334**
fixed rate	–	–	–	–	–	–	–	–	–	6,514	–	–	–	6,514	6,514
variable rate	–	–	–	85,551	–	186,225	–	–	–	–	–	–	–	271,776	271,776
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	–	44	–	44	44
Net position	**(5,587,533)**	**(4,253,012)**	**578,409**	**1,195,694**	**313,809**	**890,767**	**278,494**	**669,788**	**4,861,168**	**2,556,377**	**(161,996)**	**991,937**	**282,351**	**2,051,551**	**2,333,902**

As at 31 December 2020:

ASSETS	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
Cash, amounts due from banks and balances with the National Banks	**150,707**	**777,104**	**1**	**4,647**	**2,008**	**14,793**	**–**	**9,277**	**–**	**21,056**	**168,850**	**1,283,869**	**321,566**	**2,110,746**	**2,432,312**
fixed rate	149,701	679,634	–	4,647	2,008	14,793	–	9,277	–	21,056	–	–	151,709	729,407	881,116
variable rate	1,006	97,470	1	–	–	–	–	–	–	–	–	–	1,007	97,470	98,477
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	168,850	1,283,869	168,850	1,283,869	1,452,719
Placements with other banks, net of allowance for placements losses	**240,397**	**339,537**	**104**	**103,038**	**665**	**194,919**	**2,003**	**5**	**124,478**	**7,633**	**19,253**	**116,711**	**386,900**	**761,843**	**1,148,743**
fixed rate	220,155	197,680	104	102,080	665	194,919	2,003	5	–	5,750	–	–	222,927	500,434	723,361
variable rate	20,242	141,857	–	958	–	–	–	–	124,478	1,883	–	–	144,720	144,698	289,418
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	19,253	116,711	19,253	116,711	135,964
Repo receivables	**183,364**	**7,485**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**183,364**	**7,485**	**190,849**
fixed rate	183,364	7,485	–	–	–	–	–	–	–	–	–	–	183,364	7,485	190,849
variable rate	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Trading instruments at fair value through profit or loss	**1,261**	**9,247**	**287**	**9,013**	**614**	**14,644**	**1,280**	**2,753**	**5,270**	**8,463**	**2,473**	**1,267**	**11,185**	**45,387**	**56,572**
fixed rate	355	8,721	287	9,013	614	14,644	1,280	2,753	5,254	8,463	–	–	7,790	43,594	51,384
variable rate	906	526	–	–	–	–	–	–	16	–	–	–	922	526	1,448
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	2,473	1,267	2,473	1,267	3,740
Non-trading instruments mandatorily at fair value through profit or loss	**–**	**4,487**	**–**	**1,006**	**–**	**–**	**–**	**–**	**–**	**–**	**30,674**	**21,410**	**30,674**	**26,903**	**57,577**
fixed rate	–	4,459	–	1,006	–	–	–	–	–	–	–	–	–	5,465	5,465
variable rate	–	28	–	–	–	–	–	–	–	–	–	–	–	28	28
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	30,674	21,410	30,674	21,410	52,084
Financial assets designated at fair value through profit or loss	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,235**	**–**	**–**	**–**	**2,235**	**2,235**
fixed rate	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
variable rate	–	–	–	–	–	–	–	–	–	2,235	–	–	–	2,235	2,235
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Securities at fair value through other comprehensive income	**47,073**	**11,706**	**673**	**95,897**	**118,558**	**183,940**	**49,095**	**200,651**	**567,675**	**826,116**	**536**	**34,789**	**783,610**	**1,353,099**	**2,136,709**
fixed rate	600	11,706	673	83,363	117,558	183,940	49,095	200,631	567,675	819,295	–	–	735,601	1,298,935	2,034,536
variable rate	46,473	–	–	12,534	1,000	–	–	20	–	6,821	–	–	47,473	19,375	66,848
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	536	34,789	536	34,789	35,325
Securities at amortized cost	**–**	**79,401**	**–**	**21,055**	**37,771**	**4,574**	**398,158**	**40,066**	**1,844,129**	**199,766**	**–**	**–**	**2,280,058**	**344,862**	**2,624,920**
fixed rate	–	79,401	–	21,055	37,771	4,574	398,158	40,066	1,837,731	199,766	–	–	2,273,660	344,862	2,618,522
variable rate	–	–	–	–	–	–	–	–	6,398	–	–	–	6,398	–	6,398
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Loans at amortized cost, net of allowance for loan losses	**656,665**	**4,758,061**	**340,558**	**1,115,958**	**52,487**	**998,326**	**49,217**	**349,978**	**1,723,813**	**1,442,688**	**125,865**	**61,226**	**2,948,605**	**8,726,237**	**11,674,842**
fixed rate	68,714	854,962	2,048	264,431	13,026	488,106	36,198	288,272	772,219	806,553	–	–	892,205	2,702,324	3,594,529
variable rate	587,951	3,903,099	338,510	851,527	39,461	510,220	13,019	61,706	951,594	636,135	–	–	1,930,535	5,962,687	7,893,222
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	125,865	61,226	125,865	61,226	187,091
Finance lease receivables	**285,219**	**281,683**	**34,926**	**134,848**	**18**	**134,266**	**–**	**69,096**	**5,685**	**103,954**	**–**	**1,445**	**325,848**	**725,292**	**1,051,140**
fixed rate	167,083	113,778	8,141	6,117	18	26,854	–	25,036	–	41,005	–	–	175,242	212,790	388,032
variable rate	118,136	167,905	26,785	128,731	–	107,412	–	44,060	5,685	62,949	–	–	150,606	511,057	661,663
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	–	1,445	–	1,445	1,445
Loans mandatorily at fair value through profit or loss	**24,871**	**1,159**	**68**	**141**	**498**	**634**	**710**	**218**	**772,833**	**1,473**	**–**	**–**	**798,980**	**3,625**	**802,605**
fixed rate	–	70	–	141	–	634	–	218	–	1,473	–	–	–	2,536	2,536
variable rate	24,871	1,089	68	–	498	–	710	–	772,833	–	–	–	798,980	1,089	800,069
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Fair value adjustment of derivative financial instruments	**945,704**	**699,341**	**880,168**	**378,971**	**557,280**	**416,304**	**26,776**	**5,084**	**40,243**	**97,805**	**742,345**	**245,973**	**3,192,516**	**1,843,478**	**5,035,994**
fixed rate	929,702	561,503	658,754	183,337	559,388	387,848	26,799	5,084	40,490	97,487	–	–	2,215,133	1,235,259	3,450,392
variable rate	16,002	137,838	221,414	195,634	(2,108)	28,456	(23)	–	(247)	318	–	–	235,038	362,246	597,284
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	742,345	245,973	742,345	245,973	988,318
Other financial assets	**10,221**	**16,335**	**155**	**16**	**–**	**270**	**–**	**–**	**–**	**47**	**50,991**	**62,527**	**61,367**	**79,195**	**140,562**
fixed rate	10,221	10,982	–	14	–	19	–	–	–	–	–	–	10,221	11,015	21,236
variable rate	–	5,353	155	2	–	251	–	–	–	47	–	–	155	5,653	5,808
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	50,991	62,527	50,991	62,527	113,518

LIABILITIES	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks	**75,420**	**72,092**	**12,005**	**109,125**	**3,741**	**78,752**	**39,270**	**13,770**	**742,198**	**27,016**	**114**	**11,812**	**872,748**	**312,567**	**1,185,315**
fixed rate	6,185	41,403	12,005	78,467	3,422	17,551	39,270	13,770	735,267	24,708	–	–	796,149	175,899	972,048
variable rate	69,235	30,689	–	30,658	319	61,201	–	–	6,931	2,308	–	–	76,485	124,856	201,341
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	114	11,812	114	11,812	11,926
Repo liabilities	**–**	**2,019**	**–**	**6,360**	**–**	**109,612**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**117,991**	**117,991**
fixed rate	–	2,019	–	6,360	–	–	–	–	–	–	–	–	–	8,379	8,379
variable rate	–	–	–	–	–	109,612	–	–	–	–	–	–	–	109,612	109,612
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Financial liabilities designated at fair value through profit or loss	**25,902**	**–**	**–**	**–**	**5,994**	**–**	**–**	**–**	**–**	**2,235**	**–**	**–**	**31,896**	**2,235**	**34,131**
fixed rate	79	–	–	–	5,994	–	–	–	–	–	–	–	6,073	–	6,073
variable rate	25,823	–	–	–	–	–	–	–	–	2,235	–	–	25,823	2,235	28,058
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Deposits from customers	**6,143,610**	**8,390,678**	**101,521**	**633,365**	**142,203**	**880,099**	**68,741**	**171,992**	**239,805**	**502,668**	**15,169**	**601,012**	**6,711,049**	**11,179,814**	**17,890,863**
fixed rate	413,308	2,873,541	101,521	633,233	142,203	879,857	68,741	171,989	239,805	502,658	–	–	965,578	5,061,278	6,026,856
variable rate	5,730,302	5,517,137	–	132	–	242	–	3	–	10	–	–	5,730,302	5,517,524	11,247,826
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	15,169	601,012	15,169	601,012	616,181
Liabilities from issued securities	**3,090**	**221**	**11,691**	**414**	**223,762**	**721**	**46,451**	**–**	**177,807**	**46**	**–**	**10**	**462,801**	**1,412**	**464,213**
fixed rate	213	–	–	–	111,565	–	46,451	–	177,807	46	–	–	336,036	46	336,082
variable rate	2,877	221	11,691	414	112,197	721	–	–	–	–	–	–	126,765	1,356	128,121
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	–	10	–	10	10
Fair value adjustment of derivative financial instruments	**1,264,893**	**385,359**	**1,035,006**	**208,880**	**479,592**	**492,998**	**9,260**	**24,904**	**48,555**	**90,112**	**732,937**	**255,219**	**3,570,243**	**1,457,472**	**5,027,715**
fixed rate	1,111,465	376,893	648,487	189,185	481,603	469,867	9,321	24,904	48,802	89,931	–	–	2,299,678	1,150,780	3,450,458
variable rate	153,428	8,466	386,519	19,695	(2,011)	23,131	(61)	–	(247)	181	–	–	537,628	51,473	589,101
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	732,937	255,219	732,937	255,219	988,156
Leasing liabilities	**1,131**	**6,748**	**465**	**739**	**536**	**6,823**	**467**	**5,388**	**1,213**	**19,644**	**–**	**5,297**	**3,812**	**44,639**	**48,451**
fixed rate	1,085	6,572	401	322	536	4,911	467	4,219	433	18,310	–	–	2,922	34,334	37,256
variable rate	46	176	64	417	–	1,912	–	1,169	780	1,334	–	–	890	5,008	5,898
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	–	5,297	–	5,297	5,297
Other financial liabilities	**4,091**	**30,795**	**512**	**234**	**–**	**333**	**–**	**417**	**–**	**255**	**261,223**	**92,042**	**265,826**	**124,076**	**389,902**
fixed rate	4,072	30,762	–	228	–	148	–	417	–	87	–	–	4,072	31,642	35,714
variable rate	19	33	512	6	–	185	–	–	–	168	–	–	531	392	923
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	261,223	92,042	261,223	92,042	353,265
Subordinated bonds and loans	**–**	**–**	**–**	**84,833**	**–**	**184,090**	**–**	**–**	**–**	**5,781**	**–**	**–**	**–**	**274,704**	**274,704**
fixed rate	–	–	–	–	–	–	–	–	–	5,684	–	–	–	5,684	5,684
variable rate	–	–	–	84,833	–	184,090	–	–	–	97	–	–	–	269,020	269,020
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Net position	**(4,972,655)**	**(1,902,366)**	**95,740**	**820,640**	**(85,929)**	**209,242**	**363,050**	**460,657**	**3,874,548**	**2,063,479**	**131,544**	**863,825**	**(593,702)**	**2,515,477**	**1,921,775**

37.5 Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group applies a 'Value-at-Risk' (VaR) methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Management Board sets limits on the value of risk that may be accepted, which is monitored on a daily basis. (Analysis of liquidity risk, foreign currency risk and interest rate risk is detailed in Notes 37.2, 37.3 and 37.4, respectively.)

37.5.1 Market Risk sensitivity analysis

The VaR risk measure estimates the potential loss in pre-tax profit over a given holding period for a specified confidence level.

The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by the Group reflects the 99% probability that the daily loss will not exceed the reported VaR.

VaR methodologies are employed to calculate daily risk numbers include the historical and variance-covariance approach. The diversification effect has not been validated among the various market risk types when capital calculation happens. In addition to these two methodologies, Monte Carlo simulations are applied to the various portfolios on a monthly basis to determine potential future exposure.

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

Historical VaR (99%, one-day) by risk type	Average VaR 2021	2020
Foreign exchange	1,691	1,530
Interest rate	212	146
Equity instruments	20	141
Diversification	–	–
Total VaR exposure	**1,923**	**1,817**

The table above shows the VaR figures by asset classes. Since processes driving the value of the major asset classes are not independent (for example the depreciation of HUF against the EUR mostly coincide with the increase of the yields of Hungarian Government Bonds), a diversification impact emerges, so the overall VaR is less than the sum of the VaR of each individual asset class.

While VaR captures the Group's daily exposure to currency and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in interest or foreign currency rates over a year. The longer time frame of sensitivity analysis complements VaR and helps the Group to assess its market risk exposures. Details of sensitivity analysis for foreign currency risk are set out in Note 37.5.2, for interest rate risk in Note 37.5.3, and for equity price sensitivity analysis in Note 37.5.4.

37.5.2 Foreign currency sensitivity analysis

The Bank changed its methodology of foreign currency sensitivity analysis and has been using a historical VaR calculation since 31 March 2021. The former Monte Carlo

simulation represented the Group's sensitivity to the rise and fall in the HUF exchange rate against EUR, over a 3 months period.
The sensitivity analysis included only outstanding foreign currency denominated monetary items as strategic open positions related to foreign activities. In line with the Management's intention, the former EUR (310) million strategic open position was fully closed as at 31 March 2021.
Since the closing of the strategic open position, the Group has been using a historical VaR calculation with a 1 day holding period. The analysis includes the same net open foreign exchange position as used under the internal capital adequacy assessment process (ICAAP). The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets.
Additionally, the Bank determines the foreign currency risk of assets evaluated through the Other Comprehensive Income, which includes securities valuated on fair value through other comprehensive income and the foreign currency translation reserves.

The following table shows the result of the foreign currency sensitivity analysis.
The numbers below indicate the expected daily profit or loss of the portfolio beside the given confidence level.

Probability	Effects to the consolidated statement of profit or loss in HUF million		Effects to the consolidated statement of other comprehensive income in HUF million	
	2021	2020	2021	2020
1%	(194)	(522)	(1,707)	(5,239)
5%	(132)	(388)	(1,038)	(2,261)
25%	(50)	(173)	(398)	(896)
50%	(1)	(14)	98	(227)
25%	53	111	531	584
5%	142	352	1,215	1,918
1%	221	696	1,509	2,981

Note:
Historical VaR simulation is based on the empirical distribution of the historical exchange rate movements between 31 December 2021 and 31December 2020.

37.5.3 Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date.
The analysis is prepared assuming the amount of assets and liabilities outstanding at the balance sheet date was outstanding for the whole year. The analysis was prepared by assuming only adverse interest rate changes.
The main assumptions were as follows:

- Floating rate assets and liabilities were repriced to the modelled benchmark yields at the repricing dates assuming the unchanged margin compared to the last repricing.
- Fixed rate assets and liabilities were repriced at the contractual maturity date.
- As for liabilities with discretionary repricing feature by the Bank were assumed to be repriced with two-weeks delay, assuming no change in the margin compared to the last repricing date.
- Deposits with an interest rate lower than 0.3% even at high market rates were assumed to be unchanged for the whole period.

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

1) HUF base rate and BUBOR increases gradually by 100 bps over the next year (probable scenario)
2) HUF base rate and BUBOR decreases gradually by 50 bps over the next year (alternative scenario)

The net interest income in a one year period after 1 January 2022 would be increased by HUF 1,487 million (probable scenario) and decreased by HUF 1,025 million (alternative scenario) as a result of these simulation. A similar simulation indicated HUF 1,301 million (probable scenario) and HUF 5,732 million (alternative scenario) decrease in the Net interest income in a one year period after 1 January 2021.
This effect is counterbalanced by capital gains HUF (619) million (for probable scenario), HUF 322 million (for alternative scenario) as at 31 December 2021 and (HUF 584 million for probable scenario, HUF 2,329 million for alternative scenario as at 31 Decmeber 2020) on the government bond portfolio held for hedging (economic).

Furthermore, the effects of an instant 10bps parallel shift of the HUF, EUR and USD yield-curves on net interest income over a one-year period and on the market value of the hedge government bond portfolio booked against capital was analysed. The results can be summarized as follows (in HUF million):

Description	2021		2020	
	Effects to the net interest income (one-year period)	Effects to capital (Price change of government bonds at fair value through other comprehensive income)	Effects to the net interest income (one-year period)	Effects to capital (Price change of government bonds at fair value through other comprehensive income)
HUF (0.1%) parallel shift	(105)	64	(1,809)	389
EUR (0.1%) parallel shift	(1,989)	–	(2,179)	–
USD (0.1%) parallel shift	(257)	–	(497)	–
Total	**(2,351)**	**64**	**(4,485)**	**389**

37.5.4 Equity price sensitivity analysis

The following table shows the effect of the equity price sensitivity. The Group uses VaR calculation with 1 day holding period and a 99% confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. The daily loss will not exceed the reported VaR number with 99% of probability.
The stress test assumes the largest price movement of the last year and calculates with it as the adverse direction. These scenarios show the loss of the portfolio when all prices change with the maximum amount of the last year.

Description	2021	2020
VaR (99%, one day, HUF million)	12	141
Stress test (HUF million)	(21)	(233)

37.6 Capital management

Capital management

The primary objective of the capital management of the Group is to ensure the prudent operation, the entire compliance with the prescriptions of the regulator for a persistent business operation and maximising the shareholder value, accompanied by an optimal financing structure.
The capital management of the Group members includes the management and evaluation of the shareholders' equity available for hedging risks, other types of funds to be recorded in the equity and all material risks to be covered by the capital.

The basis of the capital management of the Group members in the short run is the continuous monitoring of their capital position, in the long run the strategic and the business planning, which includes the monitoring and forecast of the capital position.
The Group members maintain the capital adequacy required by the regulatory bodies and the planned risk taking mainly by means of ensuring and developing their profitability. In the event that the planned risk level of a Group member exceeded its Core and the previously raised Supplementary capital, it ensures the prudent operation by occasional measures.
A further tool in the capital management of the Bank is the dividend policy, and the transactions performed with the treasury shares.

Capital adequacy

The Capital Requirements Directive package (CRDIV/CRR) transposes the new global standards on banking regulation (known as the Basel III agreement) into the EU legal framework. The new rules are applied from 1 January 2014. They set stronger prudential requirements for institutions, requiring them to keep sufficient capital reserves and liquidity. This new framework makes institutions in the EU more solid and strengthens their capacity to adequately manage the risks linked to their activities, and absorb any losses they may incur in doing business.
The capital adequacy of the Group is supervised based on the financial statements data prepared in accordance with IFRS applying the current directives, rulings and indicators from 1 January 2014.

The Group uses the standard method for determining the regulatory capital requirements of the credit risk and market risk, and parallel to that, the base indicator method and the advanced method ("AMA") in case of the operational risk.

For international comparison purposes, the Group calculated the Regulatory capital based on IFRS data as adopted by the EU, and the consolidated Capital adequacy ratio based on this in accordance with the regulations of Basel III. The Capital adequacy ratio of the Group (IFRS) was 19.1%, the Regulatory capital was HUF 3,191,765 million and the Total regulatory capital requirement was HUF 1,335,305 million as at 31 December 2021. The same ratios calculated as at 31 December 2020 were the following: 17.7%, HUF 2,669,806 million and HUF 1,203,751 million.

Calculation on IFRS basis (in HUF million)	2021	2020
Core capital (Tier1) = Common Equity Tier1 (CET1)	***2,926,882***	***2,316,118***
Issued capital	28,000	28,000
Reserves*	2,896,118	2,342,166
Fair value adjustments	(15,715)	33,991
Other capital components	104,326	**39,204**
Non-controlling interests	1,996	1,795
Treasury shares	(121,941)	(145,939)
Goodwill and other intangible assets	(183,440)	(174,997)
Other adjustments	217,538	191,898
Additional Tier1 (AT1)	**–**	**–**
Supplementary capital (Tier2)	***264,883***	***353,688***
Subordinated bonds and loans	264,397	263,439
Other issued capital components	-	89,935
Components recognized in T2 capital issued by subsidiaries	486	314
Regulatory capital	**3,191,765**	**2,669,806**
Credit risk capital requirement	1,199,423	1,071,163
Market risk capital requirement	13,440	19,170
Operational risk capital requirement	122,442	113,418
Total requirement regulatory capital	**1,335,305**	**1,203,751**
Surplus capital	**1,856,460**	**1,466,055**
CET1 ratio	17.50%	15.40%
Tier 1 ratio	17.50%	15.40%
Capital adequacy ratio	**19.10%**	**17.70%**

* The dividend amount planned to pay out after the profit of financial years 2019, 2020 and 2021 is also deducted from reserves.

Basel III

The components of the Common Equity Tier1 capital (CET1) are the following: Issued capital, Reserves (Profit reserves, Other reserves, Changes in the equity of subsidiaries, Net Profit for the year, Changes due to consolidation) Fair value adjustments, Other capital components, (Revaluation reserves, Share based payments, Cash-flow hedges, Net investment hedge in foreign operations), Non-controlling interest, Treasury shares, Goodwill and other Intangible assets, other adjustments (due to prudential filters, due to deferred tax receivables, due to temporary regulations).

Supplementary capital (Tier2): Subordinated loan capital, Supplementary loan capital, Other issued capital components, Components recognized in T2 capital issued by subsidiaries.

For regulatory compliance the capital adequacy ratios according to regulatory scope of consolidation are relevant. The Pillar3 Disclosure of OTP Group contains the capital adequacy ratios calculated under regulatory scope of consolidation.
The Group has entirely complied with the regulatory capital requirements in 2021 as well as in 2020.

NOTE 38: RECLASSIFICATION AND TRANSFER OF FINANCIAL INSTRUMENTS (in HUF mn)

Reclassification from securities held for trading to securities at fair value through other comprehensive income, as at 31 December 2021:

Date of reclassification	Reason for reclassification	Type of securities	Nominal value at reclassification	Fair value at the date of reclassification	EIR at the date of reclassification	Interest income
1 September 2018	Change in business model	Retail Hungarian government bonds	1,069	1,087	2%-3%	38

During 2018, securities issued by the Hungarian Government with the nominal value of HUF 66,506 million were transferred from the trading portfolio to the securities at fair value through other comprehensive income of which HUF 1,087 million remaining amount was presented as at 31 December 2021.
The Bank has previously held retail government bonds in the portfolio at fair value through other comprehensive income. During 2018, the Bank changed the business model of the retail government bonds to manage all on the basis of a single business model aimed at collecting the future contractual cash-flows and/or selling them.
In 2018, the terms and conditions of sale of retail government bonds and the pricing environment have changed significantly, as a result of which the Bank is no longer able to maintain its sole trading intent with these securities that the Bank applied earlier. Furthermore, there is an option-agreement between the Bank and the Government Debt Management Agency ("GDMA") that GDMA will buy back this portfolio therefore it has been reclassified.

Financial assets transferred but not derecognized:

	2021		2020	
	Transferred assets	Associated liabilities	Transferred assets	Associated liabilities
	Carrying amount		Carrying amount	
Financial assets at fair value through other comprehensive income				
Debt securities	52,371	45,484	48,176	44,287
Total	**52,371**	**45,484**	**48,176**	**44,287**
Financial assets at amortized cost				
Debt securities	92,765	90,986	136,316	119,789
Loans and advances	833	1,056	1,171	–
Total	**93,598**	**92,042**	**137,487**	**119,789**
Total	**145,969**	**137,526**	**185,663**	**164,076**

As at 31 December 2021 and 2020, the Group had an obligation from repurchase agreements (repo liability) of HUF 79,045 million and HUF 109,612 million respectively. Securities sold temporarily under repurchase agreements will continue to be recognized in the Consolidated Statement of Financial Position of the Group in the appropriate securities category. The related liability is measured at amortized cost in the Consolidated Statement of Financial Position as "Amounts due to the National Governments, to the National Banks and other banks and repo liabilities".

Financial assets transferred, derecognized with continuing involvement

Financial assets which would have been derecognized but would be represented the continuing involvement are not recognized in the Consolidated Statement of Financial Position as at 31 December 2021 or 2020.

NOTE 39: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn)

In the normal course of business, the Group becomes a party to various financial transactions that are not reflected on the Consolidated statement of financial position and are referred to as off-balance sheet financial instruments. The following represent notional amounts of these off-balance sheet financial instruments, unless stated otherwise:

Contingent liabilities:

	2021	2020
Commitments to extend credit	4,065,002	3,420,718
Guarantees arising from banking activities	1,293,841	1,159,699
Factoring loan commitment	464,341	305,269
Confirmed letters of credit	65,077	35,715
Other	27,997	35,965
Contingent liabilities and commitments total in accordance with IFRS 9	**5,916,258**	**4,957,366**
Legal disputes (disputed value)	75,453	53,486
Other	5,410	22,164
Contingent liabilities and commitments total in accordance with IAS 37	**80,863**	**75,650**
Total	**5,997,121**	**5,033,016**

Legal disputes

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

The Group believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash-flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation. Provisions due to legal disputes were HUF 35,354 million as at 31 December 2021 and HUF 34,894 million as at 31 December 2020, respectively. (See Note 24.)

Commitments to extend credit, guarantees and letters of credit

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

Guarantees, irrevocable letters of credit and undrawn loan commitments are subject to similar credit risk monitoring and credit policies as utilised in the extension of loans. The Management of the Group believes the market risk associated with guarantees, irrevocable letters of credit and undrawn loan commitments are minimal.

Guarantees, payment undertakings arising from banking activities

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

A contract of guarantee is subject to the statute of frauds (or its equivalent local laws) and is only enforceable if recorded in writing and signed by the surety and the principal. If the surety is required to pay or perform due to the principal's failure to do so, the law will usually give the surety a right of subrogation, allowing the surety to use the surety's contractual rights to recover the cost of making payment or performing on the principal's behalf, even in the absence of an express agreement to that effect between the surety and the principal.

Derivatives

The Group maintains strict control limits on net open derivative positions, i.e. the difference between purchase and sale contracts, by both amount and term. At any time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e. assets), which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except for trading with clients, where the Group in most of the cases requires margin deposits.

NOTE 40: SHARE-BASED PAYMENTS AND EMPLOYEE BENEFITS (in HUF mn)

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

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

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

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

The quantity of usable shares for individuals calculated for settlement of share-based payment shall be determined as the ratio of the amount of share-based payment and share price determined by Supervisory Board[2].

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

At the same time the conditions of discounted share-based payment are determined, and share-based payment shall contain maximum HUF 6,000 discount at the assessment date, and earnings for the shares at the payment date is maximum HUF 12,000. Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. IAS 19 Employee Benefits shall be applied in accounting for all employee benefits, except those to which IFRS 2 Share-based Payment applies.

The parameters for the share-based payment relating to ongoing years 2016–2020 by Supervisory Board for periods of each year as follows:

Year	Share purchasing at a discounted price		Price of remuneration exchanged to share	Share purchasing at a discounted price		Price of remuneration exchanged to share	Share purchasing at a discounted price		Price of remuneration exchanged to share
	Exercise price	Maximum earnings per share		Exercise price	Maximum earnings per share		Exercise price	Maximum earnings per share	
	HUF per share								
	for the year 2016			for the year 2017			for the year 2018		
2017	7,200	2,500	9,200	–	–	–	–	–	–
2018	7,200	3,000	9,200	8,064	3,000	10,064	–	–	–
2019	7,200	3,500	9,200	8,064	3,500	10,064	10,413	4,000	12,413
2020	7,200	4,000	9,200	8,064	4,000	10,064	10,413	4,000	12,413
2021	–	–	–	8,064	4,000	10,064	10,413	4,000	12,413
2022	–	–	–	8,064	4,000	10,064	10,913	4,000	12,413
2023	–	–	–	–	–	–	10,913	4,000	12,413
2024	–	–	–	–	–	–	10,913	4,000	12,413
2025	–	–	–	–	–	–	10,913	4,000	12,413

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

Year	Share purchasing at a discounted price		Price of remuneration exchanged to share	Share purchasing at a discounted price		Price of remuneration exchanged to share
	Exercise price	Maximum earnings per share		Exercise price	Maximum earnings per share	
	HUF per share					
	for the year 2019			for the year 2020		
2020	9,553	4,000	11,553	–	–	–
2021	9,553	4,000	11,553	12,644	9,000	16,644
2022	9,553	4,000	11,553	12,644	8,000	16,644
2023	9,553	4,000	11,553	13,644	8,000	16,644
2024	9,553	4,000	11,553	13,644	8,000	16,644
2025	9,553	4,000	11,553	13,644	8,000	16,644
2026	9,553	4,000	11,553	13,644	8,000	16,644
2027	–	–	–	13,644	8,000	16,644

Relevant factors considered during measurement of fair value related to share-based payment as follows:

Year	Reference price	Assumed volatility	Risk-free interest rate (HUF)						
			1Y	2Y	3Y	4Y	5Y	6Y	7Y
2017	9,200	21.3%	0.1%	0.5%	0.7%	1.0%	1.3%	1.3%	1.3%
2018	10,064	26.0%	0.2%	0.6%	1.0%	1.3%	1.6%	1.9%	2.1%
2019	12,413	19.2%	0.2%	0.7%	0.9%	1.1%	1.3%	1.4%	1.6%
2020	11,553	33.6%	0.6%	0.4%	0.5%	0.6%	0.8%	0.9%	1.0%
2021	16,644	28.6%	1.0%	1.6%	1.8%	1.9%	2.0%	2.1%	2.1%

Year	Expected dividends (HUF/Share)							Pricing model
	1Y	2Y	3Y	4Y	5Y	6Y	7Y	
2017	219	219	252	290	334	384	442	Binomial
2018	219	219	219	219	219	219	219	Binomial
2019	252	290	333	383	440	507	583	Binomial
2020	219	252	290	333	383	440	507	Binomial
2021	371	321	357	393	432	475	523	Binomial

Based on parameters accepted by Supervisory Board, relating to the year 2016 effective pieces are follows as at 31 December 2021:

	Approved pieces of shares	Exercised until 31 December 2021	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable
Share-purchasing period started in 2017	147,984	147,984	9,544	–	–
Remuneration exchanged to share provided in 2017	4,288	4,288	9,194	–	–
Share-purchasing period started in 2018	321,528	321,528	10,387	–	–
Remuneration exchanged to share provided in 2018	8,241	8,241	10,098	–	–
Share-purchasing period started in 2019	161,446	161,446	12,415	–	–
Remuneration exchanged to share provided in 2019	4,033	4,033	11,813	–	–
Share-purchasing period starting in 2020	166,231	166,231	13,629	–	–
Remuneration exchanged to share applying in 2020	4,303	4,303	11,897	–	–

Based on parameters accepted by Supervisory Board, relating to the year 2017 effective pieces are follows as at 31 December 2021:

	Approved pieces of shares	Exercised until 31 December 2021	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable
Share-purchasing period started in 2018	108,243	108,243	11,005	–	–
Remuneration exchanged to share provided in 2018	11,926	11,926	10,098	–	–
Share-purchasing period started in 2019	212,282	212,282	12,096	–	–
Remuneration exchanged to share provided in 2019	26,538	26,538	11,813	–	–
Share-purchasing period starting in 2020	101,571	101,565	12,084	6	–
Remuneration exchanged to share applying in 2020	11,584	11,584	11,897	–	–
Share-purchasing period starting in 2021	109,460	106,719	16,441	–	2,741
Remuneration exchanged to share applying in 2021	11,531	11,531	16,477	–	–
Share-purchasing period starting in 2022	–	–	–	–	42,820
Remuneration exchanged to share applying in 2022	–	–	–	–	3,003

Based on parameters accepted by Supervisory Board, relating to the year 2018 effective pieces are follows as at 31 December 2021:

	Approved pieces of shares	Exercised until 31 December 2021	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable
Share-purchasing period started in 2019	82,854	82,854	13,843	–	–
Remuneration exchanged to share provided in 2019	17,017	17,017	11,829	–	–
Share-purchasing period starting in 2020	150,230	150,230	14,294	–	–
Remuneration exchanged to share applying in 2020	33,024	33,024	11,897	–	–
Share-purchasing period starting in 2021	73,799	73,799	16,314	–	–
Remuneration exchanged to share applying in 2021	14,618	14,618	16,468	–	–
Share-purchasing period starting in 2022	–	–	–	–	99,341
Remuneration exchanged to share applying in 2022	–	–	–	–	17,042
Share-purchasing period starting in 2023	–	–	–	–	45,155
Remuneration exchanged to share applying in 2023	–	–	–	–	4,114
Remuneration exchanged to share applying in 2024	–	–	–	–	864
Remuneration exchanged to share applying in 2025	–	–	–	–	432

Based on parameters accepted by Supervisory Board, relating to the year 2019 effective pieces are follows as at 31 December 2021:

	Approved pieces of shares	Exercised until 31 December 2021	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable
Share-purchasing period started in 2020	91,403	91,403	12,218	–	–
Remuneration exchanged to share provided in 2020	22,806	22,806	11,897	–	–
Share-purchasing period starting in 2021	201,273	192,577	16,523	–	8,696
Remuneration exchanged to share applying in 2021	30,834	30,834	17,618	–	–
Share-purchasing period starting in 2022	–	–	–	–	109,567
Remuneration exchanged to share applying in 2022	–	–	–	–	15,554
Share-purchasing period starting in 2023	–	–	–	–	125,771
Remuneration exchanged to share applying in 2023	–	–	–	–	18,025
Share-purchasing period starting in 2024	–	–	–	–	44,421
Remuneration exchanged to share applying in 2024	–	–	–	–	6,279
Remuneration exchanged to share applying in 2025	–	–	–	–	1,000
Remuneration exchanged to share applying in 2026	–	–	–	–	500

Based on parameters accepted by Supervisory Board, relating to the year 2020 effective pieces are follows as at 31 December 2021:

	Approved pieces of shares	Exercised until 31 December 2021	Weighted average share price at the date of exercise (in HUF)	Expired pieces	Exercisable
Share-purchasing period started in 2021	41,098	8,184	18,471	–	32,914
Remuneration exchanged to share provided in 2021	17,881	17,881	17,498	–	–
Share-purchasing period starting in 2022	–	–	–	–	82,826
Remuneration exchanged to share applying in 2022	–	–	–	–	19,390
Share-purchasing period starting in 2023	–	–	–	–	47,826
Remuneration exchanged to share applying in 2023	–	–	–	–	9,292
Share-purchasing period starting in 2024	–	–	–	–	51,002
Remuneration exchanged to share applying in 2024	–	–	–	–	9,518
Share-purchasing period starting in 2025	–	–	–	–	13,080
Remuneration exchanged to share applying in 2025	–	–	–	–	3,443
Remuneration exchanged to share applying in 2026	–	–	–	–	680
Remuneration exchanged to share applying in 2027	–	–	–	–	680

Effective pieces relating to the periods starting in 2022–2027 settled during valuation of performance of year 2017–2020, can be modified based on risk assessment and personal changes.

In connection with the share-based compensation for Board of Directors and connecting compensation, shares given as a part of payments detailed above and for the year 2021 based on performance assessment accounted as equity-settled share based transactions, HUF 3,589 million and HUF 3,394 million was recognized as expense for the year ended 31 December 2021 and 2020 respectively.

Defined benefit plan

Defined benefit plan is post-employment benefit plans other than defined contribution plan. The Group's net obligation is calculated by estimating the amount of employee's future benefit based on their servicies for the current and prior periods. The future value of benefit is being discounted to present value.

The Group has small number of plans and mainly in Bulgaria, Serbia, Montenegro, Croatia and Slovenia. These plans are providing retirement benefits upon pension age as lump-sum payment based either on fixed amounts or certain months of salary. These plans are unfunded consequently there are no significant plan assets associated with these plans.

The movements of defined benefit obligation can be summarized as follows:

	2021	2020
Balance as at 1 January	**5,022**	**4,809**
Current service cost	457	402
Interest cost	61	66
Actuarial gains from changes in demographic assumptions	(6)	(14)
Actuarial gains from changes in financial assumptions	(122)	(203)
Benefits paid	(225)	(261)
Past service cost	(164)	(274)
Other increases	241	497
Closing balance	**5,264**	**5,022**

Amounts recognized in profit and loss:

	2021	2020
Current service cost	457	402
Net interest expense	61	66
Past service cost	(164)	(274)
Actuarial losses	(78)	14
Other cost	44	–
Total	**320**	**208**

Actuarial assumptions:

	2021	2020
Discount rate	0.35%–4.50%	0.46%–3.00%
Future salary increases	0.75%–8.00%	0.40%–5.00%

Since plan asset is not recognized in the Consolidated Financial Statements, the effect of the asset ceiling, the effect of changes in foreign exchange rates and the return on plan assets, excluding amounts included in interest accounts are also not recognized and therefore not presented.

Based on the current information of not presenting plan assets the expected contributions to the plan for the next annual reporting period are also without value.

OTP Group made an insignificant amount of contribution to the defined benefit plans during 2021 and 2020.

NOTE 41: RELATED PARTY TRANSACTIONS (in HUF mn)

The compensation of key management personnel, such as the members of the Board of Directors, members of the Supervisory Board, key employees of the Bank and its major subsidiaries involved in the decision-making process in accordance with the compensation categories defined in IAS 24 Related Party Disclosures, is summarised below:

Compensations	2021	2020
Short-term employee benefits	8,881	8,901
Share-based payment	3,110	2,619
Other long-term employee benefits	743	827
Termination benefits	–	472
Post-employment benefits	112	–
Total	**12,846**	**12,819**

Share based compensations to the members of the Board of Directors, Supervisory Board or key employees of the Bank and its major subsidiaries are detailed in Note 40 Share-based payments.

An analysis of payment to executives of the Group related to their activity in Board of Directors and Supervisory Board is as follows:

	2021	2020
Members of Board of Directors	3,023	2,502
Members of Supervisory Board	283	204
Total	**3,306**	**2,706**

Connections with related party (key management personnel and their close family member and companies) by which line of the consolidated statement of financial position and off-balance sheet is presented:

	2021				2020			
	Other related parties	Associated companies	Other companies	Total	Other related parties	Associated companies	Other companies	Total
Assets								
Securities	596	–	–	**596**	725	–	–	**725**
Loans at amortized cost (gross value)	111,529	1,828	1,798	**115,155**	104,795	1,169	16,414	**122,378**
Loss allowance on loans at amortized cost	(3,197)	(669)	(6)	**(3,872)**	(4,530)	(646)	(19)	**(5,195)**
Loans at fair value through profit or loss	108	–	–	**108**	102	–	–	**102**
Total assets	**109,036**	**1,159**	**1,792**	**111,987**	**101,092**	**523**	**16,395**	**118,010**
Liabilities								
Deposits from customers and loan liabilities	39,872	4,280	2,732	**46,884**	29,186	80	6,541	**35,807**
Total liabilities	**39,872**	**4,280**	**2,732**	**46,884**	**29,186**	**80**	**6,541**	**35,807**
Off-balance sheet items								
Undrawn line of credit	30,369	1,913	1,176	**33,458**	24,932	350	2,314	**27,596**
Bank Guarantee	6,220	–	551	**6,771**	6,641	–	1,337	**7,978**
Total off-balance sheet items	**36,589**	**1,913**	**1,727**	**40,229**	**31,573**	**350**	**3,651**	**35,574**

In the normal course of business, the Bank enters into other transactions with its unconsolidated subsidiaries of the Group, the amounts and volumes of which are not significant to these Consolidated Financial Statements taken as a whole. Related party transactions were made on terms equivalent to those that prevail in arm's length transactions and such terms can be substantiated.

NOTE 42: SIGNIFICANT SUBSIDIARIES AND ASSOCIATES (in HUF mn)

The control is established when the Group has the right and exposure over the variable positive yield of the investee but the same time put up with the consequences of the negative returns and the Group by its decisions is able to influence the extent of the yields.

The Group primarily considering the following factors in the process of determining the existing of the control:

- investigation of the decision making mechanism of the entity,
- authority of the Board of Directors, Supervisory Board and General meeting based on the deed of association,
- existence of investments with preferential voting rights.

If the control can't be obviously determined then it should be supposed that the control does not exist.

Significant influence is presumed by the Group to exist – unless the contrary case is proven – when the Group holds 20% or more of the voting power of an investee but does not have a control.

Investments in companies in which the Bank has a controlling interest are detailed below. They are fully consolidated companies and incorporated in Hungary unless otherwise stated. The Group considers a subsidiary significant when it is a financial institution or when the subsidiary contributes to the Groups' total balance sheet with higher amount.

The Bank considers the subsidiaries as cash generating units.

Significant subsidiaries

Name	Ownership (Direct and Indirect)		Activity
	2021	2020	
DSK Bank EAD (Bulgaria)	99.91%	99.91%	commercial banking services
OTP Bank JSC (Ukraine)	100.00%	100.00%	commercial banking services
JSC "OTP Bank" (Russia)	97.92%	97.91%	commercial banking services
OTP banka d.d. (Croatia)	100.00%	100.00%	commercial banking services
OTP Bank Romania S.A. (Romania)	100.00%	100.00%	commercial banking services
OTP banka Srbija a.d. Novi Sad (previously: Vojvodjanska banka a.d. Novi Sad) (Serbia)	100.00%	100.00%	commercial banking services
Crnogorska komercijalna banka a.d. (Montenegro)	100.00%	100.00%	commercial banking services
Banka OTP Albania SHA (Albania)	100.00%	100.00%	commercial banking services
OTP Bank S.A. (previously: Mobiasbanca – OTP Group S.A.) (Moldova)	98.26%	98.26%	commercial banking services
SKB Banka d.d. Ljubljana (Slovenia)	100.00%	100.00%	commercial banking services
OTP Financing Malta Company Ltd. (Malta)	100.00%	100.00%	refinancing activities
OTP Financing Netherlands B.V. (the Netherlands)	100.00%	100.00%	refinancing activities
OTP Holding Ltd. (Cyprus)	100.00%	100.00%	refinancing activities
OTP Financing Cyprus Ltd. (Cyprus)	–	100.00%	refinancing activities
OTP Factoring Ltd.	100.00%	100.00%	work-out
OTP Mortgage Bank Ltd.	100.00%	100.00%	mortgage lending
OTP Real Estate Ltd.	100.00%	100.00%	real estate management and development
Merkantil Bank Ltd.	100.00%	100.00%	finance lease
OTP Building Society Ltd.	100.00%	100.00%	housing savings and loan
OTP Fund Management Ltd.	100.00%	100.00%	fund management
Bank Center No. 1. Ltd.	100.00%	100.00%	real estate lease
Inga Kettő Ltd.	100.00%	100.00%	property management
OTP Funds Servicing and Consulting Ltd.	100.00%	100.00%	fund services
OTP Real Estate Leasing Ltd.	100.00%	100.00%	real estate leasing

Significant associates and joint ventures

Summarized financial and non-financial information of associates and joint ventures which are not significant on Group level and are accounted according to IAS 28 or accounted on cost is as follows:

As at 31 December 2021:

List of associated entities	Carrying amount	Ownership of OTP Bank	Profit after tax	Country/ Headquarter	Activity
OTP Kockázati Fund I.	526	44.12%	(52)	Hungary/ Budapest	Trusts, funds and similar financial entities
OTP-DayOne Magvető Fund	288	22.00%	13	Hungary/ Budapest	Trusts, funds and similar financial entities
D-ÉG Thermoset Ltd. 'u.l.'	–	46.99%	–	Hungary/ Dunaújváros	Wholesale of hardware, plumbing and heating equipment and supplies
Company for Cash Services AD	392	25.00%	(183)	Bulgaria/ Sofia	Other financial service activities, except insurance and pension funding
Edrone spółka z ograniczoną odpowiedzialnością	779	17.34%	(293)	Poland/ Krakow	Computer programming activities
Graboplasr Closed Co. Plc.	700	7.00%	n.a.	Hungary/ Győr	Manufacture of builders' ware of plastic
NovaKid Inc.	2,006	4.17%	(4,621)	USA/ San Francisco	Online kids English learning platform operator
Banzai Cloud Closed Co. Plc.	374	17.42%	n.a.	Hungary/ Budapest	Computer programming activities
ClodeCool Ltd.	1,770	20.15%	1	Hungary/ Budapest	Other education n.e.c.
Papita.hu Closed Co. Plc.	516	34.00%	(132)	Hungary/ Szeghalom	Retail sale via mail order houses or via Internet
Seon Holdings Ltd.	4,756	23.86%	(4)	UK/ London	Computer programming activities
Starschema Ltd.	3,944	36.19%	n.a.	Hungary/ Budapest	Computer consultancy activities
VCC Live Group Closed Co. Plc.	1,672	49.56%	(203)	Hungary/ Budapest	Computer programming activities
Virtual Solutaion Ltd.	–	8.33%	n.a.	Hungary/ Budapest	Computer programming activities
Yieldigo s.r.o.	76	1.97%	(168)	Czech Republic/ Prague	Computer programming activities
Szallas.hu Closed Co. Plc.	8,809	51.19%*	1,278	Hungary/ Miskolc	Web portals
Cursor Insight LTD	146	6.75%	(247)	UK/ London	Computer programming activities
Fabetker Ltd.	1	20.48%	132	Hungary/ Nádudvar	Manufacture of concrete products for construction purposes
OneSoil Ag.	318	3.72%	(1,058)	Switzerland/ Zurich	Computer programming activities
Packhelp Spółka Akcyjna	2,160	1.00%	(3,038)	Poland/ Warsaw	Manufacture of corrugated paper and paperboard and of containers of paper and paperboard
Phoenix Play Invest closed Co. Plc.	3,081	21.69%	(1)	Hungary/ Budapest	Activities of holding companies
Algorithmiq Invest Closed Co. Plc.	8,996	21.69%	792	Hungary/ Budapest	Activities of holding companies
NGY Propertiers Investment SRL	12,331	14.54%	(22,567)	Romania/ Bucharest	Renting and operating of own or leased real estate

The Group made significant investments into associates during 2021. Venture capital funds under the control of the Group obtained ownership interest in Phoenix Play Invest Co. Plc., in Algorithmiq Invest Closed Co. Plc. and in NGY Propertiers Investment SRL.

* The Group does not control the entity even though it holds more than half of the voting rights.

As at 31 December 2020:

List of associated entities	Carrying amount	Ownership of OTP Bank	Profit after tax	Country/ Headquarter	Activity
OTP Kockázati Fund I.	531	44.12%	(2)	Hungary/ Budapest	Trusts, funds and similar financial entities
OTP-DayOne Magvető Fund	674	22.00%	(37)	Hungary/ Budapest	Trusts, funds and similar financial entities
D-ÉG Thermoset Ltd. 'u.l.'	–	46.99%	–	Hungary/ Dunaújváros	Wholesale of hardware, plumbing and heating equipment and supplies
Company for Cash Services AD	392	25.00%	(254)	Bulgaria/ Sofia	Other financial service activities, except insurance and pension funding n.e.c.
Edrone spółka z ograniczoną odpowiedzialnością	497	17.34%	(79)	Poland/ Krakow	Computer programming activities
Graboplasr Closed Co. Plc.	711	7.00%	(1,349)	Hungary/ Győr	Manufacture of builders' ware of plastic
NovaKid Inc.	497	4.17%	(398)	USA/ San Francisco	Online kids English learning platform operator
Banzai Cloud Closed Co. Plc.	1,008	17.42%	13,430	Hungary/ Budapest	Computer programming activities
ClodeCool Ltd.	1,797	20.15%	132	Hungary/ Budapest	Other education n.e.c.
Pepita.hu Closed Co. Plc.	575	34.00%	3	Hungary/ Szeghalom	Retail sale via mail order houses or via Internet
Seon Holdings Ltd.	378	23.86%	37	UK/ London	Computer programming activities
Starschema Ltd.	1,310	36.19%	454	Hungary/ Budapest	Computer consultancy activities
Tresorit S.A.	1,501	7.77%	232	Luxembourg/ Luxembourg	Activities of holding companies
VCC Live Group Closed Co. Plc.	1,599	49.56%	(58)	Hungary/ Budapest	Computer programming activities
Virtual Solutaion Ltd.	72	8.33%	(86)	Hungary/ Budapest	Computer programming activities
Yieldigo s.r.o.	79	1.97%	103	Czech Republic/ Prague	Computer programming activities
Szallas.hu Closed Co. Plc.	7,456	51.19%*	595	Hungary/ Miskolc	Web portals

NOTE 43: TRUST ACTIVITIES (in HUF mn)

The Bank acts as a trustee for certain loans granted by companies or employers to their employees, mainly for housing purposes. The ultimate risk for these loans rests with the party advancing the funds.

As these loans and related funds are not considered to be assets or liabilities of the Group, they have been excluded from the accompanying Consolidated statement of financial position.

	2021	2020
The amount of loans managed by the Group as a trustee	36,517	36,811

* The Group does not control the entity even though it holds more than half of the voting rights.

NOTE 44: CONCENTRATION OF ASSETS AND LIABILITIES

In the percentage of the total assets	2021	2020
Receivables from, or securities issued by the Hungarian Government or the NBH	15.87%	14.45%

There were no other significant concentrations of the assets or liabilities of the Group either as at 31 December 2021 or 2020 respectively. The Group continuously provides the NBH with reports on the extent of dependency on large depositors as well as the exposure of the biggest 50 depositors towards the Group.

Further to this obligatory reporting to the NBH, the Group pays particular attention on the exposure of its largest partners and cares for maintaining a closer relationship with these partners in order to secure the stability of the level of deposits.

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

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

To specify credit risk limits Group strives their clients get an acceptable margin of risk based on their financial situation. In the Group limit system has to be provided a lower level decision-making delegation.
If a Group member takes risk against a client or group of clients (either inside the local economy or outside), the client will be qualified as a group level risk and these limits will be specified at group level.
The validity period of this policy is 12 months. The limit shall be reviewed prior to the expiry date but at least once a year – based on the relevant information required to limit calculations.

NOTE 45: EARNINGS PER SHARE (in HUF mn)

Consolidated Earnings per share attributable to the ordinary shares of the Group are determined by dividing consolidated Net profit for the year attributable to ordinary shareholders, after the deduction of declared preference dividends, by the weighted average number of ordinary shares outstanding during the year. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares.

Earnings per share from continuing and discontinued operations	2021	2020
Consolidated net profit for the period attributable to ordinary shareholders (in HUF mn)	455,592	259,416
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	262,017,836	258,461,554
Basic Earnings per share (in HUF)	**1,738**	**1,004**
Consolidated net profit for the period attributable to ordinary shareholders (in HUF mn)	455,592	259,416
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	262,094,958	258,543,088
Diluted Earnings per share (in HUF)	**1,738**	**1,003**

Earnings per share from continuing operations	2021	2020
Consolidated net profit for the period attributable to ordinary shareholders (in HUF mn)	455,476	253,826
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	262,017,836	258,461,554
Basic Earnings per share (in HUF)	**1,738**	**982**
Consolidated net profit for the period attributable to ordinary shareholders (in HUF mn)	455,476	253,826
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	262,094,958	258,543,088
Diluted Earnings per share (in HUF)	**1,738**	**982**

Earnings per share from discontinued operations	2021	2020
Consolidated net profit for the period attributable to ordinary shareholders (in HUF mn)	116	5,590
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	262,017,836	258,461,554
Basic Earnings per share (in HUF)	**–**	**22**
Consolidated net profit for the period attributable to ordinary shareholders (in HUF mn)	116	5,590
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	262,094,958	258,543,088
Diluted Earnings per share (in HUF)	**–**	**22**

	2021	2020
Weighted average number of ordinary shares	280,000,010	280,000,010
Average number of Treasury shares	17,982,174	21,538,456
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS	**262,017,836**	**258,461,554**
Dilutive effects of options issued in accordance with the remuneration policy and convertible into ordinary shares*	77,122	81,534
The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS	**262,094,958**	**258,543,088**

* Both in the year 2022 and in the year 2021 the dilutive effect is in connection with the Remuneration Policy and the Management Option Program.

NOTE 46: NET GAIN OR LOSS REALIZED ON FINANCIAL INSTRUMENTS (in HUF mn)

2021	Net interest/ similar to interest gain and loss	Net non-interest gain and loss	Loss allowance	Other Comprehensive Income
Cash, amounts due from banks and balances with the National Banks	16,527	–	(952)	–
Placements with other banks, net of loss allowance for placements	24,594	–	(1,664)	–
Repo receivables	827	–	12	–
Trading securities at fair value through profit or loss	–	5,016	–	–
Non-trading instruments mandatorily at fair value through profit or loss	1,749	4,812	–	–
Securities at fair value through other comprehensive income	49,473	(2,587)*	(961)	(44,877)
Securities at amortized cost	79,602	1,031	(3,013)	–
Loans at amortized cost	692,432	26,354	(32,159)	–
Finance lease receivables	59,084	–	(5,776)	–
Loans mandatorily at fair value through profit or loss	40,131	4,459	(16,289)	–
Other financial assets	3,639**	–	438	–
Derivative financial instruments	3,321	9,412	–	–
Total result on financial assets	**971,379**	**48,497**	**(60,364)**	**(44,877)**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	(25,235)	–	–	–
Repo liabilities	(2,299)	–	–	–
Financial liabilities designated at fair value through profit or loss	493	(3,916)	–	–
Deposits from customers	(51,052)	267,033	–	–
Liabilities from issued securities	(9,822)	–	–	–
Leasing liabilities	(1,556)	–	–	–
Subordinated bonds and loans	(7,598)	–	–	–
Total result on financial liabilities	**(97,069)**	**263,117**	**–**	**–**
Total result on financial instruments	**874,310**	**311,614**	**(60,364)**	**(44,877)**

* For the year of 2021 HUF (2,587) million net non-interest gain on securities at fair value through other comprehensive income was transferred from other comprehensive income to profit or loss.

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

2020	Net interest/ similar to interest gain and loss	Net non-interest gain and loss	Loss allowance	Other Comprehensive Income
Cash, amounts due from banks and balances with the National Banks	5,103	–	–	–
Placements with other banks, net of loss allowance for placements	9,200	–	(851)	–
Repo receivables	286	–	62	–
Trading securities at fair value through profit or loss	–	2,745	–	–
Non-trading instruments mandatorily at fair value through profit or loss	473	7,239	–	–
Securities at fair value through other comprehensive income	44,782	2,325*	(4,507)	(6,931)
Securities at amortized cost	69,905	1,402	(2,802)	–
Loans at amortized cost	658,579	26,254	(189,554)	–
Finance lease receivables	54,046	–	(9,972)	–
Loans mandatorily at fair value through profit or loss	28,251	2,125	(3,262)	–
Other financial assets	2,739**	–	878	–
Derivative financial instruments	(628)**	13,734	–	–
Total result on financial assets	**872,736**	**55,824**	**(210,008)**	**(6,931)**
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	(18,492)	–	–	–
Repo liabilities	(653)	–	–	–
Financial liabilities designated at fair value through profit or loss	(307)	1,270	–	–
Deposits from customers	(53,522)	234,030	–	–
Liabilities from issued securities	(7,750)	–	–	–
Leasing liabilities	(1,623)	–	–	–
Subordinated bonds and loans	(7,718)	–	–	–
Total result on financial liabilities	**(90,065)**	**235,300**	**–**	**–**
Total result on financial instruments	**782,671**	**291,124**	**(210,008)**	**(6,931)**

* For the year 2020 HUF 2,325 million net non-interest gain on securities at fair value through other comprehensive income was transferred from other comprehensive income to profit or loss.

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

NOTE 47: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn)

In determining the fair value of a financial asset or liability the Group uses the market price in the case of instruments that are quoted on an active market. In most cases market price is not publicly available so the Group has to make assumptions or use valuation techniques to determine the fair value of a financial instrument. See Note 47. d) for more information about fair value classes applied for financial assets and liabilities measured at fair value in these financial statements.

To provide a reliable estimate of the fair value of those financial instrument that are originally measured at amortized cost, the Group used the discounted cash-flow analyses (loans, placements with other banks, repo receivables, amounts due to banks, repo liabilities, deposits from customers). The fair value of issued securities and subordinated bonds is based on quoted prices (e.g. Reuters). Cash and amounts due from banks and balances with the National Banks represent amounts available immediately thus the fair value equals to the cost.

The assumptions used when calculating the fair value of financial assets and liabilities when using valuation technique are the following:

- the discount rates are the risk free rates related to the denomination currency adjusted by the appropriate risk premium as of the end of the reporting period,
- the contractual cash-flows are considered for the performing loans and for the non-performing loans, the amortized cost less impairment is considered as fair value,
- the future cash-flows for floating interest rate instruments are estimated from the yield curves as of the end of the reporting period,
- the fair value of the deposit which can be due in demand cannot be lower than the amount payable on demand.

Classes of assets and liabilities not measured at fair value in the Consolidated Statement of Financial Position, the income approach was used to convert future cash-flows to a single current amount. Fair value of current assets is equal to carrying amount, fair value of liabilities from issued securities and other bond-type classes of assets and liabilities not measured at fair value measured based on Reuters market rates, and the fair value of other classes not measured at fair value of the Consolidated Statement of Financial Position is measured at discounted cash-flow method. Fair value of loans, net of loss allowance for loans measured at discount rate adjustment technique, the discount rate is derived from observed rates of return for comparable assets or liabilities that are traded in the market. Fair value measurements – in relation to instruments measured not at fair value – are mainly categorized in level 3 of the fair value hierarchy.

a) Fair value of financial assets and liabilities

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash, amounts due from banks and balances with the National Banks	2,556,035	2,556,035	2,432,312	2,432,312
Placements with other banks, net of loss allowance for placements	1,584,861	1,566,458	1,148,743	1,150,081
Repo receivables	61,052	61,121	190,849	191,149
Financial assets at fair value through profit or loss	341,397	341,397	234,007	234,007
Trading securities at fair value through profit or loss	*103,510*	*103,510*	*56,572*	*56,572*
Fair value of derivative financial assets held for trading	*184,484*	*184,484*	*117,623*	*117,623*
Non-trading instruments mandatorily at fair value through profit or loss	*53,403*	*53,403*	*57,577*	*57,577*
Financial assets designated at fair value through profit or loss	–	–	*2,235*	*2,235*
Securities at fair value through other comprehensive income	2,224,510	2,224,510	2,136,709	2,136,709
Securities at amortized cost	3,891,335	3,645,046	2,624,920	2,384,933
Loans at amortized cost*	13,493,183	13,106,425	11,674,842	12,303,182
Finance lease receivables	1,182,628	1,183,089	1,051,140	1,070,528
Loans measured at fair value through profit or loss	1,068,111	1,068,111	802,605	802,605
Derivative financial assets designated as hedge accounting	18,757	18,757	6,820	6,820
Other financial assets	135,916	135,916	140,562	140,562
Financial assets total	**26,557,785**	**25,906,865**	**22,443,509**	**22,852,888**
Amounts due to the National Governments, to the National Banks and other banks	1,567,348	1,446,036	1,185,315	1,172,036
Repo liabilities	79,047	79,010	117,991	119,927
Financial liabilities designated at fair value through profit or loss	41,184	41,184	34,131	34,131
Deposits from customers	21,068,644	21,002,125	17,890,863	17,905,676
Liabilities from issued securities	436,325	400,071	464,213	529,723
Held for trading derivative financial liabilities	202,716	202,716	104,823	104,823
Derivative financial liabilities designated as hedge accounting	11,228	11,228	11,341	11,341
Leasing liabilities	53,286	53,447	48,451	48,451
Other financial liabilities	485,771	485,771	389,902	389,902
Subordinated bonds and loans	278,334	284,709	274,704	265,679
Financial liabilities total	**24,223,883**	**24,006,297**	**20,521,734**	**20,581,689**

b) Fair value of derivative instruments

The Group regularly enters into hedging transactions in order to decrease its financial risks. However some economically hedging transaction do not meet the criteria to qualify as hedge accounting, therefore these transactions were accounted for as derivatives held for trading.

The assessment of the hedge effectiveness (both for fair value hedges and cash-flow hedges) to determine the economic relationship between the hedged item and the hedging instrument is accomplished with prospective scenario analysis via different rate shift scenarios of the relevant risk factor(s) of the hedged risk component(s). The fair value change of the hedged item and the hedging instrument is compared in the different scenarios. Economic relationship is justified if the change of the fair value of the hedged item and the hedging instrument are in the opposite direction and the absolute changes are similar amounts. The hedge ratio is determined as the ratio of the notional of the hedged item and the notional of the hedging instrument. The sources of hedge ineffectiveness are the not hedged risk components (e.g. change of cross currency basis spreads in case of interest rate risk hedges), slight differences in maturity dates and interest payment dates in case of fair value hedges, and differences between the carrying amount of the hedged item and the carrying amount of the hedging instrument in case of FX hedges (e.g. caused by interest rate risk components in the fair value of the hedging instrument).

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

The summary of the derivatives held for trading and derivatives designated as hedge accounting of the Group are as follows:

	2021					2020				
	Before netting		Netting	After netting		Before netting		Netting	After netting	
	Assets	Liabilities		Assets	Liabilities	Assets	Liabilities		Assets	Liabilities
Held for trading derivative financial instruments										
Interest rate derivatives										
Interest rate swaps	58,512	(56,070)	40,783	17,729	(15,287)	33,963	(33,736)	8,984	24,979	(24,752)
Cross currency interest rate swaps	7,316	(7,621)	–	7,316	(7,621)	7,315	(7,419)	–	7,315	(7,419)
OTC options	484	(299)	–	484	(299)	359	(8)	–	359	(8)
Forward rate agreement	–	–	–	–	–	–	–	–	–	–
Total interest rate derivatives (OTC derivatives)	**66,312**	**(63,990)**	**40,783**	**25,529**	**(23,207)**	**41,637**	**(41,163)**	**8,984**	**32,653**	**(32,179)**
Foreign exchange derivatives										
Foreign exchange swaps	37,638	(42,272)	–	37,638	(42,272)	41,838	(35,537)	–	41,838	(35,537)
Foreign exchange forward contracts	10,790	(7,738)	–	10,790	(7,738)	8,689	(10,750)	–	8,689	(10,750)
OTC options	801	(180)	–	801	(180)	3,909	(3,835)	–	3,909	(3,835)
Foreign exchange spot conversion	187	(242)	–	187	(242)	553	(657)	–	553	(657)
Total foreign exchange derivatives (OTC derivatives)	**49,416**	**(50,432)**	**–**	**49,416**	**(50,432)**	**54,989**	**(50,779)**	**–**	**54,989**	**(50,779)**
Equity stock and index derivatives										
Commodity Swaps	51,523	(51,508)	–	51,523	(51,508)	9,695	(8,269)	–	9,695	(8,269)
Equity swaps	10,538	(357)	–	10,538	(357)	7,071	(560)	–	7,071	(560)
OTC derivatives total	**62,061**	**(51,865)**	**–**	**62,061**	**(51,865)**	**16,766**	**(8,829)**	**–**	**16,766**	**(8,829)**
Exchange traded futures and options	171	(278)	–	171	(278)	379	(1,262)	–	379	(1,262)
Total equity stock and index derivatives	**62,232**	**(52,143)**	**–**	**62,232**	**(52,143)**	**17,145**	**(10,091)**	**–**	**17,145**	**(10,091)**
Derivatives held for risk management not designated in hedge										
Interest rate swaps	47,457	(78,340)	5,682	41,775	(72,658)	24,679	(20,944)	12,736	11,943	(8,208)
Foreign exchange swaps	1,090	(4,108)	–	1,090	(4,108)	808	(3,566)	–	808	(3,566)
Foreign exchange spot	–	–	–	–	–	–	–	–	–	–
Forward contracts	–	–	–	–	–	41	–	–	41	–
Cross currency interest rate swaps	4,442	(168)	–	4,442	(168)	44	–	–	44	–
Total derivatives held for risk management not designated in hedge	**52,989**	**(82,616)**	**5,682**	**47,307**	**(76,934)**	**25,572**	**(24,510)**	**12,736**	**12,836**	**(11,774)**
Total held for trading derivative financial instruments	**230,949**	**(249,181)**	**46,465**	**184,484**	**(202,716)**	**139,343**	**(126,543)**	**21,720**	**117,623**	**(104,823)**
Derivative financial instruments designated as hedge accounting										
Derivatives designated in cash-flow hedges										
Interest rate swaps	1,020	(1,020)	1,020	–	–	8,027	(8,027)	8,027	–	–
Total derivatives designated in cash-flow hedges	**1,020**	**(1,020)**	**1,020**	**–**	**–**	**8,027**	**(8,027)**	**8,027**	**–**	**–**
Derivatives designated in fair value hedges										
Interest rate swaps	25,417	(17,908)	12,131	13,286	(5,777)	2,436	(7,129)	1,795	641	(5,334)
Cross currency interest rate swaps	5,471	(5,451)	–	5,471	(5,451)	6,179	(6,007)	–	6,179	(6,007)
Foreign exchange swaps	–	–	–	–	–	–	–	–	–	–
Total derivatives designated in fair value hedges	**30,888**	**(23,359)**	**12,131**	**18,757**	**(11,228)**	**8,615**	**(13,136)**	**1,795**	**6,820**	**(11,341)**
Total derivatives held for risk management (OTC derivatives)	**31,908**	**(24,379)**	**13,151**	**18,757**	**(11,228)**	**16,642**	**(21,163)**	**9,822**	**6,820**	**(11,341)**

c) Types of hedge accounting

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

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

The ineffective part of fair value hedge accounting is presented on Interest income/ Interest expense in the Consolidated Statement of Profit or Loss.

Amount, timing and uncertainty of future cash-flows – hedging instruments (in FX million):

As at 31 December 2021:

Type of hedge	Type of risk	Type of instrument	Within one month	Within three months and over one month	Within one year and over three months	Within five years and over one year	More than five years	Total
Fair Value Hedge	**Interest rate risk**	**Interest rate swap**						
		HUF						
		Notional	–	2,000	900	(52,474)	42,950	**(6,624)**
		Average Interest Rate (%)	–	1.09%	0.49%	1.65%	1.31%	
		EUR						
		Notional	–	–	1	111	50	**162**
		Average Interest Rate (%)	–	–	0.23%	0.24%	0.05%	
		USD						
		Notional	–	–	–	119	47	**166**
		Average Interest Rate (%)	–	–	–	2.54%	4.18%	
		JPY						
		Notional	–	–	–	4,500	–	**4,500**
		Average Interest Rate (%)	–	–	–	0.22%	–	
Fair Value Hedge	**Foreign exchange & Interest rate risk**	**Cross currency interest rate swap**						
		EUR/HUF						
		Notional	–	1	2	12	12	**27**
		Average Interest Rate (%)	(1.64)%	(1.68)%	(1.67%)	(1.69%)	(1.82%)	
		Average FX Rate	310.41	310.29	310.26	310.01	307.81	
Fair Value Hedge	**Foreign exchange risk**	**Cross currency interest rate swap**						
		EUR/HUF						
		Notional	–	(6)	35	572	–	**601**
		Average FX Rate	363.88	354.22	356.94	355.93	–	
		RON/HUF						
		Notional	–	–	200	2,225	–	**2,425**
		Average FX Rate	–	–	66.21	73.08	–	
		RUB/HUF						
		Notional	–	–	–	11,200	–	**11,200**
		Average FX Rate	–	–	–	4.15	–	
		JPY/HUF						
		Notional	–	–	–	4,500	–	**4,500**
		Average FX Rate	–	–	–	2.79	–	
		USD/HUF						
		Notional	–	–	(3)	306	–	**303**
		Average FX Rate	–	323.77	323.77	323.77	–	
	Other	**Interest rate swap**						
		HUF						
		Notional	–	3,345	1,823	3,093	–	**8,261**

As at 31 December 2020:

Type of hedge	Type of risk	Type of instrument	Within one month	Within three months and over one month	Within one year and over three months	Within five years and over one year	More than five years	Total
Fair Value Hedge	**Interest rate risk**	**Interest rate swap**						
		HUF						
		Notional	–	–	60,000	(89,622)	173,810	**144,188**
		Average Interest Rate (%)	–	–	1.31%	1.06%	1.35%	
		EUR						
		Notional	15	–	5	102	10	**132**
		Average Interest Rate (%)	(0.11)%	–	0.09%	0.24%	0.22%	
		USD						
		Notional	–	–	21	171	29	**221**
		Average Interest Rate (%)	–	–	2.00%	2.38%	2.35%	
		RUB						
		Notional	–	–	–	2,100	–	**2,100**
		Average Interest Rate (%)	–	–	–	7.38%	–	
Fair Value Hedge	**Foreign exchange & Interest rate risk**	**Cross currency interest rate swap**						
		EUR/HUF						
		Notional	–	–	2	12	14	**28**
		Average Interest Rate (%)	(1.55)%	(1.59)%	(1.60)%	(1.63)%	(1.67)%	
		Average FX Rate	311.08	310.95	310.82	310.14	308.15	
Fair Value Hedge	**Foreign exchange risk**	**Cross currency interest rate swap**						
		EUR/HUF						
		Notional	1	92	123	613	–	**829**
		Average FX Rate	360.19	354.92	360.47	356.03	–	
		RON/HUF						
		Notional	–	–	–	1,550	–	**1,550**
		Average FX Rate	–	–	–	72.60	–	
		RUB/HUF						
		Notional	–	–	–	4,100	–	**4,100**
		Average FX Rate	–	–	–	4.46	–	
	Other	**Interest rate swap**						
		HUF						
		Notional	–	(183)	6,940	8,342	–	**15,099**

As at 31 December 2021:

Type of hedge	Type of instrument	Type of risk	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument as at 31 December 2021 – Before netting – Assets	Before netting – Liabilities	Netting	After netting – Assets	After netting – Liabilities	Line item in the consolidated statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge ineffectiveness for the year ended as at 31 December 2021
Fair value hedge										
	Interest rate swap	Interest rate risk	409,595	23,986	(17,908)	12,131	11,855	(5,777)	Derivative financial instruments designated as hedge accounting	6,494
	Cross-currency swap	FX & IR risk	8,175	–	(2,375)	–	–	(2,375)	Derivative financial instruments designated as hedge accounting	4
	Cross-currency swap	FX risk	566,936	5,471	(3,076)	–	5,471	(3,076)	Derivative financial instruments designated as hedge accounting	(1,687)
	Interest rate swap	Other	8,261	1,431	–	–	1,431	–	Derivative financial instruments designated as hedge accounting	3
Fair value hedges total			**992,967**	**30,888**	**(23,359)**	**12,131**	**18,757**	**(11,228)**		**4,814**

As at 31 December 2020:

Type of hedge	Type of instrument	Type of risk	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument as at 31 December 2020					Line item in the consolidated statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge ineffectiveness for the year ended as at 31 December 2020
				Before netting		Netting	After netting			
				Assets	Liabilities		Assets	Liabilities		
Fair value hedge										
	Interest rate swap	Interest rate risk	468,574	1,839	(7,065)	1,795	44	(5,270)	Derivative financial instruments designated as hedge accounting	(370)
	Cross-currency swap	FX & IR risk	8,874	–	(1,615)	–	–	(1,615)	Derivative financial instruments designated as hedge accounting	(36)
	Cross-currency swap	FX risk	438,401	6,246	(4,456)	–	6,246	(4,456)	Derivative financial instruments designated as hedge accounting	(809)
	Interest rate swap	Other	16,224	530	–	–	530	–	Derivative financial instruments designated as hedge accounting	2
Fair value hedges total			**932,073**	**8,615**	**(13,136)**	**1,795**	**6,820**	**(11,341)**		**(1,213)**

As at 31 December 2021:

Type of hedge	Type of risk	Carrying amount of the hedged item as at 31 December 2021		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item for the year ended 31 December 2021		Line item in the consolidated statement of financial position in which the hedged item is included
		Assets	Liabilities	Assets	Liabilities	
Fair value hedges						
Loans	Interest rate risk	57,176	–	637	–	Loans
Loans	Interest rate risk	–	142,649	–	(16,858)	Amounts due to banks, the National Governments, deposits from the National Banks and other banks
Government bonds	Interest rate risk	13,921	–	(1,230)	–	Securities at amortized cost
Government bonds	Interest rate risk	152,830	–	(22,457)	–	Securities at fair value through other comprehensive income
Other securities	Interest rate risk	42,008	–	318	–	Securities at fair value through other comprehensive income
Loans	Foreign exchange & Interest rate risk	101,934	–	611	(1,114)	Loans
Loans	Foreign exchange risk	458,312	–	–	–	Loans
Government bonds	Foreign exchange risk	12,811	–	–	–	Securities at fair value through other comprehensive income
Government bonds	Foreign exchange risk	98,668	–	–	–	Securities at amortized cost
Other securities	Other risk	–	8,261	–	(161)	Liabilities from issued securities
Fair value hedges total		**937,660**	**150,910**	**(22,121)**	**(18,133)**	

As at 31 December 2020:

Type of hedge	Type of risk	Carrying amount of the hedged item as at 31 December 2020		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item for the year ended 31 December 2020		Line item in the consolidated statement of financial position in which the hedged item is included
		Assets	Liabilities	Assets	Liabilities	
Fair value hedges						
Loans	Interest rate risk	35,256	–	1,679	–	Loans
Loans	Interest rate risk	–	100,299	–	(235)	Loans
Government bonds	Interest rate risk	8,678	–	(106)	–	Securities at amortized cost
Government bonds	Interest rate risk	269,838	–	2,518	–	Securities at fair value through other comprehensive income
Other securities	Interest rate risk	47,560	–	781	–	Securities at fair value through other comprehensive income
Loans	Foreign exchange & Interest rate risk	96,972	–	284	(1,634)	Loans
Loans	Foreign exchange risk	303,572	–	–	–	Loans
Other securities	Other risk	–	15,032	–	(528)	Liabilities from issued securities
Fair value hedges total		**761,876**	**115,331**	**5,156**	**(2,397)**	

Change in basis swap spread recognised in the consolidated other comprehensive income related fair value hedges as follows:

Type of risk	Carrying amount of the hedged item		Items recognised in the consolidated other comprehensive income for the year 2021	Change in the items recognized in other comprehensive income for the year 2021	Line item in the consolidated statement of financial position in which the hedged item is included
	Assets	Liabilities			
FX risk	458,312	–	(1,032)	(1,681)	Loans at amortised cost
FX risk	12,811	–	64	–	Securities at fair value through other comprehensive income
	471,123	**–**	**(968)**	**(1,681)**	

Type of risk	Carrying amount of the hedged item		Items recognised in the consolidated other comprehensive income for the year 2020	Change in the items recognized in other comprehensive income for the year 2020	Line item in the consolidated statement of financial position in which the hedged item is included
	Assets	Liabilities			
FX risk	303,572	–	713	–	Loans at amortised cost
	303,572	**–**	**713**	**–**	

On Group level there weren't any cash-flow hedges for the year ended 31 December 2021 and 2020.

According to the strategic direction designated by the Management Committee, a decision was made about closing in accounting meaning the former EUR 310 million strategic open position which was presented at the end of 2019 in the Consolidated Financial Statements, so at the end of 2020 regarding net investment hedges for foreign subsidiaries there aren't any disclosure requirements to be presented.

d) Fair value levels

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly. Fair value measurements – in relation with instruments measured not at fair value – are categorized in level 2;

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

2021	Total	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	341,397	90,877	227,153	23,367
Trading securities at fair value through profit or loss	*103,510*	*58,727*	*44,777*	*6*
Positive fair value of derivative financial assets held for trading	*184,484*	*171*	*174,143*	*10,170*
Non-trading instruments mandatorily at fair value through profit or loss	*53,403*	*31,979*	*8,233*	*13,191**
Securities at fair value through other comprehensive income	2,224,510	910,324	1,250,833	63,353**
Loans mandatorily measured at fair value through profit or loss	1,068,111	281	–	1,067,830
Positive fair value of derivative financial assets designated as fair value hedge	18,757	–	18,757	–
Financial assets measured at fair value total	**3,652,775**	**1,001,482**	**1,496,743**	**1,154,550**
Financial liabilities designated at fair value through profit or loss	41,184	–	–	41,184
Negative fair value of held-for-trading derivative financial liabilities	202,716	278	202,438	–
Negative fair value of derivative financial liabilities designated as fair value hedge	11,228	–	11,228	–
Financial liabilities measured at fair value total	**255,128**	**278**	**213,666**	**41,184**

2020	Total	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	234,007	62,472	149,504	22,031
Trading securities at fair value through profit or loss	*56,572*	*30,333*	*26,227*	*12*
Positive fair value of derivative financial assets held for trading	*117,623*	*388*	*110,649*	*6,586*
Non-trading instruments mandatorily at fair value through profit or loss	*57,577*	*31,751*	*10,393*	*15,433**
Financial assets designated at fair value through profit or loss	*2,235*	–	*2,235*	–
Securities at fair value through other comprehensive income	2,136,709	1,137,821	941,982	56,906***
Loans mandatorily measured at fair value through profit or loss	802,605	1,089	2,535	798,981
Positive fair value of derivative financial assets designated as fair value hedge	6,820	–	6,820	–
Financial assets measured at fair value total	**3,180,141**	**1,201,382**	**1,100,841**	**877,918**
Financial liabilities designated at fair value through profit or loss	34,131	–	2,235	31,896
Negative fair value of held-for-trading derivative financial liabilities	104,823	1,386	103,437	–
Negative fair value of derivative financial liabilities designated as fair value hedge	11,341	–	11,341	–
Financial liabilities measured at fair value total	**150,295**	**1,386**	**117,013**	**31,896**

* The portfolio includes Visa C shares.
** The portfolio includes mainly HUF 55,476 million Ukrainian government bonds.
*** The portfolio includes mainly HUF 46,124 million Albanian government bonds.

Movements in Level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

2021	Opening balance	Purchase (+)	Issuance/ Disbursement (+)	Settlement/ Close (–)	Sale (–)	FVA (+/–)	Transfer (+/–)	FX-effect/ Revaluation	Other	Closing balance
Trading securities at fair value through profit or loss	12	–	–	–	–	–	–	–	(6)	**6**
Positive fair value of derivative financial assets held for trading	6,586	–	–	–	–	3,584	–	–	–	**10,170**
Nont-trading securities mandatorily at fair value through profit or loss	15,433	–	390	–	(4,501)	640	(57)	256	1,030	**13,191**
Securities at fair value through other comprehensive income	56,906	81,795	–	(5,544)	(2,018)	(91)	(69,636)	1,813	128	**63,353**
Loans mandatorily measured at fair value through profit or loss	798,981	–	333,931	(41,038)	–	(24,044)*	–	–	–	**1,067,830**
Financial assets measured at fair value total	**877,918**	**81,795**	**334,321**	**(46,582)**	**(6,519)**	**(19,911)**	**(69,693)**	**2,069**	**1,152**	**1,154,550**
Financial liabilities designated at fair value through profit or loss	31,896	–	–	(7,223)	–	1,454	–	–	15,057	**41,184**
Financial liabilities designated at fair value total	**31,896**	**–**	**–**	**(7,223)**	**–**	**1,454**	**–**	**–**	**15,057**	**41,184**

2020	Opening balance	Purchase (+)	Issuance/ Disbursement (+)	Settlement/ Close (–)	Sale (–)	FVA (+/–)	Transfer (+/–)	FX-effect/ Revaluation	Other	Closing balance
Trading securities at fair value through profit or loss	–	–	–	–	–	–	12	–	–	**12**
Positive fair value of derivative financial assets held for trading	4,227	–	–	–	–	2,359	–	–	–	**6,586**
Nont-trading securities mandatorily at fair value through profit or loss	8,155	–	1,204	(5,043)	–	(862)	9,961	2,018	–	**15,433**
Securities at fair value through other comprehensive income	59,695	11,076	–	(9,398)	(162)	1,637	(10,812)	4,870	–	**56,906**
Loans mandatorily measured at fair value through profit or loss	493,207	–	333,908	(21,397)	–	(6,737)	–	–	–	**798,981**
Financial assets measured at fair value total	**565,284**	**11,076**	**335,112**	**(35,838)**	**(162)**	**(3,603)**	**(839)**	**6,888**	**–**	**877,918**
Financial liabilities designated at fair value through profit or loss	28,861	–	(1,689)	–	–	(1,270)	–	–	5,994	**31,896**
Financial liabilities designated at fair value total	**28,861**	**–**	**(1,689)**	**–**	**–**	**(1,270)**	**–**	**–**	**5,994**	**31,896**

* FVA change for the current year consists of HUF 16,289 million adjustment resulting from risk factors and HUF 7,755 million adjustment resulting from market factors.

Valuation techniques and sensitivity analysis on Level 3 instruments

Sensitivity analysis is performed on products with significant unobservable inputs (Level 3) to generate a range of reasonably possible alternative valuations. The sensitivity methodologies applied take account of the nature of the valuation techniques used, as well as the availability and reliability of observable proxy and historical date and the impact of using alternative models. The calculation is based on a range or spread data of reliable reference source or a scenario based on relevant market analysis alongside the impact of using alternative models. Sensitivities are calculated without reflecting the impact of any diversification in the portfolio.

Unobservable inputs used in measuring fair value:

Type of financial instrument	Valuation technique	Significant unobservable input	Range of estimates for unobservable input
VISA C shares	Market approach combined with expert judgement	Discount applied due to illiquidity and litigation	+12%/(12%)
MFB refinancing loans	Discounted cash-flow model	Probability of default	+/–20%
Subsidised personal loans	Discounted cash-flow model	Probability of default	+/–20%
Subsidised personal loans	Discounted cash-flow model	Operational costs	+/–20%
Subsidised personal loans	Discounted cash-flow model	Demography	Change in the cash-flow estimation

The effect of unobservable inputs on fair value measurement

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

2021	Unobservable inputs	Fair values		Effect on profit and loss	
		Favourable	Unfavourable	Favourable	Unfavourable
VISA C shares	Illiquidity	6,704	5,079	813	(813)
Loans mandatorily at fair value throuhg profit or loss	Probability of default	406,362	405,266	549	(547)
Loans mandatorily at fair value throuhg profit or loss	Operational costs	412,868	399,020	7,054	(6,794)
Subsidised personal loans	Probability of default	639,007	631,856	3,590	(3,561)
Subsidised personal loans	Operational costs	647,292	623,934	11,875	(11,483)
Subsidised personal loans	Demography	635,484	635,387	68	(29)
MFB refinancing loans	Probability of default	19,218	18,972	123	(123)
Total		**2,766,935**	**2,719,514**	**24,072**	**(23,350)**

2020	Unobservable inputs	Fair values		Effect on profit and loss	
		Favourable	Unfavourable	Favourable	Unfavourable
VISA C shares	Illiquidity	6,324	4,821	751	(751)
Loans mandatorily at fair value throuhg profit or loss	Probability of default	319,857	316,251	1,813	(1,793)
Loans mandatorily at fair value throuhg profit or loss	Operational costs	324,845	311,525	6,801	(6,519)
Subsidised personal loans	Probability of default	452,782	447,647	2,579	(2,555)
Subsidised personal loans	Operational costs	464,974	436,194	14,772	(14,008)
Subsidised personal loans	Demography	451,419	448,987	1,217	(1,215)
MFB refinancing loans	Probability of default	24,876	24,690	93	(93)
Total		**2,045,077**	**1,990,115**	**28,026**	**(26,934)**

The favourable and unfavourable effects of using reasonably possible alternative assumptions for the valuation of Visa C shares have been calculated by modifying the discount rate used for the valuation by +/–12% as being the best estimates of the management as at 31 December 2021 and 2020 respectively.

In the case of Hungarian Development Bank ("MFB") refinancing loans and subsidised personal loans the Bank calculated the favourable and unfavourable effects of using reasonably possible alternative assumptions by modifying the rates of probability of default by +/–20% as one of the most significant unobservable input.
In case of subsidised personal loans operational cost and factors related to demography are considered as unobservable inputs to the applied fair value calculation model. The Bank calculated the favourable and unfavourable effects of using reasonably possible alternative assumptions by modifying the rates of operational costs by +/–20% as one of the most significant unobservable inputs.
Cash-flow estimation are based on assumption related to the future number of childbirths performed by the debtors. According to the current assumptions 15% of the debtors will not fulfill the conditions of the subsidy determined by the government after 5 years ("breach of conditions"), thereby debtors will be obliged to pay back the interest subsidy given before. Furthermore, in this case subsidised loans are converted to loans provided based on market conditions. Loans are prepaid by the government as part of the subsidy after the second and the third childbirth following the signatory of the loan contract. The Bank calculated the favourable and unfavourable effects of using reasonably possible alternative assumptions by modifying the demographical assumption of breach of conditions by +/– 5% as the most significant unobservable input in the cash-flow estimation.

NOTE 48: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn)

The Group distinguishes business and geographical segments. The report on the base of the business and geographical segments is reported below.

The operations in the Slovakian segment and the Croatian insurance operation were discontinued. The segment information reported on the next pages does not include any amounts for these discontinued operations neither for this period nor for the previous year, which are described in more details in Note 49.

The reportable segments of the Group on the base of IFRS 8 are as the follows:
OTP Core Hungary, Russia, Ukraine, Bulgaria, Romania, Serbia, Croatia, Montenegro, Albania, Moldova, Slovenia, Merkantil Group, Asset Management subsidiaries, Other subsidiaries and Corporate Center.

OTP Core is an economic unit for measuring the result of core business activity of the Group in Hungary. Financials for OTP Core are calculated from the partially Consolidated Financial Statements of the companies engaged in the Group's underlying banking operation in Hungary. These companies include OTP Bank Hungary Plc., OTP Mortgage Bank Ltd., OTP Building Society Ltd., OTP Factoring Ltd., OTP Financial Point Ltd., and companies providing intragroup financing. The Bank Employee Stock Ownership Plan Organization was included from the fourth quarter of 2016; OTP Card Factory Ltd., OTP Facility Management Llc., Monicomp Ltd. and OTP Real Estate Lease Ltd. were included from the first quarter of 2017 (from the first quarter of 2019 OTP Real Estate Lease Ltd. was eliminated from OTP Core); OTP Mobile Service Llc., OTP Ingatlanpont Llc. were included from the first quarter of 2019, OTP eBIZ Ltd. from the first quarter of 2020 and OTP Home Solutions Ltd. was included from the second quarter of 2021. The consolidated accounting results of these companies are segmented into OTP Core and Corporate Centre. The latter is a virtual entity.

Within the Group, the Corporate Centre acts as a virtual entity established by the equity investment of OTP Core for managing the wholesale financing activity for all the subsidiaries within the Group but outside OTP Core. Therefore the balance sheet of the Corporate Centre is funded by the equity and intragroup lending received from OTP Core, the intragroup lending received from other subsidiaries, and the subordinated debt and senior notes arranged by OTP under its running EMTN program.

From this funding pool, the Corporate Centre is to provide intragroup lending to, and hold equity stakes in OTP subsidiaries outside OTP Core. Main subsidiaries financed by Corporate Centre are as follows: Hungarians: Merkantil Bank Ltd., Merkantil Leasing Ltd., OTP Fund Management Ltd., OTP Real Estate Fund Management Ltd., OTP Life Annuity Ltd.; foreigners: banks, leasing companies, factoring companies.

The results of OTP Factoring Ukraine LLC, OTP Factoring SRL, OTP Factoring Bulgaria LLC, OTP Factoring Serbia d.o.o., and OTP Debt Collection d.o.o. (formerly known as: OTP Factoring Montenegro d.o.o.) are included into the foreign banks segment.

From the first quarter of 2019 Expressbank AD and its subsidiaries, OTP Leasing EOOD and Express Factoring EOOD (altogether: Express Group) were included into the Bulgarian operation, so from the first quarter of 2019 the statement of recognized income and balance sheet of DSK Leasing AD was included into this segment too.
The Bulgarian Expressbank AD merged with its parent DSK Bank AD in April 2020.
The Serbian segment, OTP banka Srbija AD Beograd and Vojvodjanska banka a.d. Novi Sad includes from the first quarter of 2019 the statements of profit or loss and financial positions of OTP Lizing d.o.o, OTP Services d.o.o. and from the third quarter of 2019 the financial position of the newly acquired OTP banka

Srbija AD Beograd and from the fourth quarter of 2019 its statement of profit or loss too. OTP banka Srbija a.d. merged with its parent bank in April 2021.
The Montenegrin segment, Crnogorska komercijalna banka a.d. and Podgoricka banka AD includes from the third quarter of 2019 the statement of profit or loss and financial position of the newly acquired Podgoricka banka AD. In December 2020 Podgoricka banka AD merged into Crnogorska komercijalna banka a.d.
In the first quarter of 2019 the Albanian, and from the second half of year 2019 the Moldovan and Slovenian segments were included as new segments in the consolidated segment report.

The activities of the other subsidiaries are out of the leasing and fund management and factoring activity, such as: OTP Real Estate Ltd., OTP Life Annuity Ltd., OTP Funds Servicing and Consulting Ltd., OTP Building s.r.o., OTP Real Slovensko s.r.o.

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

- separated income and expenses, assets and liabilities can be identified and assignable to the segments,
- transactions between the different segments were eliminated,
- the main decisive board of the Group regularly controls the operating results,
- separated financial information is available.

Adjustments

Goodwill/investment impairment and their tax saving effect:
As at 31 December 2021 HUF 39,546 million impairment was booked on the investment in OTP Bank Romania S.A. on which HUF 3,559 million positive tax effect was recognized, HUF 9,906 million impairment release was booked on OTP banka Srbija a.d. on which HUF 892 million negative tax effect was recognized, 16,628 million impairment release was booked on Crnogorska komercijalna banka a.d. on which HUF 1,496 million negative tax effect was recognized, 8,463 million impairment was booked on Monicomp Ltd. on which HUF 763 million positive tax effect was recognized.

As at 31 December 2020 HUF 9,841 million impairment was booked on the investment in OTP Bank Romania S.A. on which HUF 886 million positive tax effect was recognized.

Special tax on financial institutions (after income tax):
Special tax on financial institutions includes the special tax paid by the Hungarian financial institutions, the net present value effect of the one-off additional banking tax payable into the pandemic fund in 2020 (the payments are deductible from future banking taxes), the banking tax paid by the Romanian bank, subsidiary of OTP Group and as well as for 2020 the Slovakian banking levy. Besides, it also contained for 2020 the Slovakian Deposit Protection Fund contributions being introduced again in 2014, and the contribution into the Resolution Fund in Slovakia, too.

Effect of acquisitions (after income tax):
The following main items appear on this line: the negative goodwill related to acquisitions which improves the accounting result, integration costs of the newly acquired banks and other direct effects due to the acquisitions (such as customer base value amortisation) and effects related to the sale of the Slovakian bank for the end of 2020.

Explanation to the segments in the following table below:
2; 3; 8: The segments distinguished by geographical basis contain banks in that country and sometimes other financial institutions (like leasing or factoring companies) or other companies. The incomes mainly arises from providing financial services like: collecting deposits, granting loans, leasing and treasury activities, payment and investment services and other financial services.
16: Merkantil Group, is responsible for Hungarian leasing activities, originates its

income from providing leasing services (financing cars and production equipment).
17: Incomes arising in this segment is mainly fee income of fund management companies in Hungary, Bulgaria, Romania, Ukraine based on capital in investment funds or assets in funds.
18: The activities of other Hungarian and foreign subsidiaries are very divergent so the incomes can be also originated from different sources. The main part of the income in this segment comes from the activities of OTP Funds Servicing and Consulting, OTP Real Estate and the investments of OTP Real Estate Fund Management and Portfolion Funds.
19: Net interest income of Corporate Center includes interest expense on received resources and interest income on assets exposed.

Information regarding the Group's reportable segments is presented below:

As at 31 December 2021:

Main components of the consolidated statement of profit or loss in HUF million	OTP Group – in the consolidated statement of profit or loss – structure of accounting reports	Adjustments on the accounting in Recognized Income	OTP Group – in the consolidated statement of profit or loss – structure of management reports	OTP CORE (Hungary)	Foreign banks in EU subtotal (without adjustments)	DSK Bank AD (Bulgaria)	OTP banka d.d. (Croatia)	SKB Banka d.d. (Slovenia)	OTP Bank Romania S.A. (Romania)	Foreign banks not in EU subtotal (without adjustments)
	a	b	1=a+b 1=2+3+8+15+19+20	2	3=4+...+7	4	5	6	7	8=9+...+14
Net profit for the year from continued and discontinued operations	**456,428**		**456,428**							
Net profit for the year from discontinued operations	**116**		**116**							
Net profit for the year from continued opearations	**456,312**		**456,312**							
Adjustments (total)		**(40,475)**	**(40,475)**							
Dividends and net cash transfers (after income tax)		729	729							
Goodwill/investment impairment (after income tax)		1,909	1,909							
Bank tax on financial institutions (after income tax)		(18,893)	(18,893)							
Effect of acquisition (after income tax)		(15,506)	(15,506)							
Expected one-off negative effect of the debt repayment moratorium in Hungary (after income tax)		(15,040)	(15,040)							
Result of the treasury share swap agreement at OTP Core (after income tax)		6,326	6,326							
Consolidated adjusted net profit for the year	**456,312**	**44,071**	**500,383**	**213,378**	**131,309**	**76,789**	**33,446**	**16,822**	**4,252**	**124,272**
Profit before income tax	**528,435**	**62,899**	**591,334**	**253,972**	**152,663**	**85,243**	**41,064**	**20,660**	**5,696**	**148,419**
Adjusted operating profit	**597,770**	**61,589**	**659,359**	**256,151**	**178,192**	**106,240**	**43,421**	**19,595**	**8,936**	**183,171**
Adjusted total income	1,345,382	(33,290)	1,312,092	545,185	356,257	178,470	88,735	42,354	46,698	335,934
Adjusted net interest income	874,310	9,702	884,012	369,309	237,745	112,869	60,933	27,673	36,270	252,782
Adjusted net profit from fees and commissions	442,174	(116,626)	325,548	150,578	90,092	54,508	18,183	13,258	4,143	63,699
Adjusted other net non-interest income	28,898	73,634	102,532	25,298	28,420	11,093	9,619	1,423	6,285	19,453
Adjusted other administrative expenses	(747,612)	94,879	(652,733)	(289,034)	(178,065)	(72,230)	(45,314)	(22,759)	(37,762)	(152,763)
Personnel expenses	(340,684)	483	(340,201)	(143,234)	(91,350)	(34,284)	(23,111)	(13,015)	(20,940)	(85,606)
Depreciation and amortization	(94,996)	22,180	(72,816)	(36,926)	(16,383)	(7,160)	(4,392)	(1,350)	(3,481)	(13,966)
Other general expenses	(311,932)	72,216	(239,716)	(108,874)	(70,332)	(30,786)	(17,811)	(8,394)	(13,341)	(53,191)
Gains from derecognition of financial assets at amortized cost	**1,885**	**(1)**	**1,884**	**(1,598)**	**1,814**	**1,893**	**1,449**	**–**	**(1,528)**	**1,862**
Modification loss	**(13,672)**	**10,131**	**(3,541)**	**(3,397)**	**(14)**	**–**	**–**	**(14)**	**–**	**(130)**
Total risk costs	**(57,548)**	**(8,820)**	**(66,368)**	**2,816**	**(27,329)**	**(22,890)**	**(3,806)**	**1,079**	**(1,712)**	**(36,484)**
Adjusted loss allowance on loan and placement losses (without the effect of revaluation of FX)	(47,645)	7,809	(39,836)	4,910	(23,973)	(20,831)	318	1,833	(5,293)	(21,918)
Other impairment (adjustment)	(9,903)	(16,629)	(26,532)	(2,094)	(3,356)	(2,059)	(4,124)	(754)	3,581	(14,566)
Adjusted impairment under IAS 36	(9,903)	437	(9,466)	70	(3,001)	(2,401)	(135)	–	(465)	(274)
Income tax	**(72,123)**	**(18,828)**	**(90,951)**	**(40,594)**	**(21,354)**	**(8,454)**	**(7,618)**	**(3,838)**	**(1,444)**	**(24,147)**
Total Assets*	**27,551,338**	**–**	**27,551,338**	**14,205,354**	**10,075,267**	**4,627,132**	**2,576,445**	**1,433,206**	**1,438,484**	**5,183,118**
Total Liabilities	**24,516,618**	**–**	**24,516,618**	**12,195,467**	**8,680,440**	**3,927,757**	**2,225,422**	**1,253,691**	**1,273,570**	**4,316,145**

Main components of the consolidated statement of profit or loss in HUF million	OTP banka Srbija a.d. (Serbia)	OTP Bank JSC (Ukraine)	JSC "OTP Bank" (Russia) and Touch Bank	Crnogorska komercijalna banka a.d. (Montenegro)	Banka OTP Albania SHA (Albania)	OTP Bank S.A. (Moldova)	Non-banking subsidiaries subtotal	Merkantil Group (Hungary)	Asset Management subsidiaries	Other subsidiaries	Corporate Centre	Eliminations and adjustments
	9	10	11	12	13	14	15=16+17+18	16	17	18	19	20
Net profit for the year from continued and discontinued operations												
Net profit for the year from discontinued operations												
Net profit for the year from continued opearations												
Adjustments (total)												
Dividends and net cash transfers (after income tax)												
Goodwill/investment impairment (after income tax)												
Bank tax on financial institutions (after income tax)												
Effect of acquisition (after income tax)												
Expected one-off negative effect of the debt repayment moratorium in Hungary (after income tax)												
Result of the treasury share swap agreement at OTP Core (after income tax)												
Consolidated adjusted net profit for the year	**32,104**	**39,025**	**37,624**	**4,139**	**5,521**	**5,859**	**24,573**	**7,998**	**6,321**	**10,254**	**2,887**	**3,964**
Profit before income tax	**35,714**	**47,267**	**47,314**	**4,956**	**6,507**	**6,661**	**27,831**	**8,916**	**7,138**	**11,777**	**3,000**	**5,449**
Adjusted operating profit	**40,754**	**54,761**	**62,368**	**10,240**	**7,212**	**7,836**	**43,040**	**11,961**	**7,141**	**23,938**	**240**	**(1,435)**
Adjusted total income	83,493	83,567	118,158	22,046	13,398	15,272	85,568	23,291	11,064	51,213	1,260	(12,112)
Adjusted net interest income	62,497	62,051	91,364	16,553	10,619	9,698	22,019	20,680	4	1,335	1,260	897
Adjusted net profit from fees and commissions	14,410	14,494	25,728	4,880	1,843	2,344	26,456	116	10,786	15,554	–	(5,277)
Adjusted other net non-interest income	6,586	7,022	1,066	613	936	3,230	37,093	2,495	274	34,324	–	(7,732)
Adjusted other administrative expenses	(42,739)	(28,806)	(55,790)	(11,806)	(6,186)	(7,436)	(42,528)	(11,330)	(3,923)	(27,275)	(1,020)	10,677
Personnel expenses	(22,569)	(16,580)	(33,773)	(5,805)	(2,794)	(4,085)	(20,628)	(4,654)	(2,443)	(13,531)	(95)	712
Depreciation and amortization	(2,820)	(2,131)	(6,263)	(1,461)	(559)	(732)	(5,160)	(1,428)	(231)	(3,501)	(2)	(380)
Other general expenses	(17,350)	(10,095)	(15,754)	(4,540)	(2,833)	(2,619)	(16,740)	(5,248)	(1,249)	(10,243)	(923)	10,345
Gains from derecognition of financial assets at amortized cost	**554**	**916**	**467**	**(31)**	**(33)**	**(11)**	**(193)**	**(193)**	**–**	**–**	**–**	**(1)**
Modification loss	**–**	**(130)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total risk costs	**(5,594)**	**(8,280)**	**(15,521)**	**(5,253)**	**(672)**	**(1,164)**	**(15,016)**	**(2,852)**	**(3)**	**(12,161)**	**2,760**	**6,885**
Adjusted loss allowance on loan and placement losses (without the effect of revaluation of FX)	(941)	(6,613)	(13,542)	677	(847)	(652)	(2,900)	(2,900)	–	–	–	4,045
Other impairment (adjustment)	(4,653)	(1,667)	(1,979)	(5,930)	175	(512)	(12,116)	48	(3)	(12,161)	2,760	2,840
Adjusted impairment under IAS 36	(245)	(3)	24	(51)	1	–	(6,260)	179	(14)	(6,425)	–	(1)
Income tax	**(3,610)**	**(8,242)**	**(9,690)**	**(817)**	**(986)**	**(802)**	**(3,258)**	**(918)**	**(817)**	**(1,523)**	**(113)**	**(1,485)**
Total Assets*	**2,224,715**	**983,557**	**799,965**	**513,522**	**350,848**	**310,511**	**1,322,717**	**782,222**	**27,753**	**512,742**	**3,109,369**	**(6,344,487)**
Total Liabilities	**1,918,085**	**823,801**	**559,241**	**431,495**	**315,713**	**267,810**	**972,287**	**722,976**	**12,610**	**236,701**	**1,693,363**	**(3,341,084)**

( ) used at: provisions, impairment and expenses.
* Relating to the discontinued operations the assets were HUF 2,046 million.

As at 31 December 2020:

Main components of the consolidated statement of profit or loss in HUF million	OTP Group – in the consolidated statement of profit or loss – structure of accounting reports	Adjustments on the accounting in Recognized Income	OTP Group – in the consolidated statement of profit or loss – structure of management reports	OTP CORE (Hungary)	Foreign banks in EU subtotal (without adjustments)	DSK Group including Expressbank AD (Bulgaria)	OTP banka Hrvatska d.d. (Croatia)	SKB Banka d.d. (Slovenia)	OTP Bank Romania S.A. (Romania)	Foreign banks not in EU subtotal (without adjustments)	Vojvodjanska banka a.d. + OTP Banka Srbija AD. Beograd (Szerbia)	OTP Bank JSC (Ukraine)	JSC "OTP Bank" (Russia) and Touch Bank	Crnogorska komercijalna banka a.d. + Podgorička banka AD (Montenegro)	Banka OTP Albania SHA (Albania)	Mobiasbanca – OTP Group S.A. (Moldova)	Non-banking subsidiaries subtotal	Merkantil Bank (Hungary)	Asset Management subsidiaries	Other subsidiaries	Corporate Centre	Eliminations and adjustments
	a	b	1=a+b 1=2+3+8+15+19+20	2	3=4+...+7	4	5	6	7	8=9+...+14	9	10	11	12	13	14	15=16+17+18	16	17	18	19	20
Net profit for the year from continued and discontinued operations	**259,636**		**259,636**																			
Net profit for the year from discontinued operations	**5,590**		**5,590**																			
Net profit for the year from continued opearations	**254,046**		**254,046**																			
Adjustments (total)		**(53,860)**	**(53,860)**																			
Dividends and net cash transfers (after income tax)		213	213																			
Goodwill/investment impairment (after income tax)		886	886																			
Bank tax on financial institutions (after income tax)		(17,365)	(17,365)																			
Effect of acquisition (after income tax)		(12,441)	(12,441)																			
Impact of fines imposed by the Hungarian Competition Authority (after income tax)		749	749																			
Expected one-off negative effect of the debt repayment moratorium in Hungary (after income tax)		(28,262)	(28,262)																			
Result of the treasury share swap agreement at OTP Core (after income tax)		2,360	2,360																			
Consolidated adjusted net profit for the year	**254,046**	**57,072**	**311,118**	**156,273**	**69,777**	**42,735**	**15,466**	**10,126**	**1,450**	**61,048**	**7,739**	**26,815**	**18,205**	**3,413**	**1,656**	**3,220**	**25,792**	**7,623**	**9,824**	**8,345**	**(569)**	**(1,203)**
Profit before income tax	**297,964**	**71,230**	**369,194**	**189,373**	**78,603**	**46,442**	**18,237**	**12,565**	**1,359**	**74,113**	**8,896**	**32,300**	**23,297**	**3,715**	**2,145**	**3,760**	**28,445**	**8,579**	**10,749**	**9,117**	**(526)**	**(814)**
Adjusted operating profit	**516,439**	**37,538**	**553,977**	**197,720**	**161,700**	**89,774**	**40,329**	**19,787**	**11,810**	**164,960**	**35,899**	**42,030**	**65,068**	**8,352**	**5,904**	**7,707**	**28,889**	**10,279**	**10,765**	**7,845**	**(526)**	**1,234**
Adjusted total income	1,207,564	(37,646)	1,169,918	453,635	335,709	166,667	84,907	40,388	43,747	317,872	79,001	67,385	123,198	22,095	11,597	14,596	59,158	21,283	15,248	22,627	419	3,125
Adjusted net interest income	782,671	5,408	788,079	286,448	230,280	111,239	58,199	28,103	32,739	243,868	59,514	48,581	99,872	17,188	9,824	8,889	19,020	17,688	5	1,327	419	8,044
Adjusted net profit from fees and commissions	397,633	(104,523)	293,110	130,470	76,486	45,453	16,093	11,127	3,813	58,670	14,766	13,540	22,503	4,446	1,278	2,137	25,212	40	14,883	10,289	–	2,272
Adjusted other net non-interest income	27,260	61,469	88,729	36,717	28,943	9,975	10,615	1,158	7,195	15,334	4,721	5,264	823	461	495	3,570	14,926	3,555	360	11,011	–	(7,191)
Adjusted other administrative expenses	(691,125)	75,184	(615,941)	(255,915)	(174,009)	(76,893)	(44,578)	(20,601)	(31,937)	(152,912)	(43,102)	(25,355)	(58,130)	(13,743)	(5,693)	(6,889)	(30,269)	(11,004)	(4,483)	(14,782)	(945)	(1,891)
Personnel expenses	(308,642)	(3,853)	(312,495)	(125,949)	(85,252)	(34,033)	(21,772)	(12,060)	(17,387)	(83,401)	(21,652)	(14,535)	(34,139)	(6,681)	(2,565)	(3,829)	(12,418)	(4,297)	(2,853)	(5,268)	(91)	(5,384)
Depreciation and amortization	(92,761)	22,475	(70,286)	(35,935)	(16,447)	(8,385)	(4,098)	(1,296)	(2,668)	(13,054)	(3,181)	(1,362)	(5,855)	(1,479)	(475)	(702)	(3,110)	(1,666)	(197)	(1,247)	(2)	(1,738)
Other general expenses	(289,722)	56,562	(233,160)	(94,031)	(72,310)	(34,475)	(18,708)	(7,245)	(11,882)	(56,457)	(18,269)	(9,458)	(18,136)	(5,583)	(2,653)	(2,358)	(14,741)	(5,041)	(1,433)	(8,267)	(852)	5,231
Gains from derecognition of financial assets at amortized cost	**3,380**	**62**	**3,442**	**(669)**	**2,790**	**1,778**	**637**	**482**	**(107)**	**1,298**	**440**	**921**	**1,888**	**(894)**	**(304)**	**(753)**	**(38)**	**(38)**	**–**	**–**	**–**	**61**
Modification loss	**(29,773)**	**29,543**	**(230)**	**–**	**(20)**	**–**	**–**	**(20)**	**–**	**(210)**	**–**	**(210)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total risk costs	**(192,082)**	**4,087**	**(187,995)**	**(7,678)**	**(85,867)**	**(45,110)**	**(22,729)**	**(7,684)**	**(10,344)**	**(91,935)**	**(27,443)**	**(10,441)**	**(43,659)**	**(3,743)**	**(3,455)**	**(3,194)**	**(406)**	**(1,662)**	**(16)**	**1,272**	**–**	**(2,109)**
Adjusted loss allowance on loan and placement losses (without the effect of revaluation of FX)	(190,875)	32,454	(158,421)	2,374	(78,450)	(44,875)	(19,491)	(6,244)	(7,840)	(78,260)	(22,170)	(6,286)	(41,160)	(3,434)	(2,515)	(2,695)	(1,487)	(1,491)	–	4	–	(2,598)
Other impairment (adjustment)	(1,207)	(28,367)	(29,574)	(10,052)	(7,417)	(235)	(3,238)	(1,440)	(2,504)	(13,675)	(5,273)	(4,155)	(2,499)	(309)	(940)	(499)	1,081	(171)	(16)	1,268	–	489
Adjusted impairment under IAS 36	(1,207)	720	(487)	(30)	(441)	(278)	(9)	–	(154)	(989)	(251)	(39)	79	(457)	(301)	(20)	549	(79)	–	628	–	424
Income tax	**(43,918)**	**(14,158)**	**(58,076)**	**(33,100)**	**(8,826)**	**(3,707)**	**(2,771)**	**(2,439)**	**91**	**(13,065)**	**(1,157)**	**(5,485)**	**(5,092)**	**(302)**	**(489)**	**(540)**	**(2,653)**	**(956)**	**(925)**	**(772)**	**(43)**	**(389)**
Total Assets*	**23,329,771**	**–**	**23,329,771**	**11,492,949**	**9,125,249**	**4,283,625**	**2,325,669**	**1,353,772**	**1,162,183**	**4,484,527**	**2,052,332**	**729,012**	**688,980**	**477,676**	**286,606**	**249,921**	**1,118,927**	**667,120**	**35,584**	**416,223**	**2,865,511**	**(5,757,392)**
Total Liabilities**	**20,793,243**	**–**	**20,793,243**	**9,726,310**	**7,883,344**	**3,663,247**	**1,997,504**	**1,187,648**	**1,034,945**	**3,768,384**	**1,779,286**	**611,941**	**505,578**	**401,119**	**257,826**	**212,634**	**842,473**	**614,566**	**17,052**	**210,855**	**1,504,289**	**(2,931,557)**

( ) used at: provisions, impairment and expenses.
* Relating to the discontinued operations the assets were HUF 6,070 million.
** Relating to the discontinued operations the liabilities were HUF 5,486 million.

NOTE 49: DISCONTINUED OPERATIONS (in HUF mn)

The Serbian Pevec d.o.o. Beograd company as the investment of OTP Factoring Ltd. was classified as asset held-for-sale by the Group as at 31 December, 2021. This investment was not revalued in the Consolidated Financial Statements. Classification as asset held-for-sale was needed due to the purchase agreement had been concluded already in 2021 for the real estates in the ownership of Pevec. In 2022, the purchase price was paid out and the transfer of ownership happened. The purchase price of the real estate was EUR 9,928,667, the estimated value of those real estates which weren't sold was defined in the amount of EUR 300,000 according to their present condition by a value assessment in January 2021.

	2021	2020
Assets classified as held-for-sale	2,046	–
Equity instrument as at fair value through other comprehensive income	–	2,046

On 31 December 2020, the Group classifies the operations of its Croatian subsidiary, OTP Osiguranje d.d. as disposal groups classified as held-for-sale. The classification was needed because there is intention for the sale. These operations, which are expected to be sold within 12 months, have been classified as a discontinued operation, so the assets, liabilities of these discontinued operations and their losses are presented separately in both the Consolidated Statement of Financial Position and Consolidated Statement of Profit or Loss.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	2021	2020
Cash, amounts due from banks and balances with the National Banks	–	2
Placements with other banks, net of loss allowance for placements, net of repo receivables	–	244
Non-trading instruments mandatorily at fair value through profit or loss	–	1,188
Securities at fair value through other comprehensive income	–	3,410
Securities at amortized cost	–	1,031
Tangible assets on net value	–	92
Right-of-use assets on net value	–	42
Other assets on net value	–	61
Non-current assets and disposal group classified as held-for-sale		**6,070**
Leasing liabilities	–	44
Other liabilities	–	5,442
Disposal group liabilities classified as held-for-sale		**5,486**
Income	–	1,548
Expense	–	(1,334)
Profit before income tax	**–**	**214**
Income tax expense of OTP Osiguranje d.d.	–	(15)
Gain from non-current assets and disposal group classified as held-fo-sale	**–**	**199**

The Croatian insurance company cash-flow contributed to the Group's operating activity with HUF 431 million, to the Group's investing activity with HUF 327 million, and in respect of the Group's financing activity with HUF 232 million which were modified by the eliminations during the consolidation by HUF (988) million as at 31 December 2020. The financial transaction regarding the sale of the Slovakian subsidiary was closed, presented in those Consolidated Financial Statements for the end of 2020 as discontinued operations.

The results of the discontinued operations, which have been included in the profit for the previous year, were as follows:

	2021	2020
Income	–	15,503
Expense	–	(17,216)
Profit before income tax	**–**	**(1,713)**
Income tax expense of OTP Banka Slovensko a.s.	–	(142)
Realized gain of the sale of OTP Banka Slovensko a.s.	–	7,887
Income tax effect of the discontinued operation	–	(641)
Gain from sale of the Slovakian subsidiary	**–**	**5,391**

The Slovakian subsidiary bank cash-flow contributed to the Group's operating activity with HUF (8,231) million, to the Group's investing activity with HUF (9,653) million, and in respect of the Group's financing activity with HUF 86,281 million which were modified by the eliminations during the consolidation by HUF (67,767) million as at 31 December 2020.

NOTE 50: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2021

1) Term Note Program

See details in Note 21.

2) Purchase of new bank in Albania

On 6 December 2021, OTP Bank signed an acquisition agreement with Alpha International Holdings Single Member S.A. on purchasing 100% shareholding of Alpha Bank SH.A., the Albanian subsidiary of the Greek Alpha Bank S.A. The purchase price has been agreed at Euro 55 million. With a total asset-based market share of almost 5%, Alpha Bank is the 8th largest bank on the Albanian banking market, and as a universal bank it has been active in the retail and corporate segment as well. The financial closing of the transaction is expected by the end of the second quarter of 2022 subject to obtaining all the necessary regulatory approvals

3) Potential acquisition of majority stake in Uzbek Ipoteka Bank

On 29 September 2021, OTP Bank signed a non-binding Memorandum of Agreement regarding the potential acquisition of the majority stake of Ipoteka Bank and its subsidiaries with the Ministry of Finance of the Republic of Uzbekistan. Ipoteka Bank is the fifth largest bank in Uzbekistan, with a market share of 8.5% based on total assets at the end of July 2021, with more than 1.2 million retail customers and a large corporate clientele.

4) Purchase of new bank in Slovenia

On 31 May 2021, OTP Bank signed a share sale and purchase agreement on purchasing 100% shareholding of Nova KBM d.d. and its subsidiaries, which are 80% owned by funds managed by affiliates of Apollo Global Management, Inc. and 20% by EBRD. With a market share of 20.5% by total assets as of December 2020, Nova KBM d.d. is the 2nd largest bank in the Slovenian banking market and as a universal bank it has been active in the retail and corporate segments as well. The financial closing of the transaction is estimated in the second quarter of 2022 subject to obtaining all the necessary regulatory approvals.

5) Closure of the sale of OTP Osiguranje d.d.

On 31 August 2021, the Croatian OTP Osiguranje d.d transaction was financially closed, as a result of which Groupama Biztosító Zrt. has acquired 100% ownership of the insurance company from OTP banka d.d., the Croatian subsidiary of OTP Bank.

6) The discontinuance of the international arbitration proceedings

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

7) Termination of ICES bonds and repurchase of OTP shares

See details in Note 27.

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

The Extraordinary General Meeting hold on 15 October, 2021 resolved that, the Bank had sold its treasury shares on the stock exchange to those two Special Employee Stock Ownership Program organizations having been established by the Bank employees ("OTP SECOP I." and "OTP SECOP II.").

The Extraordinary General Meeting decided that if additional SECOP organisations would be initiated, those would be given one-off support on a yearly basis, under defined conditions, defined extent and in specified manner.

9) Interest benchmark reform

The Group was actively involved in industry efforts supporting transition to IBOR alternatives. The Group has taken extensive steps to prepare for the discontinuation of IBORs and worked closely with clients to ensure awareness and support transition activities. As the transition is complex, time-consuming process and relevant for the whole Group, the management of Group has evaluated the impacts of the interest rate benchmarks reform, preparing itself for the transition through a dedicated internal group-wide project. As LIBOR's five currencies (USD, GBP, EUR, JPY and CHF) and EONIA will be replaced by Risk Free Rates – which are different in nature compared to IBOR rates – OTP Group has implemented the relevant rates into the IT systems, and reached out the clients. The Group's priority was to ensure that the Group can continue to offer clients the products and services they need, while also supporting them in the transition to the new alternative Risk Free Rates.

During the IBOR reform the Group identified several risks at the beginning of 2021, which the project had to manage and monitor closely. These risks include but are not limited to the following:

- The abolution of LIBOR affected several transactions that may require automated IT solitions.
- The new reference rates are different in nature from LIBOR that cause difficulties to settle the value differencies with the customers.
- It was necessary to implement new processes not to develop LIBOR based products, and to develop a strategy for removing or modifying the affected products handled by the Group.
- After the termination of LIBOR, the Group has to act under the "Fallback clauses", the clauses that regulate the replacement of the reference interest rates in the contract and the use of an alternative interest as a reference. The content of these clauses needs to be clearly defined and checked from a business point of view, ie which reference interest rate will be applied instead of LIBOR for the given contract and whether it is commercially appropriate. In defining the fallback clauses, efforts had to be made to provide a viable alternative to the termination of LIBOR that would not result in a business loss for the Group.
- Legal risks related to the termination of LIBOR. Such risks can arise when Fallback clauses are not included in the contracts, or the law governing the contract doesn't contain a statutory reference rate. In these cases the contracts can be cancelled due to impossibility or the termination by either party.
- Missing of contractual interest rates can result in settlement disputes, compensation cases or litigation.
- Business risks of the termination of LIBOR. The most significant of these are:
  - the law governing the contract can set the applicable interest rate that can be result in a bussiness loss for the Group,
  - bussiness loss due to negative customer experience,
  - operational risk, when several unique contracts must be handled in a short time.

Terminating interest rates	Alternative Reference Rates
LIBOR USD* (1 week and 2 months settings), FedFund Rate	SOFR
LIBOR GBP	SONIA
LIBOR JPY	TONA
LIBOR EUR	EURIBOR
LIBOR CHF**	SARON
EONIA	€STR

Amounts effected by IBOR reform as at 31 December 2021:

Reference rate	Type of the contract	Nominal value of the contract	Pieces of contracts
USD LIBOR	Loan	158,747	2,747
USD LIBOR	Deposit	13,851	27
USD LIBOR	Derivatives	699,066	170
Other LIBOR	Loan	75,060	3,853
Other LIBOR	Deposit	25,864	98
Other LIBOR	Derivatives	25,464	4
Other LIBOR	Bonds (assets)	13,162	3
Total		**1,011,214**	**6,902**

The above LIBOR-based amounts outstanding as at 31 December 2021 will be managed at the first interest period in 2022 therefore they do not cause a risk to he Bank or to the customers.

* The following USD LIBOR settings will be terminated after June 30, 2023: overnight and 1, 3, 6 and 12 Months. The affected USD LIBOR contracts will be handled on an ongoing basis until the remaining USD LIBOR settings' cessation date.

** In the case of CHF LIBOR, OTP Bank acts in accordance with the implementing regulation of the European Commission (https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=PI_COM:C(2021)7488&from=EN).

NOTE 51: POST BALANCE SHEET EVENTS

1) Decision in Slovenia about distribution of foreign exchange risk concerning loan agreement in Swiss francs

On 2 February 2022, the Slovenian Parliament passed the "Law on limitation and distribution of foreign exchange risk between creditors and borrowers concerning loan agreements in Swiss francs" (the "Law").

The Law affects all loan agreements denominated in Swiss francs between 28 June 2004 and 31 December 2010. The law sets a currency cap that is activated by more than 10% change of the exchange rate between the CHF and EUR from the day of drawing of the loan. During the period of validity of the currency cap, the value of instalments and other payments is equal to the amount at which the currency cap limit was established. The law requires creditors to calculate the remaining debt, prepare a new annuity plan and prepare a draft contract on the regulation of mutual relations. In the event of overpayment, the lender is obliged to reimburse the borrower the default interest, which runs from the date of occurrence of the overpayment to the date of payment of the overpayment.

2) Ukrainian–Russian conflict

In the second half of February 2022 the military conflict between Russia and Ukraine escalated
It is difficult to quantify the effect of the Ukrainian–Russian conflict regarding the Ukrainian and the Russian operations, the possible scenarios are covering a wide range of spectrum. According to the worst possible scenario, the Bank may lose its control over its investments, which under extreme conditions could result in the full write-off of the invested amount.

These Consolidated Financial Statements do not contain any write-offs as possible consequences of the Ukrainian–Russian conflict, the Group recognizes it as not adjusting, post balance sheet event.

Ukraine

OTP Group's Ukrainian operation incorporates the Ukrainian bank, as well as the leasing and factoring companies. The country-consolidated Ukrainian total assets represented HUF 984 billion at the end of 2021 (3.6% of total consolidated assets), while net loans comprised HUF 614 billion (3.9% of consolidated net loans) and shareholders' equity HUF 160 billion (5.3% of the consolidated total equity).
At the end of 2021 the book value of the capital investment in the Ukrainian subsidiaries comprised HUF 105 billion; there was no goodwill at all, it was already written down entirely in 2014.
The gross intragroup funding towards the Ukrainian operation represented HUF 72 billion, and taking into account the Ukrainian deposits placed with the HQ, i.e. the net group funding represented HUF 29 billion equivalent.
According to the 28 February 2022 figures, the gross funding amounted to HUF 75 billion equivalent and the net intragroup funding stood at HUF 9 billion equivalent.
The Ukrainian sub-consolidated RWA ("risk-weighted asset") was HUF 1,115 billion by the end of 2021 (6.7% of the total consolidated RWA).
The consolidated maximum capital effect on the potential write-off of the Ukrainian operation, taking into account the equity, the intragroup funding and the Ukrainian risk weighted assets, is estimated at 27 bps on the consolidated CET1 ratio, according to year-end figures.
The Ukrainian operation posted HUF 39.0 billion adjusted profit in 2021 which represented 7.9% of OTP Group's adjusted annual profit.

Russia

The total assets of the Group's Russian operation represented HUF 800 billion at the end of 2021 (2.9% of consolidated total assets), while net loans comprised HUF 621 billion (3.9% of consolidated net loans) and shareholders' equity HUF 241 billion (7.9% of consolidated total equity). At the end of 2021 the book value of the capital investment in the Russian subsidiaries comprised directly HUF 74 billion and indirectly HUF 50 billion.
The gross intragroup funding towards the Russian operation represented HUF 73 billion, and taking into account the Russian deposits placed with the Headquarter, i.e. the net group funding represented HUF 14 billion equivalent.
On 28 February 2022 the gross intragroup funding reached HUF 52 billion equivalent, which equalled the net figure because there was no deposit placement by the Russian operation at other Group members.
The Russian sub-consolidated RWA was HUF 822 billion by the end of 2021 (4.9% of the total consolidated RWA).
The consolidated capital maximum effect on the potential write-off of the Russian operation, taking into account the equity, the intragroup funding and the Russian risk weighted assets, is estimated at 116 bps on the consolidated CET1 ratio, according to year-end figures.
The Russian operation posted HUF 37.6 billion adjusted profit in 2021 which represented 7.9% of OTP Group's adjusted annual profit.
Although the impact of the Russian-Ukrainian conflict on the Group's Russian and Ukrainian operations is currently difficult to quantify, and as such uncertain, based on the current estimation of the Bank's Management the Ukrainian–Russian conflict does not have considerably negative impact on the business activity, financial position, efficiency, liquidity and capital position of OTP Bank. Even after the recognition of the potential losses and write-offs outlined above, the Group's capital adequacy remains above the expected regulatory level. There is no sign of significant uncertainties having been arisen regarding carrying out its business as a going concern.
The Bank's Management is monitoring the situation of the Ukrainian–Russian conflict continuously and will take the necessary steps in order to moderate the business risk.