

Disclosure by institutions

31 December 2020



**OTP Bank Plc. separate and consolidated,
OTP Mortgage Bank Ltd.,
OTP Building Society Ltd.,
Merkantil Bank Ltd.**

In line with Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises, and Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, and EBA/GL/2020/07 of exposures subject to measures applied in response to the COVID-19 crisis

(English translation of the original report)

Budapest, 16 April 2021.

Table of contents

I. OTP Group.....	14
I.1. Risk management objectives and policies.....	14
I.1.1. OTP Group's risk management strategy and general risk profile.....	14
I.1.2. Credit risk mitigation	19
I.1.3. Applied stress test methodologies in the OTP Group.....	20
I.2. Information regarding corporate governance system	21
I.2.1. The number of directorships of OTP Bank's chief executives	21
I.2.2. Board members' education data	22
I.2.3. Risk management committees	23
I.3. Scope of consolidation in group level reports	24
I.3.1. Associates which are accounted for using the equity method (proportionally consolidated) for the year ended 31 December 2020	24
I.3.2. Not consolidated entities for the year ended 31 December 2020	24
I.3.3. Current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries	25
I.3.4. Regulatory capital deficit at subsidiaries not included in the consolidation	25
I.3.5. Practice of regulations' application	25
I.4. Regulatory capital and capital requirements	25
I.4.1. Capital adequacy of the OTP Group.....	25
I.4.2. Information about disclosure requirements related to the regulatory capital in line with commission implementing regulation (EU) no. 1423/2013	27
I.4.3. Internal capital requirement calculation	42
I.5. Trading book market and counterparty risks (capital requirements)	43
I.6. Countercyclical buffer	44
I.7. Leverage	45
I.8. Credit risk adjustments	48
I.8.1. Methodology of valuation and provisions	48
I.8.2. Exposures to credit risks.....	52
I.9. Use of external credit assessment institutions	62
I.10. Capital requirement for operational risk.....	63
I.11. Exposures in equities not included in the trading book	63
I.11.1. Trading purposes, valuation methods.....	63
I.11.2. Exposures in equities not included in the trading book on 31 st December 2020.....	65
I.12. Exposure to interest rate risk on positions not included in the trading book	66
I.13. Remuneration policy	67
I.13.1. Decision-making process applied in determining the remuneration policy.....	67
I.13.2. Scope of the remuneration policy	68
I.13.3. Relationship between performance and performance-based remuneration	69

I.13.4. Ratio of fixed to performance-based remuneration	69
I.13.5. Criteria of variable remuneration	70
I.13.6. Summarised information relating to the remuneration.....	71
I.14. Disclosure of encumbered and unencumbered assets	77
I.15. Liquidity risk	79
II. OTP Bank.....	82
II.1. Regulatory capital and capital requirements	82
II.1.1. Capital adequacy of OTP Bank	82
II.1.2. Information about disclosure requirements related to the regulatory capital in line with Commission Implementing Regulation (EU) no. 1423/2013	84
II.2. Trading book market and counterparty risks (capital requirements)	93
II.3. Leverage	95
II.4. Credit risk adjustments	98
II.4.1. Methodology of valuation and provisions	98
II.4.2. Exposures to credit risk	101
II.5. Use of external credit assessment institutions	109
II.6. Capital requirement for operational risks	110
II.7. Equity exposures not included in the trading book on 31 December 2020	110
II.8. Exposure to interest rate risk on positions not included in the trading book	111
II.9. Disclosure of encumbered and unencumbered assets	112
II.10. Liquidity risk	114
II.11. Regional distribution of the Bank's activity, return on assets ratio	115
II.12. Shareholders with significant investment in OTP Bank.....	115
III. OTP Mortgage Bank	116
III.1. Corporate governance	116
III.2. Regulatory capital and capital requirements	118
III.2.1. Capital adequacy of OTP Mortgage Bank	118
III.2.2. Information about disclosure requirements related to the regulatory capital in line with Commission Implementing Regulation (EU) no. 1423/2013	120
III.3. Trading book market and counterparty risks (capital requirements)	128
III.4. Leverage	128
III.5. Credit risk adjustments	131
III.5.1. Methodology of valuation and provisions	131
III.5.2. Exposures to credit risk	134
III.6. Use of external credit assessment institutions	140
III.7. Capital requirement for operational risk.....	141
III.8. Exposures in equities not included in the trading book on 31st December 2020	141
III.9. Exposure to interest rate risk on positions not included in the trading book	142
III.10. Disclosure of encumbered and unencumbered assets	143
III.11. Liquidity risk	144

III.12. Geographical distribution of the activity, return on assets ratio.....	145
IV. OTP Building Society	146
IV.1. Corporate Governance	146
IV.2. Regulatory capital and capital requirements	147
IV.2.1. Capital adequacy of OTP Building Society.....	147
IV.2.2. Information about disclosure requirements related to the regulatory capital in line with Commission Implementing Regulation (EU) no. 1423/2013	149
IV.3. Trading book market and counterparty risks (capital requirements)	157
IV.4. Leverage	157
IV.5. Credit risk adjustments	160
IV.5.1. Methods of valuations and provisions.....	160
IV.5.2. Exposures to credit risk	163
IV.6. Use of External Credit Assessment Institutions	169
IV.7. Capital requirement for operational risk.....	170
IV.8. Exposures in equities not included in the trading book on 31 st December 2020	170
IV.9. Exposure to interest rate risk on positions not included in the trading book	170
IV.10. Disclosure of encumbered and unencumbered assets	171
IV.11. Liquidity risk	172
IV.12. Regional distribution of the activity, return on assets ratio	172
V. Merkantil Bank	173
V.1. Corporate Governance	173
V.2. Regulatory capital and capital requirements	174
V.2.1. Capital adequacy of Merkantil Bank	174
V.2.2. Information about disclosure requirements related to the regulatory capital in line with Commission Implementing Regulation (EU) No. 1423/2013.....	175
V.3. Trading book market and counterparty risks (capital requirements)	183
V.4. Leverage	184
V.5. Credit risk adjustments	186
V.5.1. Methods of valuations and provisions.....	186
V.5.2. Exposures to credit risk	189
V.6. Use of External Credit Assessment Institutions	195
V.7. Capital requirement for operational risk.....	195
V.8. Exposures in equities not included in the trading book on 31 st December 2020.....	195
V.9. Exposure to interest rate risk on positions not included in the trading book	196
V.10. Disclosure of encumbered and unencumbered assets	197
V.11. Liquidity risk	198
V.12. Regional distribution of the activity, return on assets ratio	198
VI. Appendix	199
VI.1. OTP Group's risk profile	199
VI.2. Declaration about the appropriatenes of risk management.....	200

VI.3. Declaration of the appropriatenes of the liquidity risk management framework..... 201

Chart list

Chart 1 : The number of board memberships of OTP Bank's board members in other companies.....	21
Chart 2: Board members' education data	22
Chart 3: Associates which are accounted for using the equity method (proportionally consolidated) for the year ended 31 December 2020.....	24
Chart 4: Not consolidated entities for the year ended 31 December 2020	24
Chart 5: OTP Group's overview of RWAs.....	25
Chart 6: Credit risk exposure and CRM effects on 31st December 2020.....	26
Chart 7: Presentation of balance sheet discrepancies based on the differences in the scope of consolidation according to accounting (IFRS) and prudential (CRR)	27
Chart 8: Differences between accounting (IFRS) and regulatory (CRR) scopes of consolidation and the mapping of financial statement categories with regulatory risk categories.....	29
Chart 9: Non-deducted participations in insurance undertakings	30
Chart 10: Main sources of differences between regulatory exposure amounts and carrying values in financial statements.....	30
Chart 11: Consolidated entities for the year-ended 31 December 2020	31
Chart 12: Outline of the differences in the scopes of consolidation (entity by entity)	32
Chart 13: Breakdown of regulatory capital including transitional arrangements for mitigating the impact of the application of IFRS9 on own funds in accordance with Article 473a of regulation (EU) No 575/2013	35
Chart 14: The impact of the transitional arrangements for mitigating the impact of the application of IFRS9 on own funds in accordance with Article 473a of regulation (EU) No 575/2013.....	40
Chart 15: Capital instruments' main features on 31st December 2020	41
Chart 16: Trading book positions capital requirement	43
Chart 17: Analysis of CCR exposure by approach	43
Chart 18: CVA capital charge	44
Chart 19: CCR exposures by regulatory portfolio and risk	44
Chart 20: Impact of netting and collateral held on exposure values	44
Chart 21: Composition of collateral for exposures to CCR	44
Chart 22: Net exposure value to leverage ratio	45
Chart 23: Leverage ratio	46
Chart 24: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	48
Chart 25: Changes in the stock of general and specific credit risk adjustments	51
Chart 26: Changes of non-performing loan exposures.....	51
Chart 27: Net exposures broken down by net exposure classes (before credit risk mitigation).....	52
Chart 28: Exposures broken down by geographical areas (by the country of obligors) on 31st December 2020	53
Chart 29: Exposure classes broken down by counterparty type on 31st December 2020	53
Chart 30: Exposure classes broken down by residual maturity on 31st December 2020	54
Chart 31: Credit quality of forborne exposures	54

Chart 32: Quality of forbearance	55
Chart 33: Credit quality of performing and non-performing exposures by past due days	55
Chart 34: Performing and non-performing exposures and related provisions	55
Chart 35: Quality of non-performing exposures by geography	56
Chart 36: Credit quality of loans and advances by industry.....	56
Chart 37: Collateral valuation – loans and advances	57
Chart 38: Changes in the stock of non-performing loans and advances	57
Chart 39: Collateral obtained by taking possession and execution processes.....	58
Chart 40: Collateral obtained by taking possession and execution processes – vintage breakdown	58
Chart 41: Credit quality of exposures by exposure class and instrument on 31st December 2020	59
Chart 42: Credit quality of exposures by counterparty types on 31st December 2020	59
Chart 43: Credit quality of exposures by geography on 31st December 2020	60
Chart 44: Overview of CRM techniques.....	61
Chart 45: Credit quality of loans and advances subject to moratoria on loan repayments applied in the light of the COVID-19 crisis	61
Chart 46: Volume of loans and advances subject to legislative and non-legislative moratoria by residual maturity of these moratoria	61
Chart 47: Newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis.....	62
Chart 48: Each credit assessment corresponds to the following credit quality step.....	62
Chart 49: Exposures broken down by credit quality steps (CQS) of obligors	63
Chart 50: Operational risk capital requirements on 31st December 2020	63
Chart 51: Exposures in equities not included in the trading book according to IFRS on 31st December 2020 ..	65
Chart 52: The effects of the parallel shifts of the yield-curves to the net interest income on a one-year period and to the market value of the hedge government bond portfolio booked against capital	66
Chart 53: Summarised information of remuneration categorized by activities ¹⁾	71
Chart 54: Summarised information of remuneration according to the type of remuneration	72
Chart 55: The changes in the remuneration of the staff whose professional activities have a material impact on the risk profile.....	73
Chart 56: Remuneration settled in 2019 for the members of the OTP Bank Plc. Board of Directors and the Supervisory Board.....	74
Chart 57: Received remuneration of the OTP Mortgage Bank Ltd.'s Board of Directors and Supervisory Board in 2019.....	75
Chart 58: Received remuneration of the OTP Building Society Ltd.'s Board of Directors and Supervisory Board members in 2019	75
Chart 59: Received remuneration of the Merkantil Bank Ltd.'s Board of Directors and Supervisory Board members in 2019	76
Chart 60: The encumbered and unencumbered assets in carrying and fair value amounts by broad categories of asset type.....	77
Chart 61: Collateral received, by broad categories of product type.....	77

Chart 62: Encumbered assets/collateral received and associated liabilities	77
Chart 63: Liquidity coverage ratio	80
Chart 64: OTP bank's overview of RWAs	82
Chart 65: Credit risk exposure and CRM effects on 31st December 2020.....	83
Chart 66: Mapping of financial statement categories with regulatory categories	84
Chart 67: Main sources of differences between regulatory exposure amounts and carrying values in financial statements.....	85
Chart 68: OTP bank's regulatory capital	86
Chart 69: Breakdown of regulatory capital including transitional arrangements for mitigating the impact of the application of IFRS9 on own funds in accordance with Article 473a of regulation (EU) no 575/2013.....	87
Chart 70: The impact of the transitional arrangements for mitigating the impact of the application of IFRS9 on own funds in accordance with Article 473a of regulation (EU) no 575/2013	92
Chart 71: Trading book positions capital requirement	93
Chart 72: Analysis of CCR exposure by approach	93
Chart 73: CVA capital charge	93
Chart 74: CCR exposures by regulatory portfolio and risk	94
Chart 75: Exposures to CCP-s.....	94
Chart 76: Impact of netting and collateral held on exposure values	95
Chart 77: Composition of collateral for exposures to CCR	95
Chart 78: Net exposure value to leverage ratio	95
Chart 79: Leverage ratio	96
Chart 80: Changes in the stock of general and specific credit risk adjustments	100
Chart 81: Changes of non-performing loan exposures.....	100
Chart 82: Net exposures broken down by exposure classes (without the impact of credit risk mitigation methods)	101
Chart 83: Exposures broken down by geographical areas (by the country of obligors) on 31st December 2020	102
Chart 84: Exposure classes broken down by counterparty type on 31st December 2020	102
Chart 85: Exposure classes broken down by residual maturity on 31st December 2020	103
Chart 86: Credit quality of forborne exposures	103
Chart 87: Credit quality of performing and non-performing exposures by past due days	104
Chart 88: Performing and non-performing exposures and related provisions	104
Chart 89: Collateral obtained by taking possession and execution processes.....	105
Chart 90: Credit quality of exposures by exposure class and instrument on 31st december 2020.....	105
Chart 91: Credit quality of exposures by counterparty types on 31st december 2020	106
Chart 92: Credit quality of exposures by geography on 31st december 2020.....	107
Chart 93: Overview of CRM techniques.....	108
Chart 94: Credit quality of loans and advances subject to moratoria on loan repayments applied in the light of the COVID-19 crisis	108

Chart 95: Volume of loans and advances subject to legislative and non-legislative moratoria by residual maturity of these moratoria	108
Chart 96: Newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis	109
Chart 97: Exposures broken down by credit quality steps (CQS) of obligors	109
Chart 98: Capital requirement for operational risks on 31st December 2020:.....	110
Chart 99: Equity exposures not included in the trading book according to IFRS on 31 December 2020	110
Chart 100: The effects of an instant 10 bp 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	111
Chart 101: The encumbered and unencumbered assets in carrying and fair value amounts by broad categories of asset type	112
Chart 102: Collateral received, by broad categories of product type	112
Chart 103: Encumbered assets/collateral received and associated liabilities	112
Chart 104: Liquidity coverage ratio	114
Chart 105: Regional distribution of the Bank's activity, return on assets ratio	115
Chart 106: The number of board memberships of OTP Mortgage Bank's board members in other companies	116
Chart 107: Board members' education data	117
Chart 108: OTP Mortgage Bank's overview of RWAs	118
Chart 109: Credit risk exposure and CRM effects on 31st December 2020.....	119
Chart 110: Mapping of financial statement categories with regulatory categories	120
Chart 111: Main sources of differences between regulatory exposure amounts and carrying values in financial statements.....	121
Chart 112: OTP Mortgage Bank's regulatory capital on 31st December 2020.....	121
Chart 113: Breakdown of regulatory capital including transitional arrangements for mitigating the impact of the application of IFRS9 on own funds in accordance with Article 473a of regulation (EU) no 575/2013.....	122
Chart 114: The effect of the transitional arrangements for mitigating the impact of the application of IFRS9 on own funds in accordance with Article 473a of regulation (EU) no 575/2013	127
Chart 115: Trading book positions capital requirement	128
Chart 116: Net exposure value to leverage ratio	128
Chart 117: Leverage ratio	129
Chart 118: Changes in the stock of general and specific credit risk adjustments	133
Chart 119: Changes of non-performing loan exposures.....	133
Chart 120: Net exposures broken down by net exposure classes (before credit risk mitigation)	134
Chart 121: Exposures broken down by geographical areas (by the country of obligors) on 31st December 2020	134
Chart 122: Exposure classes broken down by counterparty type on 31st December 2020	135
Chart 123: Exposure classes broken down by residual maturity on 31st December 2020	135
Chart 124: Credit quality of forborne exposures	136

Chart 125: Credit quality of performing and non-performing exposures by past due days	136
Chart 126: Performing and non-performing exposures and related provisions	137
Chart 127: Collateral obtained by taking possession and execution processes	137
Chart 128: Credit quality of exposures by exposure class and instrument on 31st December 2020	138
Chart 129: Credit quality of exposures by counterparty types on 31st December 2020	138
Chart 130: Credit quality of exposures by geography on 31st December 2020	139
Chart 131: Overview of CRM techniques	139
Chart 132: Credit quality of loans and advances subject to moratoria on loan repayments applied in the light of the COVID-19 crisis	139
Chart 133: Volume of loans and advances subject to legislative and non-legislative moratoria by residual maturity of these moratoria	139
Chart 134: Newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis	140
Chart 135: Exposures broken down by credit quality steps (CQS) of obligors	140
Chart 136: Operational risk capital requirements on 31st December 2020:	141
Chart 137: Exposures in equities not included in the trading book according to IFRS on 31st December 2020	141
Chart 138: The effects of the parallel shifts of the yield-curves to the net interest income on a one-year period	142
Chart 139: The encumbered and unencumbered assets in carrying and fair value amounts by broad categories of asset type	143
Chart 140: Collateral received, by broad categories of product type	143
Chart 141: Encumbered assets/collateral received and associated liabilities	143
Chart 142: OTP Mortgage Bank's liquidity coverage ratio	144
Chart 143: Geographical distribution of the activity, return on assets ratio	145
Chart 144: The number of board memberships of OTP Building Society's board members in other companies	146
Chart 145: Board members' education data	146
Chart 146: OTP Building Society's overview of RWAs	147
Chart 147: Credit risk exposure and CRM effects on 31st December 2020	148
Chart 148: Mapping of financial statement categories with regulatory categories	149
Chart 149: Main sources of differences between regulatory exposure amounts and carrying values in financial statements	150
Chart 150: OTP Building Society's regulatory capital	150
Chart 151: Breakdown of regulatory capital including transitional arrangements for mitigating the impact of the application of IFRS9 on own funds in accordance with Article 473a of regulation (EU) no 575/2013	151
Chart 152: The effect of the transitional arrangements for mitigating the impact of the introduction of IFRS9 on own funds in accordance with Article 473a of regulation (EU) no 575/2013	156
Chart 153: Trading book positions capital requirement	157
Chart 154: Net exposure value to leverage ratio	157

Chart 155: Leverage ratio	158
Chart 156: Changes in the stock of general and specific credit risk adjustments.....	162
Chart 157: Changes of non-performing loan exposures.....	162
Chart 158: Net exposures broken down by net exposure classes (before credit risk mitigation)	163
Chart 159: Exposures broken down by geographical areas (by the country of obligors) on 31st December 2020	163
Chart 160: Exposure classes broken down by counterparty type on 31st December 2020	164
Chart 161: Exposure classes broken down by residual maturity on 31st December 2020	164
Chart 162: Credit quality of forborne exposures	165
Chart 163: Credit quality of performing and non-performing exposures by past due days	165
Chart 164: Performing and non-performing exposures and related provisions	166
Chart 165: Collateral obtained by taking possession and execution processes.....	166
Chart 166: Credit quality of exposures by exposure class and instrument on 31st December 2020	167
Chart 167: Credit quality of exposures by counterparty types on 31st December 2020	167
Chart 168: Credit quality of exposures by geography on 31st December 2020	168
Chart 169: Overview of CRM techniques.....	168
Chart 170: Credit quality of loans and advances subject to moratoria on loan repayments applied in the light of the COVID-19 crisis	168
Chart 171: Volume of loans and advances subject to legislative and non-legislative moratoria by residual maturity of these moratoria	168
Chart 172: Newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis.....	169
Chart 173: Exposures broken down by credit quality steps (CQS) of obligors	169
Chart 174: Operational risk capital requirements on 31st December 2020.....	170
Chart 175: The encumbered and unencumbered assets in carrying and fair value amounts by broad categories of asset type.....	171
Chart 176: Collateral received, by broad categories of product type.....	171
Chart 177: Encumbered assets/collateral received and associated liabilities	171
Chart 178: OTP Building Society's liquidity coverage ratio.....	172
Chart 179: Regional distribution of the activity, return on assets ratio	172
Chart 180: The number of board memberships of Merkantil Bank's board members in other companies	173
Chart 181: Board members' education data	173
Chart 182: Merkantil Bank's overview of RWAs	174
Chart 183: Credit risk exposure and CRM effects on 31st December 2020.....	174
Chart 184: Differences between accounting (IFRS) and regulatory (CRR) scopes of consolidation and the mapping of financial statement categories with regulatory risk categories.....	175
Chart 185: Main sources of differences between regulatory exposure amounts and carrying values in financial statements.....	175
Chart 186: Merkantil Bank's regulatory capital	176

Chart 187: Breakdown of regulatory capital including transitional arrangements for mitigating the impact of the application of IFRS9 on own funds in accordance with Article 473a of regulation (EU) no 575/2013.....	177
Chart 188: The effect of the transitional arrangements for mitigating the impact of the application of IFRS9 on own funds in accordance with Article 473a of regulation (EU) no 575/2013	182
Chart 189: Trading book positions capital requirement	183
Chart 190: Analysis of CCR exposure by approach	183
Chart 191: CVA capital charge.....	183
Chart 192: CCR exposures by regulatory portfolio and risk	184
Chart 193: Net exposure value to leverage ratio	184
Chart 194: Leverage ratio	185
Chart 195: Changes in the stock of general and specific credit risk adjustments	188
Chart 196: Changes of non-performing loan exposures.....	188
Chart 197: Net exposures broken down by net exposure classes (before credit risk mitigation).....	189
Chart 198: Exposures broken down by geographical areas (by the country of obligors) on 31st December 2020	189
Chart 199: Exposure classes broken down by counterparty type on 31st December 2020	190
Chart 200: Exposure classes broken down by residual maturity on 31st December 2020	190
Chart 201: Collateral obtained by taking possession and execution processes.....	191
Chart 202: Credit Quality of exposures by exposure class and instrument 31st December 2020	192
Chart 203: Credit quality of exposures by counterparty types on 31st December 2020	193
Chart 204: Credit quality of exposures by geography on 31st December 2020	193
Chart 205: Overview of CRM techniques.....	193
Chart 206: Credit quality of loans and advances subject to moratoria on loan repayments applied in the light of the COVID-19 crisis	194
Chart 207: Volume of loans and advances subject to legislative and non-legislative moratoria by residual maturity of these moratoria	194
Chart 208: Newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis.....	194
Chart 209: Exposures broken down by credit quality steps (CQS) of obligors	195
Chart 210: Operational risk capital requirements on 31st December 2020:	195
Chart 211: Exposures in equities not included in the trading book according to IFRS on 31st December 2020	195
Chart 212: The effects of an instant 10 bp parallel shift of the HUF, EUR and CHF 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.....	196
Chart 213: The encumbered and unencumbered assets in carrying and fair value amounts by broad categories of asset type.....	197
Chart 214: Collateral received, by broad categories of product type.....	197
Chart 215: Encumbered assets/collateral received and associated liabilities	197
Chart 216: Merkantil's liquidity coverage ratio	198

Chart 217: Regional distribution of the activity, return on assets ratio 198

I. OTP Group

In accordance with Regulation (EU) No 575/2013 of the European Parliament and the Council on prudential requirements for credit institutions and investment firms and amending regulation (EU) No 648/2012, OTP Bank Plc. ("OTP Bank") - as a supervised institution - is obliged to fulfil prudential regulations at group level.

The principles and methods shown in this chapter of the document can be interpreted at both company and OTP Group ("Group") level except when otherwise indicated. Participant institutions are: OTP Bank Plc., OTP Mortgage Bank Ltd., OTP Building Society Ltd., Merkantil Bank Ltd.

I.1. Risk management objectives and policies

I.1.1. OTP Group's risk management strategy and general risk profile

OTP Bank Group's Strategy for Risk Assumption deals with partners, with credit- and financial institutional businesses. In addition it also incorporates those partners where counterparty risk or market risk is relevant. The grade of extent of the Strategy for Risk Assumption to participants depends on whether they have a significant exposure or multiple ones in the detailed categories of risk types defined by the Strategy for Risk Assumption.

The Strategy points out an aggregate system of frameworks, instruments, and for the most common types of risk (credit risk, country risk, operational risk, market risk, liquidity risk). The aim of the Group is to handle strategic risk, reputational risk, and real-estate risk exclusively from the Strategy for Risk Assumption.

Furthermore, The Strategy for Risk Assumption is updated continuously, but at least with a frequency of 3 years. The Board of the OTP Banking Group approved the current Strategy for Risk Assumption at 10/December/2019.

The Banking Group's general risk profile, which can be found in the VI.1. Appendix, harmonises with the Group's risk appetite framework and it does not violate the Strategy for Risk Assumption.

The frameworks and methods used for a given type of relevant risk are described in the next section.

I.1.1.1. Credit risks

Traditionally, OTP Bank has been characterized by conservative risk assumption. Its fundamental objective is to implement its strategic plan through maintaining the equilibrium between risk and return. In order to be able to do so, it has established an independent risk management organizational unit and a uniform and consistent risk management system. OTP Bank operates a risk management process, which guarantees that the Bank complies, at all times, with the Basel accords, the applicable statutory regulations and supervisory authority requirements in all of the countries where OTP Bank operates, and at group level as well.

The independent risk management organizational unit performs the following:

- In order to identify potential risks, it analyses OTP Bank's activities, identifies the major risk factors to which these activities and the positions generated by them are exposed, and indicates the correlations between these positions.
- In order to measure risks, it collects historical data on the major risk factors, the losses stemming from them and the variables that can predict them.

Monitors the results of the risk measures continuously, and prepares regular and up-to-the-minute reports on them in a transparent manner for the various operative and executive levels.

In order to manage risks each organizational unit applies risk mitigation techniques (client/transaction ratings, limits, securities, hedging transactions, control points embedded in processes and risk transfers).

In its regulations on risk mitigation and the use of credit risk collateral, OTP Bank determines:

- the risk management process and methods, including decision-making powers and tasks linked to risk assumption as well as the requirements for the control of risk assumption;

- the types of eligible collateral in connection with contracts entailing bank exposures and the conditions for their acceptance;
- the criteria for the appraisal of the financial position and future solvency of current and future debtors, internal regulations related to debtor rating, and the manner in which the findings of the rating procedure are used.

OTP Bank determines the risk profile of the Group, and strictly regulates the framework, the principles and guidelines of risk management by the Strategy for Risk Assumption, and ensures that it is uniformly applied at group level. The objective of OTP Group is to develop a diversified portfolio, the performance of which does not excessively depend on the changes in the position of any particular sector, geographical region or debtor group.

Determination of credit risk appetite for each subsidiary takes place annually, with the establishment and adoption of the Lending Policy. The Lending Policy contains in detail regarding the retail clientele the main indicators of the lending products, the value of the expected risk indicators for the portfolio and new disbursements, and the changes in the risk management processes associated with the business development plans. The Lending Policy defines industry preferences and the main expectations for each segment and product in case of the entrepreneurial clientele. The Lending Policy's expectations and the Limits are monitored on a regular basis and reported to different management levels.

By defining operational-level credit risk appetite, the Group

- ensures the incorporation of strategic directions and expectations into day-to-day risk management activity;
- considers profitability aspects by analysing the income-generation potential of individual customer segments and product groups in the context of specific risk factors;
- assesses the risk indicators that can best ensure the fulfilment of growth objectives in the context of a prudent, conservative risk assumption practice.

Determining and adhering to the tolerance levels and the desirable values of the indicators listed above may ensure the construction of a desirable risk profile. The annual Lending Policy – as the manifestation of the operational-level credit risk appetite – summarises the behaviour required for the construction of this desirable loan portfolio, defining:

- the limits and target numbers reflecting the willingness to take risks;
- the level, proportion and concentration of the assumed risks comprising the portfolio and the expectations about the quality of the portfolio;
- preferences and business orientation, potential tightening or exclusions regarding the customer base, the sectors, collaterals, products and product types and the maturity structure.

In order to monitor the credit risk appetite defined at the operational level, the Group operates a control system that covers

- regulatory tools;
- the risk parameters of products;
- the reporting system, and
- additional, secondary controls (e.g. ex post audits of the compliance of specific transactions within the local competence level).

The group members' financing requirements are based on short term projections generated in the course of strategic and financial planning. The funding requirements are detailed in the annual business plans, while their realisation determined by the actual business demand. The general credit risk management and risk taking principles must be observed in the case of intra-group financing transactions as well.

I.1.1.2. Market risks

OTP Bank's market risk management strategy is to realize benefit from exchange rate and yield curve movements in compliance with legal requirements, taking the risk exposure the loss from which does not jeopardize profitability and operation safety of the Group. The aim of market risk management is to restrict potential loss arising from unfavourable exchange rate and/or yield curve movements.

- OTP Bank's Global Markets is responsible for market risk management and for keeping risk within the frames approved by the Board.
- Continuous monitoring of market risk exposure, its reporting to the management, and the development of risk measurement methods is the responsibility of an organizational unit in a separate division from Global Markets.
- Group-wide market risk exposures are reviewed monthly by the Asset- Liability Committee (ALCO), based on the monthly report of the Risk Management Department.
- Group-member's ALCO also reviews quarterly the given group-member's risk exposures.
- The local market risk regulations are sent the Risk Management Department of OTP group by the Group member's market risk departments. These departments are responsible to ensure that the local regulation is in line with the group-wide regulation.
- The Board approves the market risk measurement methodologies and the limit system which defines the acceptable risk.

For risk measuring and internal reporting, OTP Bank applies a risk management system that is based on but is independent from the front office system, in order to make the IT implementation of the developing risk measurement techniques efficient. All the concerned organizational areas have access to the risk management system but with different access levels.

The main principles of market risk management regulation:

- OTP Bank is allowed to run market risks within the limits set by the Board of Directors. OTP Bank can open asset and liability management (ALM) positions to hedge strategic risks appearing in the profit plan within the limit approved by the Asset Liability Committee (ALCO), but above that limit the decision of the Board of Directors is required. For the sake of risk management, positions originating from other organizational units (for example home loan payments) are forwarded without delay to the Global Markets in compliance with the internal reporting process.
- OTP Bank breaks up the positions exposed to market risk into underlying risk factors (interest rates, foreign exchange rates, stock prices, volatility) and manages them in accordance with the positions calculated in the manner stated above.
- OTP Bank continuously monitors the exposure originating from portfolios exposed to market risk, the value-at-risk of the portfolio and the changes in the values of the portfolio and it sets a limit system for them. To avoid losses incompatible with the risk-taking policy of the Bank, OTP Bank attaches an internal action plan for limit breach.
- Decision-makers of OTP Bank are given information about the Bank's risk exposure and the regarding portfolios' profit-and-loss effects on a regular basis.
- The profit-and-loss effect of ALM deals which intend to hedge the profit-plan-driven market risk exposure and the profit-and-loss effect of the core portfolio in the plan are regularly reported to the management of OTP Bank, in order to make the control of hedging transparent.
- OTP Bank allocates capital to the portfolios exposed to market risk in order to cover the possible losses.

OTP Bank uses the standard model to quantify the capital requirement of market risks.

In case of identification of trading book exposures OTP Group takes into account the 4. Article of CRR (86. paragraph). FOLDER-s lined to trading book transactions are determined in the IT system. A given FOLDER is

homogeneous, either trading book or banking book transaction. Limit-monitoring and capital requirement calculation in case of the trading book FOLDER-s are complex.

I.1.1.3. Counterparty risks

The Group uses a uniform methodology for the determination of counterparty limits, taking into account the risk assessment of the given counterparty, the risk absorption capacity of the risk taking subsidiaries, and the level of expected business requirements.

The limits are allocated to group members and to sublimits according to a uniform methodology. It is also used for the limit utilization.

The limit utilization of derivative deals is determined by deal weights set by using market risk methodologies, which takes into account the type, maturity, currency or currency pair of the deal and the available collateral agreements.

Deals which mean exposure outside of the Group are collateralized under the CSA related to the ISDA frameagreement signed by OTP Bank and under the Central Counterparties (CCP) according to the conditions determined in CSAs and LCH operation. In these cases OTP Bank seeks to impose symmetric conditions, the collateral is pledged and accepted by the counterparties in cash denominated in EUR.

The Group seeks to minimize wrong-way risks deriving from counterparty risk exposures. The group members do not conclude credit derivative type of deals, which are mostly characterized by wrong-way risks. If the risk of the counterparty and the risk of the collateral are closely related in a deal secured by collateral, then the collateral cannot be taken into account as exposure mitigation tool.

OTP Bank should provide its counterparties a total of EUR 10 million as additional collateral in case of credit rating downgrade.

In case of tasks related to ISDA/CSA, GMRA and EMA agreements and other ISDA related contracts, involved in the central clearing system that supports OTC transactions, in case of the application of EMIR variable deposit (CSA VM) the amount of it are calculated at least daily as follows:

- The amount of the variation margin in the netting stock for each transaction, credited by the contracting party, is the sum of the value calculated by the Article 11 (2) of Regulation 648/2012/EU, its net value, and all of the variation margins which granted previously.
- The Bank calculates the daily value of the collateral, and on that basis transfer any unused collateral to the collateral providing contracting party.
- If the Bank and the contracting party agree on a minimum transfer amount, the calculation method of the amount of collateral is the variable deposit due since the last collateral collection, taking into account the additional collateral.
- If the amount of collateral due exceeds the minimum transfer amount agreed jointly by the contracting parties, the collateral collecting party shall collect the total amount of the collateral due, without deducting the minimum transfer amount. The minimum transfer amount may not exceed EUR 500,000 or the corresponding amount in other currencies.
- The Bank accepts only funds as defined in Article 4 (1) (a) as variable deposit in ISDA/CSA agreements as defined in Section 2 of the 2016/2251 Delegated Regulation. The acceptable currency of the fund can only be denominated in EUR, HUF and USD and the funds that accepted as collateral are taken into account at 100% in the CSA agreements.

I.1.1.4. Operational risk

Operational risk – according to its classical interpretation – means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. In many respects, operational risks are very diverse and elusive and different from the conventional banking risks, as well. As for the effective operational risk management requires the participation and commitment of the entire organisation,

the support from the management body is crucial in order to mobilize and involve the employees who are concerned and responsible for operational risk. As a result of this strong management support the Group has well-designed and trained internal expert network. The Group places great importance on the trainings of this internal expert network and entrants.

The Group manages conduct and model risk within the framework of operational risk management. Conduct risk can arise from the inappropriate, unethical or unlawful behaviour on the part of an organization's management or employees which can be caused by deliberate actions or may be inadvertent and caused by inadequacies in an organization's practices, frameworks or education programs. Potential and incurred losses from conduct risks are continuously monitored and the relative rare but high impact market practices are evaluated in a forward looking manner during the scenario analyses process. Model risk means the potential loss an institution may incur, as a consequence of decisions that could be principally based on the output of internal models, due to errors in the development, implementation or use of such models. The Group strives to identify all of the models and model-families applied related to both business and support processes. Risk based assessment of models and the evaluation of how the given models comply with the control criteria are essential part of the Group model risk governance framework. The Group has business continuity plans and procedures, as well as, crisis communication plans; in order to sustain operation in case an event exercising a severe impact on its operation and reputation occurs.

Due to the growing importance of responsible banking and the dynamically changing operational environment, including technological development, in the focus of operational risk management there are increased risks, like ICT (e.g. cyber-attacks, data security problems, unauthorised access, etc.), sustainability / ESG risk (Environmental, Social and Governance) and reputational risks.

During operational risk management the most important fundamental principles followed by the Group are summarised below:

- In order for operational risks to be managed, a standardised, easily understood, at time robust framework system must be put in place at group level, covering the definition of operational risks and the methods of identification, measurement, monitoring, management and mitigation thereof;
- The operational risk management system must cover all risks inherent in the activities of the Group, operational risk toolset must be improved and developed according to the changes and both internal and external expectations;
- Strong support of people concerned with operational risk management activities;
- The Bank's management body and the Group Operational Risk Management Committee need to be informed on a regular basis of the prevailing operational risk exposure of the Bank Group and any potential and incurred losses, including tendencies, arising from operational risks;
- The Group must strive for high level risk-awareness and must articulate its operational risk appetite;
- Bank must have guidelines, processes and procedures mitigating operational risks;
- Independent operational risk management activities, which are must be fully integrated into the Group's risk management activities and its general management information system.

The Group has been following the principle of "partial use" in calculation of the consolidated capital requirement for operational risks based on Advanced Measurement Approach (AMA) methodology from 31 December 2012.

The consolidated capital requirement is calculated based on the AMA model approved by the National Bank of Hungary. In accordance with the permission, the following subsidiaries are currently involved in the AMA scope: OTP Bank Plc., OTP Mortgage Bank Ltd., OTP Building Society Ltd., OTP Factoring Ltd., Merkantil Bank Ltd., Ukrainian, Russian, Bulgarian, Serbian and Montenegrin subsidiary banks.

The consolidated capital requirement is the sum of the AMA capital requirement and the BIA (Basic Indicator Approach) capital requirement calculated by those subsidiaries that do not fall under the AMA approach.

The stand-alone capital requirement regarding the subsidiaries involved into the AMA scope - that is for OTP Bank as well - is allocated from the consolidated AMA capital requirement.

The Advanced Measurement Approach enables institutions to achieve sophisticated risk management and refined capital calculation regarding operational risks.

The model includes the use of four data elements: historical internal loss data collected by all the management organizations of OTP Bank; risk self-assessment performed by banking experts; scenario analysis that reflects extreme events; and external data that aims to complete the internal loss database. The four basic sources are divided into a subjective (self-assessment, scenario analysis) and an objective (external and internal loss data) group. OTP Bank is member of the ORX (Operational Riskdata Exchange Association) data consortium, thus it takes into account losses of the ORX as external data.

Operational risk events can be divided into two groups according to another aspect: rare events that cause large losses and frequent events that cause smaller losses. The characteristics of the risks that fall into these two groups show different pictures.

The framework of the quantification is determined by the distribution as per the ORCs and the individual loss value. ORCs are designed based on main event types (internal fraud; external fraud; employment practices and workplace safety; clients, products and business practice; damage to physical assets; business disruption and system failures; execution, delivery and process management) and business units. In order to define the group-level capital requirement, within the individual ORCs calculated VaR values must be aggregated taking into account the effect of diversification. Finally, the 99.9th percentile of the aggregated distribution is considered as the operational risk VaR value that is valid for the operational risk capital requirement.

The Group has different type of insurances which aim is to mitigate operational risk losses, but any AMA-compliance insurances or other risk transfer mechanisms are not applied in order to reduce the capital requirement for operational risk.

I.1.2. Credit risk mitigation

Regulations on the valuation and management of securities contain firstly the aspects and factors that OTP Bank uses as a basis for collateral valuation depending on the type of the collateral and secondly the methods that the Bank uses in evaluating the collateral. They lay down the procedures applicable when change occurs in the availability, value and enforceability of the collateral as well as the rules governing the frequency of regular and subsequent collateral valuation.

Collateral valuation covers all the lending, risk management, and legal activities that OTP Bank performs prior to the extension of a loan as well as during the term of the risk assumption in order to obtain information on the availability, value and enforceability of the collateral.

During the term of the contract containing the risk exposure, OTP Bank regularly monitors and documents the fulfilment of the conditions set forth in the contract, including developments in the client's financial and economic position as well as changes in the availability, fair value and enforceability of the collateral and the securities.

In its lending activity OTP Bank uses the following types of eligible securities the most frequently:

- pledge: security deposit, real estate, movable property, receivables;
- guarantee and suretyship.

In case of the valuation of collaterals accepted by OTP Bank the basis of the evaluation is the market value or the collateral value based on the appraisal. Otherwise, depending on the type of collateral, the basis of the evaluation may be other market value or other initial value.

This basic value is reduced by OTP Bank with a discount rate of 0-80% depending on the type of collateral. The reason for this, in case of given collateral the market value can not be realized in the event of collateral enforcement because of the circumstances and the urgency of the enforcement.

Tracking of the value of the collateral takes place at different frequencies depending on the type of collateral. During this monitoring activity, OTP Bank uses various methods, such as valuation update, on-site inspection, statistical evaluations.

OTP Bank – the group of partners is determined by regulatory approval - takes into account the risk reduction potential of the concluded netting agreements, when calculating counterparty credit risk exposures for derivative

transactions. OTP has got a regulatory approval for ISDA Master Agreements under English law in case of counterparties which have headquarters in Hungary, Great Britain, France, Germany, Austria, Switzerland, the Netherlands, Italy, Belgium and Denmark, this enables with 40 active counterparties to apply CRR allowed netting rules as a widely admitted application for risk reduction. As a precondition, OTP Bank regularly monitor, whether these netting clause are enforceable or not according to independent legal opinions. Netting reduces exposure from counterparty credit (in case of affected countries) by 55%.

The issuers of the guarantee must have the appropriate amount of counterparty limit for the whole maturity of the deal. The issuers of the eligible guarantees are dominant participants in domestic and international markets. In the case of the latter, the institutions with investment-grade rating are preferred.

The Group does not conclude credit derivative deals and does not have any securitization positions.

In order to avoid excessive dependency, OTP Bank manages the concentration risks of the portfolio by setting limits for sectors, countries, clients and counterparties at both bank and bank group levels.

In order to restrain the transfer of risk originating from a potential owner-business interest relationship between clients or relationships of business nature or collateral-related relationships, clients that qualify as a client group must be defined and client level concentration limits must be interpreted at a client-group level.

In order to support the recording and maintenance of client groups at bank group level, group-level regulations have been developed together with an IT system.

I.1.3. Applied stress test methodologies in the OTP Group

In the frame of credit risk management several stress tests are being operated by the Bank with the aim of better understanding what kind of risks can endanger the capital or liquidity position of the Bank. Most of them are independently related to the given risk measurement. Different risk parameters, sensitivity tests related to financial indicators and in order to understand the risk exposures deepen scenario analysis can be found among the applied techniques.

The OTP Group regularly participates in EBA stress test. During these stress tests the expected capital position are presented along predefined "baseline" and "adverse" macro scenarios taking into consideration the significant risks of the Group in a 3-year time horizon with a forward looking aspect. Additional capital requirement can arise if the Bank performs in a bad way. The Bank has taken part in 2018 in the European stress test, with excellent results.

Moreover, stress tests are conducted regularly within the Group during the annual planning process, the ICAAP and in the Recovery Plan as well. The aim of them is to calculate the impact of those complex scenarios on the balance sheet, profit and loss statement and capital position in a unified model what assume multiple risks (for instance credit-, operational-, interest rate risk, sovereign, etc.).

I.2. Information regarding corporate governance system

I.2.1. The number of directorships of OTP Bank's chief executives

Chart 1 : The number of board memberships of OTP Bank's board members in other companies

Members of the Board of Directors	Number of board memberships (according to CRR Art. 435. paragraph (2))		Members of the Supervisory Board	Number of board memberships (according to CRR Art. 435. paragraph (2))	
	outside OTP Group	in OTP Group*		outside OTP Group	in OTP Group*
Dr. Sándor CSÁNYI	1	-	Tibor TOLNAY	2	-
Mihály BAUMSTARK	2	-	Dr. Gábor HORVÁTH	-	-
Dr. Tibor BIRÓ	-	-	Klára BELLA	-	-
Tamás ERDEI	-	1	András MICHNAI	-	-
Dr. István GRESA	-	-	Dr. Márton Gellért VÁGI	-	-
Antal György KOVÁCS	-	2	Olivier Péqueux	1	-
Dr. Antal PONGRÁCZ	-	-			
Dr. László UTASSY	-	2			
Dr. József VÖRÖS	1	-			
László WOLF	-	1			

*: with the exception of directorships held at OTP Bank.

For the safe operations of the financial institutions of OTP Bank and OTP Group it is critical that the institutions are governed by professionally qualified and financially reliable executives with good business reputation.

Directive 2013/36/EU, defining the capital requirement system of credit institutions (hereinafter: CRD IV), as well as national legal regulations phrase several requirements in respect of executive officers.

Hungary's Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises ("Hpt.") requires the establishment of a nomination committee in order to ensure the suitability of management bodies, while complying with the principles of proportionality.

The Nomination Committee is a permanent committee established by the Board of Directors, which forms the principles of Board member candidate selection for OTP Bank and sets candidates accordingly, and proposes principles and framework for the requirements of compliance assessment of the bank and the banking group executives and key position holders.

In respect of the members of the management bodies, executive officers and key function holders of the financial institutions subject to consolidated supervision together with OTP Bank, the coordination and professional support of the compliance assessment process shall be the competence and responsibility of the Human Resources Management Directorate of OTP Bank. The group operation is performed with the responsible involvement of the relevant financial institution and the professional units participating in the assessment process.

On the basis of the résumés it can be stated that both the Board and the Supervisory Board members own exceptional professional knowledge, experience and track record in their field of expertise, furthermore, have in-depth proficiency and several years of experience in the management of financial institutions.

I.2.2. Board members' education data

Chart 2: Board members' education data

Board of Directors		Supervisory Board	
Dr. Sándor CSÁNYI		Tibor TOLNAY	
College of Finance and Accounting, Hungary	BSc in Finance (1974)	University of Technology, Hungary	MSc in Civil Engineering (1978)
University of Economics, Hungary	MSc in Economics (1980)	University of Economics, Hungary	economic engineer (1983) economist(1993)
Mihály BAUMSTARK		Dr. Gábor HORVÁTH	
University of Agricultural Sciences, Hungary	MSc in Agricultural Sciences (1973)	Eötvös Lóránd University, Hungary	MA in Law (1980)
University of Economics, Hungary	MSc in Economics (1981)	Klára BELLA	
Dr. Tibor BIRÓ		College of Finance and Accounting, Hungary	BSc in Finance (1992)
College of Finance and Accounting, Hungary	BSc in Finance (1974)	University of Economics, Hungary	MSc in Economics (1996)
University of Economics, Hungary	MSc in Economics (1978)	András MICHNAI	
Tamás ERDEI		College of Finance and Accounting, Hungary	BSc in Finance (1981)
College of Finance and Accounting, Hungary	BSc in Finance (1978)	Dr. Márton Gellért VÁGI	
Dr. István GRESA		University of Economics, Hungary	MSc in Economics (1987)
College of Finance and Accounting, Hungary	BSc in Finance (1974)	Olivier Péqueux	
University of Economics, Hungary	MSc in Economics (1980)	École Polytechnique	graduate engineer (1998)
Antal György KOVÁCS		École nationale de la statistique et de l'administration économique	statistician-economist (2000)
College of Finance and Accounting, Hungary	MSc in Economics (1985)		
Dr. Antal PONGRÁCZ			
College of Finance and Accounting, Hungary	MSc in Economics (1969)		
Dr. László UTASSY			
Eötvös Lóránd University, Hungary	MA in Law (1978)		
	Legal advisor (1980)		
Dr. József VÓRÖS			
University of Economics, Hungary	MSc in Economics (1974)		
László WOLF			
University of Economics, Hungary	MSc in Economics (1983)		

For the time being, unambiguous expectations regarding diversity policy have not been announced in the European and Hungarian regulatory environment, so the Bank didn't has no separate diversity policy in the year 2020, but as soon as such EU or national regulation is in place, OTP Bank Plc. will take the necessary measures immediately.

According to the current practice, when designating members of the management bodies (Board of Directors, Supervisory Board), OTP Bank Plc. considers the existence of professional preparation, the high-level human and leadership competence, the versatile educational background, the widespread business experience and business reputation of the utmost importance, at the same time, it is also highly committed to taking efficient measures in order to ensure diversity with regard to corporate operation, including the gradual improvement in women's participation rate.

I.2.3. Risk management committees

The Risk Assumption and Risk Management Committee is a permanent committee founded by the Board of Directors with the purpose to support its decision making activity. This Committee is responsible for giving pre-opinion on the group level Strategy for Risk Assumption before the Board approval and keeping under control its realization. In 2019 the Committee held four meetings.

Credit-Limit Committee (CLC) is a permanent committee meeting minimum weekly (97 times in 2020). Its main function is the approval of constitutions, the risk management strategy of OTP Bank and bank group, and the presentation of the credit policy to the Board of Directors of OTP Bank. The CLC decides on approval of risk assumption of specific counterparties and provides its presentation to the Board of Directors.

Work-Out Committee (WOC) is a permanent committee which held meetings 63 times in 2020. Within its scope are decision-making powers over OTP Bank's active debts (retail and non-retail) in special treatment, as well as the right to agree with the special treatment of foreign subsidiary banks', OTP Faktoring Ltd's, its subsidiaries' and Merkantil Bank Ltd's active debts that exceed the agreed limit. Furthermore the WOB is entitled to act as a NPL committee which incorporates the right of the pre-approval of the NPL strategy and the connecting implementation plan, the execution its year-based revision and the elaboration of inventiveness granting the effectiveness of the NPL strategy.

Asset-Liability Committee (ALCO) is a permanent committee established by the Board of Directors, which makes decisions on separately non-regulated affairs relating to OTP Bank's highest-level asset-liability management. It met 30 times in 2020.

The Group Operational Risk Management Committee (OPRISK Committee) is a permanent committee meeting quarterly. It monitors the changes in the operational risk exposure, the operational risk management activity and the business continuity planning. It also makes sure that both the risk management practises and reporting channels required by the management and prescribed by the law work adequately. In addition to this, the analysis and evaluation of large individual losses place great importance in order to manage operational risk proactively.

The Management Committees get frequent information about risks from the Risk Assumption and Risk Management Committee as well as through proposals made by competent Divisions.

I.3. Scope of consolidation in group level reports

I.3.1. Associates which are accounted for using the equity method (proportionally consolidated) for the year ended 31 December 2020

Chart 3: Associates which are accounted for using the equity method (proportionally consolidated) for the year ended 31 December 2020

Number	Entity	Consolidated in accordance with IFRS	Consolidated in accordance with CRR
1	D-ÉG Thermoset Ltd. "i.l."	Yes	No
2	Szallas.hu Ltd.	Yes	No

I.3.2. Not consolidated entities for the year ended 31 December 2020

Chart 4: Not consolidated entities for the year ended 31 December 2020

Not consolidated in accordance with IFRS ¹	
1	Agro-Szalók Ltd.
2	Auctioneer s. r. o.
3	Club Hotel Füred Szálloda Ltd.
4	Csillag Csemege Ltd.
5	Diákigazolvány Ltd.
6	Dinghy Sport Club Hungary Ltd.
7	Govcka Project Company SRL
8	IMOS AD ŠID
9	Ingatlanvagyon Projekt 14. Ltd.
10	Investment Projekt 1. d.o.o.
11	NAGISZ CJSC.
12	"Nemesszalóki Mezőgazdasági" CJSC.
13	OTP Advisors SRL
14	OTP Consulting Romania SRL
15	OTP Immobilien Verwertung GmbH.
16	OTP Nedvizhimost OOO
17	OTP Travel Ltd.
18	OTP Újlakás Hitelközvetítő Ltd.
19	OTP Vendéglátás és Hotelszolgáltatás Szervező Ltd.
20	PEVEC d.o.o. Beograd
21	Project 03 s.r.o.
22	Projekt 13 Apartmanj Slovensko s.r.o.
23	Rea Project One Company SRL
24	RESPV s.r.l.
25	SC AS Tourism SRL
26	SC Casa de Compensare SA
27	SC Cefin Real Estate Kappa SRL
28	Shiw aForce.com Ltd.
29	Zelena Nektretine d.o.o.
Not consolidated in accordance with CRR ²	
1	PortfoLion Venture Capital Fund Management Ltd.

¹ Subsidiaries in which the Bank holds a significant interest have not been consolidated because the effect of consolidating such companies is not material to the Consolidated Financial Statements as a whole.

² Entities excluded from the scope of prudential consolidation based on the Article 19 section 1 of the CRR.

I.3.3. Current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries

There is no impediment like this in the Group.

I.3.4. Regulatory capital deficit at subsidiaries not included in the consolidation

The Group does not have subsidiaries not included in the consolidation that do not fulfil the regulatory CAR minimum.

I.3.5. Practice of regulations' application

In none of the Group's subsidiaries have the competent authorities waived prudential requirements on an individual basis.

I.4. Regulatory capital and capital requirements

I.4.1. Capital adequacy of the OTP Group

The capital requirement calculation of the Group for the year 2020 is based on IFRS data. The prudential filters and deductions have been applied in line with the CRR during the calculation of regulatory capital.

The Group applied standardized capital calculation method regarding credit and market risk, advanced measurement approach (AMA) and basic indicator approach (BIA) regarding the operational risk.

At the end of 2020 the audited capital adequacy ratio of OTP Group under the scope of consolidation according to prudential consolidation (CRR) was 17,77% which contains the profit of financial year 2020. The Group regulatory capital requirement as of 31st December 2020 was HUF 1 213 357 million, the amount of regulatory capital was HUF 2 695 631 million.

Chart 5: OTP Group's overview of RWAs

(in HUF million)	RWAs	Minimum capital requirements
	31.12.2020	31.12.2020
Credit risk (excluding CCR)	13 388 173	1 071 054
Of which the standardised approach	13 388 173	1 071 054
CCR	121 441	9 715
Of which mark to market	110 979	8 878
Of which CVA	10 462	837
Market risk	239 630	19 170
Of which the standardised approach	239 630	19 170
Operational risk	1 417 725	113 418
Of which basic indicator approach	607 475	48 598
Of which standardised approach	0	0
Of which advances measurement approach	810 250	64 820
Total	15 166 969	1 213 357

Note: the credit risk RWA is calculated according to Article 473a of regulation (EU) No 575/2013, including the effect of transitional arrangements for mitigating the impact of the application of IFRS9.

Chart 6: Credit risk exposure and CRM effects on 31st December 2020

(in HUF million)	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWA density
Exposures to central governments or central banks	6 741 557	41 658	7 620 660	31 475	896 063	11,71%
Exposures to regional governments or local authorities	135 127	52 307	124 674	16 211	43 441	30,83%
Exposures to public sector entities	268 239	47 064	175 056	13 570	162 184	85,98%
Exposures to multilateral development banks	5 305	0	9 835	65	919	9,28%
Exposures to international organisation	0	0	0	0	0	0,00%
Exposures to institutions	923 732	241 066	983 008	56 633	390 965	37,61%
Exposures to corporates	3 798 202	3 086 877	3 415 684	1 160 634	4 376 242	95,63%
Retail exposures	4 266 047	1 010 976	3 707 485	254 793	2 903 953	73,29%
Exposures secured by mortgages on immovable property	5 022 829	360 244	5 022 829	139 079	3 107 721	60,20%
Exposures in default	309 143	12 540	302 541	5 050	338 774	110,14%
Exposures associated with particularly high risk	49 095	2 768	49 053	1 235	75 432	150,00%
Exposures in the form of covered bonds	87 960	0	87 960	0	43 980	50,00%
Exposures to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0,00%
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	23 260	0	23 260	0	23 260	100,00%
Equity exposures	82 161	0	82 161	0	139 327	169,58%
Other items	1 355 487	0	1 355 487	0	885 912	65,36%
Total	23 068 144	4 855 500	22 959 693	1 678 745	13 388 173	54,34%

In calculation of credit risk capital requirement, the Group took into consideration the following guarantees as credit risk mitigation at the end of 2020

- Guarantees of group-member central government: the guarantors belong to the bucket 3 and 4 according to the credit quality step.
- Guarantees of institutions: the guarantors belong to the bucket 1, 2, 3 and 4 according to the credit quality step.
- Guarantees of regional governments and public sector entities: the guarantors do not have credit quality step.
- Guarantees of multilateral development banks.

I.4.2. Information about disclosure requirements related to the regulatory capital in line with commission implementing regulation (EU) no. 1423/2013

Chart 7: Presentation of balance sheet discrepancies based on the differences in the scope of consolidation according to accounting (IFRS) and prudential (CRR)

Total assets (in HUF million)	Balance sheet as in published financial statements (1) 31 December 2020	Cross reference to raws of own funds disclosure template	Under regulatory scope of consolidation 31 December 2020
Cash, amounts due from banks and balances with the National Banks	2 432 312		2 432 002
Placements with other banks, net of loss allowance for placements	1 148 743	7*	1 148 137
Repo receivables	190 849		190 849
Financial assets at fair value through profit or loss	234 007	7*	234 097
Securities at fair value through other comprehensive income	2 136 709	7*	2 136 848
<i>Of which: direct, indirect and synthetic significant holdings of the CET1 instruments of financial sector entities</i>	4 974	22	5 185
<i>Of which: direct and indirect not significant holdings of the CET1 instruments of financial sector entities</i>	14 774	18, 72	14 774
Securities at amortized cost	2 624 920		2 632 435
Loans at amortized cost and mandatorily at fair value through profit or loss	12 477 447		12 477 972
Finance lease receivables	1 051 140		1 051 147
Associates and other investments	52 443		82 829
<i>Of which: direct, indirect and synthetic significant holdings of the CET1 instruments of financial sector entities</i>	2 446	22	32 926
<i>Of which: direct and indirect not significant holdings of the CET1 instruments of financial sector entities</i>	6 155	18, 72	6 155
Property and equipment	322 766		314 172
Intangible assets and goodwill	239 004	8	235 778
Right-of-use assets	46 283		49 873
Investment properties	38 601		27 905
Derivative financial assets designated as hedge accounting	6 820	7*	6 820
Deferred tax assets	22 317		22 333
<i>Of which: deferred tax assets that rely on future profitability, do not arise from temporary difference (2)</i>	9 239	10	9 272
<i>Of which: deferred tax assets that rely on future profitability, arise from temporary difference (2)</i>	11 406	25	11 388
Current income tax receivables	38 936		38 884
Other assets	266 474		321 600
Assets classified as held-for-sale / discounted operations	6 070		0
TOTAL ASSETS	23 335 841		23 403 681

*The additional value adjustments are determined according to simplified approach, which means that the regulatory capital is decreased by 0,1% of the marked balance sheet items.

** The intangible assets contains the intangible assets, the leased intangible assets and intangible assets which are not placed into service.

Total liabilities (in HUF million)	Balance sheet as in published financial statements (1) 31 December 2020	Cross reference to rows of transitional own funds disclosure template	Under regulatory scope of consolidation 31 December 2020
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	1 185 315		1 183 626
Repo liabilities	117 991		117 991
Financial liabilities designated at fair value through profit or loss	34 131	7*	28 137
Deposits from customers	17 890 863		17 918 455
Liabilities from issued securities	464 213		475 510
Derivative financial liabilities held for trading	104 823	7*	113 963
Derivative financial liabilities designated as hedge accounting	11 341	7*	11 341
Leasing liabilities	48 451		50 721
Deferred tax liabilities	25 990		25 990
Current income tax payable	27 684		25 831
Other liabilities	607 737		592 460
Subordinated bonds and loans	274 704		274 610
<i>Of which: eligible Upper T2 instruments and subordinated debts in regulatory capital (3)</i>	263 439	46	263 439
<i>Of which: instruments issued by subsidiaries that are given recognition in consolidated T2 Capital (4)</i>	314	48	420
Liabilities directly associated with assets classified as held-for-sale / discounted operations	5 486		0
TOTAL LIABILITIES	20 798 729		20 818 635
Share capital	28 000	1	28 000
Retained earnings and reserves	2 629 076		2 645 871
<i>Equity instruments issued other than capital</i>	89 935	46	89 935
<i>Other equity</i>	42 573	3	42 573
<i>Accumulated other comprehensive income</i>	30 622		29 858
<i>Of which: Revaluation reserve</i>	-3 369	3	-4 226
<i>Of which: Fair value adjustment of securities available-for-sale and financial instruments in the retained earnings</i>	61 396	3	61 489
<i>Of which: Fair value adjustment of cash flow hedge transactions</i>	0	3	0
<i>Of which: Net investment hedge in foreign operations</i>	-27 405	3	-27 405
<i>Retained earnings</i>	938 916		921 357
<i>Of which: Retained earnings</i>	744 802	2	705 479
<i>Of which: Changes due to consolidation</i>	194 114		215 878
<i>Of which: eligible in regulatory capital</i>	189 582	2	211 346
<i>Other reserves</i>	1 267 614		1 304 774
<i>Of which: Changes in the equity of subsidiaries and jointly controlled entities</i>	1 229 974	2	1 244 335
<i>Of which: Other reserves</i>	37 640	3	60 439
<i>Profit or loss attributable to owners of the parent</i>	259 416		257 373
<i>Of which: eligible in regulatory capital</i>	140 168	2	138 126
Treasury shares	-124 080	16	-92 473
Minority interests [Non-controlling interests]	4 116		3 648
<i>Of which: eligible in regulatory capital (4)</i>	1 795	5	1 739
SHAREHOLDERS' EQUITY	2 537 112		2 585 046
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	23 335 841		23 403 681

*The additional value adjustments are determined according to simplified approach, which means that the regulatory capital is decreased by 0,1% of the marked balance sheet items.

Notes to the table:

- (1) Under accounting scope of consolidation as in published financial statements.
- (2) In consolidated balance sheet the amounts of deferred tax receivables and deferred tax liabilities are determined according to IAS12, which does not take into consideration the classification expected by CRR (relying on future profitability or is not relying on future profitability, and arising from temporary difference or is not arising from temporary difference). For determining deferred tax receivables (and deferred tax liabilities) taken into account in regulatory capital, the total amount of deferred tax receivables and deferred tax liabilities is classified according to CRR categories, then in each CRR category the offsetting between deferred tax assets and associated deferred tax liabilities is done separately for each subsidiary (which is allowed according to 14 (2-3) Article of 241/2014/EU RTS). Applying this methodology does not affect the difference of deferred tax receivables and deferred tax liabilities.
- (3) Tier2 instrument taking into account regulatory capital.
- (4) Taking into consideration articles 81-88 of CRR

Chart 8: Differences between accounting (IFRS) and regulatory (CRR) scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

Description (in HUF million)	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Cash, amounts due from banks and balances with the National Banks	2 432 312	2 432 002	2 432 002	0	0	0	0
Placements with other banks, net of loss allowance for placements	1 148 743	1 148 137	1 148 137	0	0	0	860
Repo receivables	190 849	190 849	7485	183 364	0	0	0
Financial assets at fair value through profit or loss	234 007	234 097	45 993	0	0	188104	183
Securities at fair value through other comprehensive income	2 136 709	2 136 848	2136848	0	0	0	2 137
Securities at amortized cost	2 624 920	2 632 435	2 632 435	0	0	0	0
Loans at amortized cost and mandatorily at fair value through profit or loss	12 477 447	12 477 972	12477972	0	0	0	0
Finance lease receivables	1 051 140	1 051 147	1 051 147	0	0	0	0
Associates and other investments	52 443	82 829	82829	0	0	0	0
Property and equipment	322 766	314 172	314 172	0	0	0	0
Intangible assets and goodwill	239 004	235 778	64006	0	0	0	171 772
Right-of-use assets	46 283	49 873	49 873	0	0	0	0
Investment properties	38 601	27 905	38601	0	0	0	0
Derivative financial assets designated as hedge accounting	6 820	6 820	0	6820	0	0	0
Deferred tax assets	22 317	22 333	13061	0	0	0	9 272
Current income tax receivables	38 936	38 884	38 884	0	0	0	0
Other assets	266 474	321 600	321600	0	0	0	0
Assets classified as held-for-sale / discounted operations	6 070	0	0	0	0	0	0
Total assets	23 335 841	23 403 681	22 855 045	190 184	0	188 104	184 224
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	1 185 315	1 183 626	0	0	0	0	1 183 626
Repo liabilities	117 991	117 991	0	0	0	0	117 991
Financial liabilities designated at fair value through profit or loss	34 131	28 137	0	0	0	0	28 137
Deposits from customers	17 890 863	17 918 455	0	0	0	0	17 918 455
Liabilities from issued securities	464 213	475 510	0	0	0	0	475 510
Derivative financial liabilities held for trading	104 823	113 963	0	0	0	0	113 963
Derivative financial liabilities designated as hedge accounting	11 341	11 341	0	0	0	0	11 341
Leasing liabilities	48 451	50 721	0	0	0	0	50 721
Deferred tax liabilities	25 990	25 990	0	0	0	0	25 990
Current income tax payable	27 684	25 831	0	0	0	0	25 831
Other liabilities	607 737	592 460	0	0	0	0	592 460
Subordinated bonds and loans	274 704	274 610	0	0	0	0	274 610
Liabilities directly associated with assets classified as held-for-sale / discounted operations	5 486	0	0	0	0	0	0
Total liabilities	20 798 729	20 818 635	0	0	0	0	20 818 635
Share capital	28 000	28 000	0	0	0	0	28 000
Retained earnings and reserves	2 629 076	2 645 871	0	0	0	0	2 645 871
Treasury shares	-124 080	-92 473	0	0	0	0	-92 473
Non-controlling interest	4 116	3 648	0	0	0	0	3 648
Total shareholder's equity	2 537 112	2 585 046	0	0	0	0	2 585 046
Total liabilities and shareholder's equity	23 335 841	23 403 681	0	0	0	0	23 403 681

Chart 9: Non-deducted participations in insurance undertakings

(in HUF million)	31.12.2020
Holdings of own funds instruments of a financial sector entity where the institution has a significant investment not deducted from own funds (before risk-weighting)	3 777
Total RWA	9 441

Chart 10: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

Description (in HUF million)	Total	Items subject to			
		Credit risk framework	CCR framework	Securitisation framework	Market risk framework
Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	23 403 681	22 855 045	190 184	0	188 104
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	20 818 635	0	0	0	0
Total net amount under the regulatory scope of consolidation	2 585 046	0	0	0	0
Off-balance sheet amounts	4 855 500	1 704 388	0	0	0
Non deducted from regulatory capital, capital requirement increase elements	11 389	11 389	0	0	0
Differences because the transitional arrangements related to IFRS 9 or analogous ECLs*	201 710	201 710	0	0	0
Exposure amounts considered for regulatory purposes	25 150 820	24 772 532	190 184	0	188 104

* Calculated according to article 473a of 575/2013 regulation.

The main reason of the difference between the carrying values is that different entities are consolidated in the regulatory and accounting scope.

Chart 11: Consolidated entities for the year-ended 31 December 2020

Number	Entity	Scope of accounting consolidation	Scope of regulatory consolidation	Number	Entity	Scope of accounting consolidation	Scope of regulatory consolidation
1	OTP Bank Plc.	Yes	Yes	56	OTP Financing Netherlands B.V.	Yes	Yes
2	Air-Invest Ltd.	Yes	Yes	57	OTP Financing Solutions B.V.	Yes	Yes
3	AppSense Ltd.	Yes	No	58	OTP Fund Management Ltd.	Yes	Yes
4	Bajor-Polár Center Real Estate Management Ltd.	Yes	Yes	59	OTP Funds Servicing and Consulting Ltd.	Yes	Yes
5	BALANSZ Real Estate Institute Fund	Yes	No	60	OTP Holding Ltd.	Yes	Yes
6	BANK CENTER No. 1. Ltd.	Yes	Yes	61	OTP Holding Malta Ltd.	Yes	Yes
7	Banka OTP Albania SHA	Yes	Yes	62	OTP Hungaro-Project Ltd.	Yes	No
8	CIL Babér Ltd.	Yes	Yes	63	OTP Immobilien Verwertung GmbH.	No	Yes
9	CRESCO d.o.o.	Yes	Yes	64	OTP Ingatlankezelő Ltd.	Yes	Yes
10	Crnogorska Komercijalna Banka a.d.	Yes	Yes	65	OTP Ingatlanpont Ltd.	Yes	No
11	DSK Asset Management EAD	Yes	Yes	66	OTP Ingatlanüzemeltető Ltd.	Yes	Yes
12	DSK Auto Leasing EOOD	Yes	Yes	67	OTP Invest d.o.o.	Yes	Yes
13	DSK Bank EAD	Yes	Yes	68	OTP Insurance Broker EOOD	Yes	Yes
14	DSK DOM EAD	Yes	Yes	69	OTP Investments d.o.o. Novi Sad	Yes	Yes
15	DSK Leasing AD	Yes	Yes	70	OTP Leasing d.d.	Yes	Yes
16	DSK Mobile EAD	Yes	Yes	71	OTP Leasing EOOD	Yes	Yes
17	DSK Operating lease EOOD	Yes	Yes	72	OTP Leasing Romania IFN S.A.	Yes	Yes
18	DSK Tours EOOD	Yes	Yes	73	OTP Leasing Srbija d.o.o. Beograd	Yes	Yes
19	DSK Trans Security EAD	Yes	Yes	74	OTP Life Annuity Real Estate Investment Ltd.	Yes	Yes
20	EiSYS Ltd.	Yes	No	75	OTP Lizing d.o.o.	Yes	Yes
21	INGA KETTŐ Ltd.	Yes	Yes	76	OTP Mémőki Szolgáltató Ltd.	Yes	Yes
22	JN Parkolóház Real Estate Utilizer LLC	Yes	No	77	OTP Mobile Service Ltd.	Yes	No
23	JSC "OTP Bank" (Russia)	Yes	Yes	78	OTP Mortgage Bank Ltd.	Yes	Yes
24	LLC AllianceReserve	No	Yes	79	OTP MRP	Yes	No
25	LLC AMC OTP Capital	Yes	Yes	80	OTP Nekretnine d.o.o.	Yes	Yes
26	LLC MFO "OTP Finance"	Nem	Yes	81	OTP Osiguranje A.D.O. Beograd	Yes	No
27	LLC OTP Leasing	Yes	Yes	82	OTP Osiguranje d.d.	Yes	No
28	Merkantil Bill and Property Investments Bank Ltd.	Yes	Yes	83	OTP Pénzügyi Pont Ltd.	Yes	Yes
29	Merkantil Lease Service LLC	Yes	Yes	84	OTP Real Estate Investment Fund Management Ltd.	Yes	Yes
30	MFM Project Investment and Development Ltd.	Yes	No	85	OTP Real Estate Leasing Ltd.	Yes	Yes
31	Miskolci Diákotthon Investment Utilization LLC	Yes	No	86	OTP Real Estate Ltd.	Yes	Yes
32	Mobiasbanca - OTP Group S.A.	Yes	Yes	87	OTP Services d. o. o.	Yes	Yes
33	MONICOMP Ltd.	Yes	Yes	88	OTP Solution Fund	Yes	No
34	NIMO 2002 Ltd.	Yes	Yes	89	POK DSK-Rodina AD	Yes	Yes
35	OPUS Securities S.A.	Yes	Yes	90	Portfolion Digital Ltd.	Yes	No
36	OTP Asset Management SAI S.A.	Yes	Yes	91	Portfolion Venture Capital Fund Management Ltd.	Yes	No
37	OTP Bank JSC (Ukraine)	Yes	Yes	92	Portfolion Zöld Fund	Yes	No
38	OTP Bank Romania S.A.	Yes	Yes	93	R.E. Four d.o.o., Novi Sad	Yes	Yes
39	OTP banka dioničko društvo	Yes	Yes	94	Regional Urban Development Fund AD	Yes	Yes
40	OTP Banka Srbija AD. Beograd	Yes	Yes	95	SB Leasing d.o.o.	Yes	Yes
41	OTP Building Society Ltd.	Yes	Yes	96	SC Aloha Buzz SRL	Yes	Yes
42	OTP Buildings s.r.o.	Yes	Yes	97	SC Favo Consultanta SRL	Yes	Yes
43	OTP Card Factory Ltd.	Yes	Yes	98	SC Tezaur Cont SRL	Yes	Yes
44	OTP Debt Collection d.o.o. Podgorica	Yes	Yes	99	ShiwaForce.com Inc.	Yes	No
45	OTP Digitális Fund	Yes	No	100	SKB Banka d.d. Ljubljana	Yes	Yes
46	OTP eBIZ Ltd.	Yes	No	101	SKB Leasing d.o.o.	Yes	Yes
47	OTP Factoring Bulgaria EAD	Yes	Yes	102	SKB Leasing Select s.o.o.	Yes	Yes
48	OTP Factoring Ltd.	Yes	Yes	103	SPLC Property Management Ltd.	Yes	Yes
49	OTP Factoring Management Ltd.	Yes	Yes	104	SPLC-P Real estate development, Real estate manag	Yes	No
50	OTP Factoring Serbia d.o.o.	Yes	Yes	105	TOP Collector LLC	Yes	Yes
51	OTP Factoring Slovensko s.r.o.	Yes	Yes	106	Velvin Ventures Ltd.	Yes	Yes
52	OTP Factoring SRL	Yes	Yes	107	Vojvodjanska banka a.d. Novi Sad	Yes	Yes
53	OTP Factoring Ukraine LLC	Yes	Yes	108	ZA-Invest Béta Ltd.	Yes	No
54	OTP Financing Cyprus Company Limited	Yes	Yes	109	ZA-Invest Szalók Ltd.	Yes	No
55	OTP Financing Malta Ltd.	Yes	Yes				

Chart 12: Outline of the differences in the scopes of consolidation (entity by entity)

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation			Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	
OTP Bank Plc.	Full consolidation	X			Credit institution
Air-Invest Ltd.	Full consolidation	X			Personal air transportation
AppSense Ltd.	Full consolidation				Computer programming
Bajor-Polár Center Real Estate Management Ltd.	Full consolidation	X			Real estate management
Balansz Real Estate Institute Fund	Full consolidation				Real estate fund
BANK CENTER No. 1. Ltd.	Full consolidation	X			Real estate management
Banka OTP Albania SHA	Full consolidation	X			Credit institution
CL Babér Ltd.	Full consolidation	X			Real estate management
CRESCO d.o.o.	Full consolidation	X			Real estate management
Crnogorska Komercijalna Banka a.d.	Full consolidation	X			Credit institution
DSK Asset Management EAD	Full consolidation	X			Fund management
DSK Auto Leasing EOOD	Full consolidation	X			Leasing activities
DSK Bank EAD	Full consolidation	X			Credit institution
DSK DOM EAD	Full consolidation	X			Other credit supply
DSK Leasing AD	Full consolidation	X			Leasing activities
DSK Mobile EAD	Full consolidation	X			IT services
DSK Operating lease EOOD	Full consolidation	X			Leasing activities
DSK Tours EOOD	Full consolidation	X			Travel agency services
DSK Trans Security EAD	Full consolidation	X			Security and money transportation services
ESYS Ltd.	Full consolidation				information technology consultancy
INGA KETTŐ Ltd.	Full consolidation	X			Real estate management
JN Parkolóház Real Estate Utilizer LLC	Full consolidation				Real estate development
JSC "OTP Bank" (Russia)	Full consolidation	X			Credit institution
LLC AllianceReserve		X			Operating and management consulting
LLC AMC OTP Capital	Full consolidation	X			Fund management
LLC MFO "OTP Finance"	Full consolidation	X			Other credit supply
LLC OTP Leasing	Full consolidation	X			Leasing Activities
Merkantil Bill and Property Investments Bank Ltd.	Full consolidation	X			Credit institution
Merkantil Lease Service LLC	Full consolidation	X			Leasing activities
MFM Projekt beruházási és Fejlesztési Ltd.	Full consolidation				Real estate utilization
Miskolci Diákotthon Investment Utilization LLC	Full consolidation				Real estate utilization
Mobiasbanca - OTP Group S.A.	Full consolidation	X			Credit institution
MONICOMP Ltd.	Full consolidation	X			IT hardware services
NIMO 2002 Ltd.	Full consolidation	X			Real estate utilization
OPUS Securities S.A.	Full consolidation	X			Structured financing
OTP Asset Management SAI S.A.	Full consolidation	X			Asset management
OTP Bank JSC (Ukraine)	Full consolidation	X			Credit institution
OTP Bank Romania S.A.	Full consolidation	X			Credit institution
OTP banka dioničko društvo	Full consolidation	X			Credit institution
OTP Banka Srbija a.d. Novi Sad	Full consolidation	X			Credit institution
OTP Building Society Ltd.	Full consolidation	X			Savings and mortgage activities
OTP Buildings s.r.o.	Full consolidation	X			Real estate utilization
OTP Card Factory Ltd.	Full consolidation	X			Card manufacturing
OTP Debt Collection d.o.o. Podgorica	Full consolidation	X			Factoring entity
OTP Digitális Fund	Full consolidation				Venture Capital Fund
OTP eBIZ Ltd.	Full consolidation				IT services
OTP Factoring Bulgaria EAD	Full consolidation	X			Factoring entity
OTP Factoring Ltd.	Full consolidation	X			Factoring entity
OTP Factoring Management Ltd.	Full consolidation	X			Factoring entity
OTP Factoring Serbia d.o.o.	Full consolidation	X			Factoring entity
OTP Factoring Slovensko s.r.o.	Full consolidation	X			Factoring entity
OTP Factoring SRL	Full consolidation	X			Factoring entity
OTP Factoring Ukraine LLC	Full consolidation	X			Factoring entity
OTP Financing Cyprus Company Limited	Full consolidation	X			Group-financing services
OTP Financing Malta Ltd.	Full consolidation	X			Group-financing services
OTP Financing Netherlands B.V.	Full consolidation	X			Group-financing services
OTP Financing Solutions B.V.	Full consolidation	X			Group-financing services
OTP Fund Management Ltd.	Full consolidation	X			Fund management

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
OTP Funds Servicing and Consulting Ltd.	Full consolidation	X				Fund servicing and consulting
OTP Holding Ltd.	Full consolidation	X				Holding
OTP Holding Malta Ltd.	Full consolidation	X				Holding
OTP Hungaro-Project Ltd.	Full consolidation					Operating and management consulting
OTP Immobilien Verwertung GmbH.		X				Real estate utilization
OTP Ingatlankezelő Ltd.	Full consolidation	X				Real estate management
OTP Ingatlanpont Ltd.	Full consolidation					Real estate activities
OTP Insurance Broker EOOD		X				Insurance broker
OTP Ingatlanüzemeltető Ltd.	Full consolidation	X				Real estate utilization
OTP Invest d.o.o.	Full consolidation	X				Fund management
OTP Investments d.o.o. Novi Sad	Full consolidation	X				Real estate activities
OTP Kockázati Fund						Venture Capital Fund
OTP Leasing d.d.	Full consolidation	X				Leasing activities
OTP Leasing EOOD	Full consolidation	X				Leasing activities
OTP Leasing Romania IFN S.A.	Full consolidation	X				Leasing activities
OTP Leasing Srbija d.o.o. Beograd	Full consolidation	X				Leasing activities
OTP Life Annuity Real Estate Investment Ltd.	Full consolidation	X				Life annuity services
OTP Lizing d.o.o.	Full consolidation	X				Leasing activities
OTP Mérnöki Szolgáltató Ltd.	Full consolidation	X				Engineering service
OTP Mobile Service Ltd.	Full consolidation					IT services
OTP Mortgage Bank Ltd.	Full consolidation	X				Mortgage activities
OTP MRP	Full consolidation					Profit-sharing and bonus plans
OTP Nekretnine d.o.o.	Full consolidation	X				Real estate management
OTP Osiguranje A.D.O. Beograd	Full consolidation					Insurance entity
OTP Osiguranje d.d.	Full consolidation					Insurance entity
OTP Pénzügyi Pont Ltd.	Full consolidation	X				Financial product broker
OTP Real Estate Investment Fund Management Ltd.	Full consolidation	X				Fund management
OTP Real Estate Leasing Ltd.	Full consolidation	X				Leasing activities
OTP Real Estate Ltd.	Full consolidation	X				Real estate vendor
OTP Services d. o. o.	Full consolidation	X				Leasing activities
OTP Solution Fund	Full consolidation					Fund
OTP-DayOne Magvető Fund						Venture Capital Fund
POK DSK-Rodina AD	Full consolidation	X				Retirement insurance activities
PortfoLion Digital Ltd.	Full consolidation					Operating and management consulting
PortfoLion Venture Capital Fund Management Ltd.	Full consolidation					Venture Capital management
Portfolion Regionális Fund	Full consolidation					Venture Capital Fund
Portfolion Regionális Fund II.	Full consolidation					Venture Capital Fund
Portfolion Zöld Fund						Venture Capital Fund
R.E. Four d.o.o., Novi Sad	Full consolidation	X				Real estate vendor
Regional Urban Development Fund AD	Full consolidation					Fund
SB Leasing d.o.o.	Full consolidation	X				Leasing activities
SC Aloha Buzz SRL	Full consolidation	X				Other financial activities
SC Favo Consultanta SRL	Full consolidation	X				Other financial activities
SC Tezaur Cont SRL	Full consolidation	X				Other financial activities
Shiw aForce.com Inc.	Full consolidation					Computer programming
SKB Banka d.d. Ljubljana	Full consolidation	X				Credit institution
SKB Leasing d.o.o.	Full consolidation	X				Leasing activities
SKB Leasing Select d.o.o.	Full consolidation	X				Leasing activities
SPLC Property Management Ltd.	Full consolidation	X				Retail of vehicles
SPLC-P Real estate development, Real estate manager	Full consolidation					Real estate development
TOP Collector LLC	Full consolidation	X				Other financial activities
Velvin Ventures Ltd.	Full consolidation	X				Real estate management
Vojvodjanska banka a.d. Novi Sad	Full consolidation	X				Credit institution
D-ÉG Thermoset Ltd.	Proportional consolidation(Equity method)					Wholesale of heating utilities
Szallas.hu Ltd.	Proportional consolidation(Equity method)					Webportal service
ZA-Invest Béta Kft.	Full consolidation	X				Raising of swine/pigs
ZA-Invest Szalók Kft	Full consolidation	X				Raising of dairy cattle

Differences related to deductions from regulatory capital according to accounting and regulatory scope of consolidation:

The differences due to different scopes of consolidation (accounting and regulatory) have an effect on the following deductions from regulatory capital as at 31st December 2020

- Additional value adjustments
- Intangible assets
- Treasury shares
- Deferred tax assets that rely on future profitability and do not arise from temporary differences

The Group applies the simplified approach in case of the additional value adjustments, which determines the deduction from regulatory capital as the 0,1% of the sum of fair-valued assets and liabilities stated in the balance sheet (under accounting scope of consolidation). The calculated additional value adjustments is HUF 3 330 million according to balance sheet as in published financial statements, in the case of the balance sheet under regulatory scope of consolidation the additional value adjustments would be HUF 3 334 million on 31st December 2020.

In case of accounting scope of consolidation the deduction from regulatory capital due to the intangible assets is HUF 174 997 million. Under regulatory scope of consolidation the deduction from regulatory capital due to the intangible assets is HUF 171 772 million.

In case of accounting scope of consolidation the deduction from regulatory capital due to the treasury shares is HUF 145 939 million. Under regulatory scope of consolidation the deduction from regulatory capital due to the treasury shares is HUF 145 939 million.

In case of accounting scope of consolidation the deduction from regulatory capital due to deferred tax assets that rely on future profitability and do not arise from temporary differences is HUF 9 239 million, under regulatory scope of consolidation is HUF 9 272 million.

Breakdown of regulatory capital is presented according to the regulatory scope of consolidation in the next section. Under accounting scope of consolidation the regulatory capital is HUF 2 669 806 million, the capital adequacy ratio is 17,7%, CET1 ratio is 15,4%, taking into account the profit for 2020.

Due to the COVID19 pandemia, in order to strengthen the banking system, Hungarian National Bank requests banks to make sure that dividends are neither approved, nor paid until the 30.09.2021.

Chart 13: Breakdown of regulatory capital including transitional arrangements for mitigating the impact of the application of IFRS9 on own funds in accordance with Article 473a of regulation (EU) No 575/2013

Common Equity Tier 1 capital: instruments and reserves (in HUF million)	(A) 31 December 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
1 Capital instruments and the related share premium accounts	28 000	26 (1), 27, 28, 29, EBA list 26 (3)	
of which: share	28 000	EBA list 26 (3)	
2 Retained earnings (1)	2 299 286	26 (1) (c)	
3 Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	132 871	26 (1)	
3a Funds for general banking risk	0	26 (1) (f)	
4 Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	0	486 (2)	
5 Minority interests (amount allowed in consolidated CET1)	1 739	84, 479, 480	0
5a Independently reviewed interim profits net of any foreseeable charge or dividend	0	26 (2)	
6 Common Equity Tier 1 (CET1) capital before regulatory adjustments	2 461 896		
Common Equity Tier 1 (CET1) capital: regulatory adjustments (in HUF million)	(A) 31 December 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
7 Additional value adjustments (negative amount)	-3 334	34, 105	
8 Intangible assets (net of related tax liability) (negative amount)	-171 772	36 (1) (b), 37, 472 (4)	
10 Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-9 272	36 (1) (c), 38, 472 (5)	
11 Fair value reserves related to gains or losses on cash flow hedges		33 (1) (a)	
12 Negative amounts resulting from the calculation of expected loss amounts		36 (1) (d), 40, 159, 472 (6)	
13 Any increase in equity that results from securitised assets (negative amount)		32 (1)	
14 Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33 (1) (b)	
15 Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41, 472 (7)	
16 Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-145 939	36 (1) (f), 42, 472 (8)	
17 Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36 (1) (g), 44, 472 (9)	
18 Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (1)- (3), 79, 472 (10)	-20 929
19 Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1)-(3), 79, 470, 472 (11)	

Common Equity Tier 1 (CET1) capital: regulatory adjustments (in HUF million)	(A)	(B)	(C)
	31 December 2020	REGULATION (EU) No 575/2013 ARTICLE REFERENCE	AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
20a Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)	
20b of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89-91	
		36 (1) (k) (ii)	
20c of which: securitisation positions (negative amount)		243 (1) (b)	
		244 (1) (b)	
		258	
20d of which: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)	
21 Deferred tax assets arising from temporary difference (amount above 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
22 Amount exceeding the 15% threshold (negative amount)		48 (1)	-49 499
23 of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b), 470, 472 (11)	-38 111
24 of which: deferred tax assets arising from temporary difference		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	-11 388
25a Losses for the current financial year (negative amount)		36 (1) (a), 472 (3)	
25b Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)	
26 Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment (2)	210 258		
27 Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)		36 (1) (j)	
28 Total regulatory adjustments to Common Equity Tier 1 (CET1)	-120 059		
29 Common Equity Tier 1 (CET1) capital	2 341 837		

Additional Tier 1 (AT1) capital: instruments (in HUF million)	(A)	(B)	(C)
	31 December 2020	REGULATION (EU) No 575/2013 ARTICLE REFERENCE	AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
30 Capital instruments and the related share premium accounts		51, 52	
31 of which: classified as equity under applicable accounting standards			
32 of which: classified as liabilities under applicable accounting standards			
33 Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1		486 (3)	
34 Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties		85, 86, 480	
35 of which: instruments issued by subsidiaries subject to phase-out		486 (3)	
36 Additional Tier 1 (AT1) capital before regulatory adjustments	0		

	(A)	(B)	(C)
Additional Tier 1 (AT1) capital: regulatory adjustments (in HUF million)	31 December 2020	REGULATION (EU) No 575/2013 ARTICLE REFERENCE	AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
37 Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52 (1) (b), 56 (a), 57, 475 (2)	
38 Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56 (b), 58, 475 (3)	
39 Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (c), 59, 60, 79, 475 (4)	
40 Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (d), 59, 79, 475 (4)	
42 Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56 (e)	
43 Total regulatory adjustments to Additional Tier 1 (AT1) capital	0		
44 Additional Tier 1 (AT1) capital	0		
45 Tier 1 capital (T1 = CET1 + AT1)	2 341 837		
Tier 2 (T2) capital: instruments and provisions (in HUF million)	(A) 31 December 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
46 Capital instruments and the related share premium accounts	458 513	62, 63	
47 Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		486 (4)	
48 Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party	420	87, 88, 480	
49 of which: instruments issued by subsidiaries subject to phase-out		486 (4)	
50 Credit risk adjustments		62 (c) & (d)	
51 Tier 2 (T2) capital before regulatory adjustment	458 933		

	(A)	(B)	(C)
Tier 2 (T2) capital: regulatory adjustments (in HUF million)	31 December 2020	REGULATION (EU) No 575/2013 ARTICLE REFERENCE	AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
52 Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-105 139	63 (b) (i), 66 (a), 67, 477 (2)	
53 Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)		66 (b), 68, 477 (3)	
54 Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		66 (c), 69, 70, 79, 477 (4)	
55 Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)		66 (d), 69, 79, 477 (4)	-56 795
57 Total regulatory adjustments to Tier 2 (T2) capital	-105 139		
58 Tier 2 (T2) capital	353 794		
59 Total capital (TC = T1 + T2)	2 695 631		
60 Total risk weighted assets	15 166 969		

	(A)	(B)	(C)
Capital ratios and buffers (in HUF million)	31 December 2020	REGULATION (EU) No 575/2013 ARTICLE REFERENCE	AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
61 Common Equity Tier 1 (as a percentage of total risk exposure amount)	15,44%	92 (2) (a), 465	
62 Tier 1 (as a percentage of total risk exposure amount)	15,44%	92 (2) (b), 465	
63 Total capital (as a percentage of total risk exposure amount)	17,77%	92 (2) (c)	
64 Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of total risk exposure amount)	7,089%	CRD 128, 129, 130, 131 and 133	
65 of which: capital conservation buffer requirement	2,500%		
66 of which: countercyclical buffer requirement	0,089%		
67 of which: systemic risk buffer requirement (3)	0		
67a of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0,00%	CRD 131	
68 Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	7,44%	CRD 128	

Amounts below the thresholds for deduction (before risk-weighting) (in HUF million)	(A) 31 December 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
72 Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	20 929	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	
73 Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36 (1) (i), 45, 48, 470, 472 (11)	
75 Deferred tax assets arising from temporary difference (amount below 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met)		36 (1) (c), 38, 48, 470, 472 (5)	

Applicable caps on the inclusion of provisions in Tier 2 (in HUF million)	(A) 31 December 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
76 Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		62	
77 Cap on inclusion of credit risk adjustments in T2 under standardised approach		62	
78 Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)		62	
79 Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		62	

Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022) (in HUF million)	(A) 31 December 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
80 Current cap on CET1 instruments subject to phase-out arrangements		484 (3), 486 (2) & (5)	
81 Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484 (3), 486 (2) & (5)	
82 Current cap on AT1 instruments subject to phase-out arrangements		484 (4), 486 (3) & (5)	
83 Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) & (5)	
84 Current cap on T2 instruments subject to phase-out arrangements		484 (5), 486 (4) & (5)	
85 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484 (5), 486 (4) & (5)	

- (1) Profit for financial year 2020 is included in retained earnings. The calculated dividend is taken into account in profit for the year. Due to the COVID19 pandemia, in order to strengthen the banking system, Hungarian National Bank requests banks to make sure that dividends are neither approved, nor paid until the 30.09.2021. However, for prudential reasons the expected dividend amount is deducted from the presented regulatory capital in accordance with the regulation (EU) No 241/2014. The Board of Directors may decide about paying dividend advance after 30th September 2021.
- (2) Transitional arrangements for mitigating the impact of the application of IFRS9 on own funds according to Article 473a of regulation (EU) No 575/2013, and for unrealised gains and losses measured at fair value through other comprehensive income (related to sovereign exposures) in accordance with Article 1 (6) of regulation (EU) 873/2020.
- (3) Capital buffer is not implemented

Chart 14: The impact of the transitional arrangements for mitigating the impact of the application of IFRS9 on own funds in accordance with Article 473a of regulation (EU) No 575/2013

IFRS 9 effect		31.12.2020
(in HUF million)		
Regulatory capital		
1	Common Equity Tier 1 (CET1) capital	2 341 837
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	2 140 127
3	Tier 1 capital	2 341 837
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	2 140 127
5	Total capital	2 695 631
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	2 493 921
Total risk weighted assets		
7	Total risk weighted assets	15 166 969
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14 965 259
Capital ratios		
9	Common Equity Tier 1 (as a percentage of total risk exposure amount)	15,44%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14,30%
11	Tier 1 (as a percentage of total risk exposure amount)	15,44%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14,30%
13	Total capital (as a percentage of total risk exposure amount)	17,77%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16,66%
Leverage ratio		
15	Total exposure	25 558 195
16	Leverage ratio	9,16%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8,37%

Chart 15: Capital instruments' main features on 31st December 2020

Capital instruments' main features template ⁽¹⁾					
1	Issuer	OTP Bank Plc.	OTP Bank Plc.	Opus Securities S.A.	OTP Bank Plc.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	HU0000061726	XS0274147296	XS0272723551	XS2022388586
3	Governing law(s) of the instrument	Hungarian law	In general English law except for Subordination which is governed by Hungarian law	In general English law except for provisions related to Subordination of the Subordinated Swap Agreement which is governed by Hungarian law. The Security Deposit Agreement and the Custody Agreement are governed by Hungarian law. The Guarantee is governed by the laws of the State of New York.	In general English law except for Subordination and waiver of set-off, which is governed by Hungarian law
<i>Regulatory treatment</i>					
4	Transitional CRR rules	Common Equity Tier 1	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Common Equity Tier 1	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & Consolidated	Solo & Consolidated	Consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share, Common Equity Tier 1 as published in Regulation (EU) No 575/2013 article 28	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	28 000.001 m HUF	In standalone regulatory capital (2): 114 206 m HUF (decreased by own instruments of OTP Bank) In consolidated regulatory capital (2): 81 851 m HUF (decreased by own instruments of OTP Bank and other subsidiaries)	89 935 m HUF	181 589 m HUF (2)
9	Nominal amount of instrument	28 000.001 m HUF	500 m EUR	514.274 m EUR	500 m EUR
9a	Issue price	100 HUF	99.375 per cent.	100 per cent.	99.738 per cent.
9b	Redemption price	N/A	100 per cent. + cumulated non-paid interest (if any)	100 per cent. + accumulated interest (if any)	100 per cent. + cumulated non-paid interest (if any)
10	Accounting classification	Shareholders' equity	Liability - amortised cost	Shareholders' equity	Liability - amortised cost
11	Original date of issuance	10/08/1995	07/11/2006	31/10/2006	15/7/2019
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Dated
13	Original maturity date	No maturity	No maturity	No maturity	15/7/2029
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	N/A	First call date: 07/11/2016 at 100 per cent. + cumulated non-paid interest (if any); Contingent call options: Redemption for Taxation Reasons and Redemption for Regulatory Purposes, on the next Interest Payment Date after notification (or any time before 07/11/2016), at 100 per cent. + cumulated non-paid interest (if any) (+ accumulated interest if redeemed before 07/11/2016)	First call date: 31/10/2016 at 100 per cent. if OTP exercises its option to terminate the Subordinated Swap Agreement (SSA) Contingent call options: (i) if OTP exercises its option to terminate the SSA at any time prior to 31 October 2016 following the occurrence of a Redemption Event (at least 85 per cent of the outstanding amount have been exchanged and/or purchased and cancelled); (ii) if OTP exercises its option to terminate the SSA at any time prior to 31 October 2016 or on any Interest Payment Date thereafter following the occurrence of a Relevant Event	Optional call date: 15/07/2024 at 100 per cent. + accrued and unpaid interest; Contingent call options: Redemption Due to Tax Event and Due to Capital Disqualification Event at 100 per cent. + accrued and unpaid interest

Capital instruments' main features template ⁽¹⁾ (continuation)					
16	Subsequent call dates, if applicable	N/A	Quarterly (on 7 February, 7 May, 7 August, 7 November every year) after (and including) 7/11/2016	Quarterly (on 31 January, 30 April, 31 July, 31 October every year) after (and including) 31/10/2016	Optional call date: 15/07/2024
17	Fixed or floating dividend/coupon	Floating (dividend)	Fixed to floating	Fixed to floating	Fixed to fixed
18	Coupon rate and any related index	N/A	Fixed 5.875% p. a. payable annually in the first 10 years, three-month EURIBOR + 3% p.a., variable after year 10 (payable quarterly)	Fixed 3.95% p.a. payable annually in the first 10 years, three-month EURIBOR + 3% p.a., variable after year 10 (payable quarterly)	Fix coupon of 2.875% p.a., paid annually in the first five years, starting from year 6 until maturity, the yearly fix coupon is calculated as the sum of the initial margin (320 basis points) and the 5 year mid-swap rate prevailing at the end of year 5
19	Existence of a dividend stopper	N/A	Yes	Yes	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A	Full discretionary	Full discretionary	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A	Full discretionary	Full discretionary	Mandatory
21	Existence of step up or other incentive to redeem	N/A	No	No	No
22	Noncumulative or cumulative	Noncumulative	Cumulative	Noncumulative	Cumulative
23	Convertible or non-convertible	N/A	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A
30	Write-down features	No	No	No	No
31	If write-down, write-down trigger (s)	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Under the Act XLIX of 1991 on Bankruptcy, Liquidation and Voluntary Winding-up Proceedings (Subsection 4 of Section 61) and Regulation No 575/2013 of the European Parliament and of the Council (CRR) (Paragraph j) of Section 28) the instruments will rank below all other claims in the event of the liquidation of OTP. Tier 2 instruments under Article 63 of the CRR will be immediately senior to this instrument.	Under the Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (Subsection 2 of Section 57) the instruments will rank below the claims described at Paragraph h) of Subsection 1 of Section 57 at the Act XLIX of 1991 on Bankruptcy, Liquidation and Voluntary Winding-up Proceedings (Csódtv.) in the event of the liquidation of OTP. Claims under instrument XS2022388586 will be immediately senior to this instrument.	Under the Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (Subsection 2 of Section 57) the instruments will rank below the claims described at Paragraph h) of Subsection 1 of Section 57 at the Act XLIX of 1991 on Bankruptcy, Liquidation and Voluntary Winding-up Proceedings (Csódtv.) in the event of the liquidation of OTP. Claims under instrument XS2022388586 will be immediately senior to this instrument.	Under the Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (Subsection 2 of Section 57) the instruments will rank below the claims described at Paragraph h) of Subsection 1 of Section 57 at the Act XLIX of 1991 on Bankruptcy, Liquidation and Voluntary Winding-up Proceedings (Csódtv.) in the event of the liquidation of OTP. Subordinated instruments under the Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises and Regulation (EU) No 575/2013 of the European Parliament and of the Council (CRR), which are not Tier 2 instruments under Article 63 of the CRR will be immediately senior to this instrument.
36	Non-compliant transitioned features	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A

(1) 'N/A' inserted if the question is not applicable

(2) Calculated according to IFRS data

1.4.3. Internal capital requirement calculation

The constant development of capital requirement calculation is a significant activity for the Group, in line with the changing external economic and regulatory environment. The Group applied only adequately stable, sufficiently conservative and well-performing models for the different processes according to prudent approach. During the internal capital adequacy assessment process (ICAAP) the potential risks of the Group are thoroughly reviewed.

The internal model applied for credit risk capital requirement covers a notable part of the credit portfolio. The model, based on the simulation of the macroeconomic environment, determines the loss and the required capital requirement under stress for each portfolio. For credit portfolios not involved in the internal model, the Group applies standardized approach.

The Group applies a historical VAR model to calculate the internal capital requirement of FX, market and interest rate risk.

In the case of operational risk the AMA and BIA methods are applied, after approval by the National Bank of Hungary.

Moreover, the Group intends to identify all the risks not covered in Pillar 1. If it is justified by risk measurement methods, internal models are applied.

I.5. Trading book market and counterparty risks (capital requirements)

Market risk is the risk that movements in market risk factors, including foreign exchange rates, commodity prices, interest rates, credit spreads and equity prices will reduce the group's income or the value of its portfolios.

Chart 16: Trading book positions capital requirement

Description (in HUF million)	RWAs	Capital requirements
Interest rate risk (general and specific)	140 557	11 245
Equity risk (general and specific)	743	59
Foreign exchange risk	69 383	5 551
Commodity risk	28 684	2 295
Options		
Simplified approach	0	0
Delta-plus method	263	21
Scenario approach	0	0
Securitisation (specific risks)	0	0
Total	239 630	19 170

Chart 17: Analysis of CCR exposure by approach

Description (in HUF million)	Notional	Replacement cost/current market value	Potential future credit exposure	EEPE (Effective Expected Positive Exposure)	Multiplier	EAD post CRM	RWAs
Mark to market		13 360	133 203			125 408	86 936
Original exposure	0					0	0
Standardised approach		0			0		
IMM (for derivatives and SFTs)				0	0	0	0
<i>Of which securities financing transactions</i>				0	0	0	0
<i>Of which derivatives and long settlement transactions</i>				0	0	0	0
<i>Of which from contractual cross-product netting</i>				0	0	0	0
Financial collateral simple method (for SFTs)						0	0
Financial collateral comprehensive method (for SFTs)						64 361	24 038
VaR for SFTs						0	0
Total							110 974

Chart 18: CVA capital charge

Description (in HUF million)	Exposure value	RWAs
Total portfolios subject to the advanced method	0	0
VaR component (including the 3 x multiplier)		0
SVaR component (including the 3 x multiplier)		0
All portfolios subject to the standardised method	60 111	10 462
Based on the original exposure method	0	0
Total subject to the CVA capital charge	0	0

Chart 19: CCR exposures by regulatory portfolio and risk

Exposure classes (in HUF million)	Risk weight											Total	Of which unrated	
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Other			
Central governments or central banks	31 993	0	0	0	0	0	0	0	0	0	0	0	31 993	0
Regional government or local authorities	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Public sector entities	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Multilateral development banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0
International organisations	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Institutions	0	0	0	0	19 513	53 396	0	0	6 336	0	0	0	79 245	14 053
Corporates	0	0	0	0	0	0	0	0	71 423	119	0	0	71 543	58 691
Retail	0	0	0	0	0	0	0	3 144	0	0	0	0	3 144	3 144
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other items	0	3 845	0	0	0	0	0	0	5	0	0	0	3 849	0
Total	31 993	3 845	0	0	19 513	53 396	0	3 144	77 764	119	0	0	189 774	75 888

Note: „Of which unrated” column contains the exposures which do not have external credit ratings

Chart 20: Impact of netting and collateral held on exposure values

(in HUF million)	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	86 129	0	86 129	4 727	81 402
SFTs	189 444	0	189 444	165 468	23 975
Cross-product netting	319 357	94 651	224 706	140 314	84 392
Total	594 930	94 651	500 279	310 510	189 770

Chart 21: Composition of collateral for exposures to CCR

Fair value of collateral received	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
(in HUF million)						
Cash	23 613	35 559	46 481	18 282	0	5 115
Total	23 613	35 559	46 481	18 282	0	5 115

1.6. Countercyclical buffer

In accordance with the Article 140 of CRD, institution-specific countercyclical capital buffer consists of the weighted average of the countercyclical buffer rates that apply in the jurisdictions where the relevant credit exposures of the institution are located. In case of OTP Group the institutions-specific countercyclical buffer rate is not material, only 8,9 basispoint. It implicates HUF 13 499 m capital buffer.

I.7. Leverage

In accordance with the permission of the supervisory authority referring to 575/2013/EU Article 499 (3), the calculation of leverage ratio is based on end-of-quarter data. The Group calculates the leverage ratio without the transitional provisions according to the Article 499 (1) of CRR.

Chart 22: Net exposure value to leverage ratio

	(in HUF million)	Applicable Amount
1	Total assets as per published financial statements	23 403 681
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	0
4	Adjustments for derivative financial instruments	125 409
5	Adjustment for securities financing transactions (SFTs)	64 361
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	2 141 644
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	0
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	0
7	Other adjustments	-176 900
8	Leverage ratio total exposure measure	25 558 195

Chart 23: Leverage ratio

	(in HUF million)	CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	23 410 960
2	(Asset amounts deducted in determining Tier 1 capital)	-184 179
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)*	23 226 781
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	47 711
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	77 698
EU-5a	Exposure determined under Original Exposure Method	0
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	Total derivatives exposures (sum of lines 4 to 10)	125 409
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	0
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	Counterparty credit risk exposure for SFT assets	64 361
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	0
15	Agent transaction exposures	0
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	0
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	64 361

Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	4 855 500
18	(Adjustments for conversion to credit equivalent amounts)	-2 713 856
19	Other off-balance sheet exposures (sum of lines 17 and 18)*	2 141 644
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)		
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
Capital and total exposure measure		
20	Tier 1 capital	2 341 837
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	25 558 195
Leverage ratio		
22	Leverage ratio	9,16%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Fully phased in
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	0

Note: the exposures are calculated according to Article 473a of regulation (EU) No 575/2013, including the impact of transitional arrangements for mitigating the impact of the application of IFRS9.

The change of Tier1 capital and the leverage ratio total assets can have an impact on leverage ratio.

Currently there is no regulatory minimum level for the leverage ratio. In line with the proposal of the European decision makers OTP Group considers 3% as minimum level of leverage ratio. Taking into account that the current level of the leverage ratio exceeds this minimum level, there is no intention of decreasing the leverage ratio. The Group monitors the level of leverage ratio quarterly and as part of Recovery Plan indicators informs the Asset-Liability Committee. If the leverage ratio reaches critical level, the Asset-Liability Committee asks the competent departments to prepare action plan in order to handle the breaching the minimum level.

Chart 24: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

	(in HUF million)	CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	23 410 960
EU-2	Trading book exposures	196 249
EU-3	Banking book exposures, of which:	23 214 711
EU-4	Covered bonds	87 960
EU-5	Exposures treated as sovereigns	6 772 906
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	377 322
EU-7	Institutions	923 732
EU-8	Secured by mortgages of immovable properties	5 022 829
EU-9	Retail exposures	4 266 047
EU-10	Corporate	3 798 202
EU-11	Exposures in default	309 143
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	1 656 570

I.8. Credit risk adjustments

I.8.1. Methodology of valuation and provisions

The consolidated financial reports of the Group are based on IFRS regulation. Measurement and provision allocation of assets, investments and off-balance sheet liabilities are realized according to frameworks of relevant IFRS/IAS standards.

The group level assessment standards are determined by "OTP Group's Provisioning policy for loans in accordance with International Financial Reporting Standards (IFRS)". The calculation of credit losses may be carried out collectively or individually.

The recognized provision level reflects to the foreseeable risks and potential losses. The amount of the recognized impairment is the difference between the book value of the outstanding debt and the expected amount of the recovered debt. OTP Group recognizes risk provision for off-balance sheet (pending, future) liabilities on the basis of their assessment. If the measurement process reveals that the amount of the risk provision exceeds the amount required on the basis of the assessment, the excess amount of the risk provision is released.

At initial recognition the financial assets must be tested based on the business model and the contracted cash flow characteristics, based on which it can be determined according to which measurement method, specified in the IFRS9 standard, the given asset is to be managed and valued. The assets can be allocated to the following three categories:

- Assets measured at amortized cost
- Assets valued at fair value through other comprehensive income (FVOCI) – IFRS13,
- Assets valued at fair value through profit and loss (FVPL) – IFRS13.

According to the requirements of the IFRS9 standard, upon the initial recognition and on the reporting dates (last calendar day of the reporting month) the assets measured at amortized cost and the assets valued at fair value through other comprehensive income must be allocated to three stages by their credit risk or POCI category:

- Stage 1 category contains the performing deals.

- Those deals, which are performing, but compared to the initial recognition it shows significant increase in credit risk, must be categorized to Stage 2.
- Stage 3 contains the non-performing (credit-impaired) deals.
- Purchased or originated credit impaired assets are financial assets that are impaired already upon the initial recognition. These assets must be classified as POCI.

In case of the Stage 1 deals 12-month credit losses must be calculated by the expectations of the default probability, for Stage 2 and Stage 3 deals lifetime expected losses must be calculated as impairment.

Depending on the item, assessment based on the following aspects:

- client and counterparty rating – financial situation, stability and income generation capability of the client or counterparty affected by the financial and investment service, and any changes in these factors;
- the repayment schedule (overdue days) – patterns of delay on principal and interest payment related to the amortization of the outstanding debt, regular fulfillment of the payment obligation;
- status of restructuring risk contract;
- sovereign risk and changes in the sovereign risk associated with the client (both political risk and transfer risk);
- value, marketability and availability of the securities pledged as collateral and any changes in them;
- marketability of the item (market demand and supply, achievable market prices, share in the issuer's equity in proportion to the size of the investment),
- future payment obligation, which qualifies as a loss originating from the item,
- significant increase in credit risk compared to the initial recognition.

Probable future losses on the item are determined on a case-by-case basis, in consideration of the above aspects as applicable. If this amount is lower than the amount recognized on the item earlier, it has to be supplemented by the amount of the difference by recognizing a further amount of impairment, or if it is higher, it has to be reduced by the release of the existing amount of impairment.

Delinquent deal: the client doesn't perform his/her payment obligations.

According to the CRR a default shall be considered to have occurred with regard to a particular obligor when either or both of the following events have taken place:

- the institution considers that the obligor is unlikely to pay its credit obligations to the institution, the parent undertaking or any of its subsidiaries in full, without recourse by the institution to actions such as realising security
- the obligor is past due more than 90 days on any material credit obligation to the institution, the parent undertaking or any of its subsidiaries.

If the debts are past due more than 90 days and it derives from non-lending type contracts do not qualify as default event. These exposures are not considered to be impaired.

A credit risk exposure shall be considered as restructured:

- considering the current or future financial difficulties of the client the institution
- provides a concession/allowance in respect of the contract originating the exposure (and this would not be done if the client would not have financial difficulties)

The calculation of credit losses may be carried out on an individual or collective basis.

Portfolio (collective) assessment

The collective assessment based on the following parameters: probability of defaults, cure rate, loss given default. The condition of applying collective assessment is that the assets should be allocable to groups representing similar credit risk based on major credit risk characteristics and their capability to fulfill contractual obligations. The most important variables of the assessment procedure are payment delay, deal/client rating, the restructuring information and the default status.

Upon estimating the future cash flows related to the group(s) of financial assets, the historic credit loss data of the assets representing similar credit risk, the macroeconomic factors and information on the future of financial instruments must be taken into account.

The Group member shall measure expected credit losses of a financial asset 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.

Individual assessment

Receivables that are of significant amount on a stand-alone basis with objective evidence of impairment or that the risk management functional area subjected to individual assessment based on monitoring information must be measured individually:

- The cash flows expected from the financial instruments must be defined, which has to be based on at least two scenarios.
- Valuation and revaluation of collaterals is crucial, discounting the cash-flows from the sale of collaterals is an important part of individual assessment.
- The defined cash flows must be discounted to the present value.
- The impairment of the financial instrument is taking into account the riskiness of cash flows and individual collateralization.
- The individual cash-flow estimation also has to be forward looking, which has to contain the information about the macroeconomic environment and the future of the financial instruments.
- If there is a significant change in the credit risk of a financial asset, the impairment calculation must be reviewed taking into account the new information and risks.

Changes in impairment of loan portfolio are presented in the following notes of the financial statement:

- changes of impairment regarding "Placements with other banks" in Note 5.
- changes of impairment regarding "Securities at amortised cost" in Note 10.
- changes of impairment regarding "Loans" in Note 8.

Chart 25: Changes in the stock of general and specific credit risk adjustments

(in HUF million)	Accumulated specific / general credit risk adjustment
Opening balance	735 286
Increases due to amounts set aside for estimated loan losses during the period	329 569
Decreases due to amounts reversed for estimated loan losses during the period	0
Decreases due to amounts taken against accumulated credit risk adjustments	-304 832
Transfers between credit risk adjustments	101 624
Impact of exchange rate differences	3 354
Cured from default or non-impaired	0
Other adjustments	3 658
Closing balance	868 659
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	-5 973
Specific credit risk adjustments directly recorded to the statement of profit or loss	7 388

Chart 26: Changes of non-performing loan exposures

	(in HUF million)	Gross carrying value defaulted exposures
1	Opening balance - 31.12.2019	699 154
2	Loans and debt securities that have defaulted since the last reporting period	136 475
3	Returned to non-defaulted status	15 006
4	Amounts written-off	105 452
5	Other changes*	130 829
6	Closing balance - 31.12.2020 (6 = 1 + 2 - 3 - 4 + 5)	845 999

* Contains the IFRS 9 transitional difference

I.8.2. Exposures to credit risks

The presented RWAs and exposures in this chapter are calculated according to Article 473a of regulation (EU) No 575/2013, including the impact of transitional arrangements for mitigating the impact of the application of IFRS9.

Chart 27: Net exposures broken down by net exposure classes (before credit risk mitigation)

Exposures (in HUF million)	31.12.2020	2020 Average
Exposures to central governments or central banks	7 652 135	6 984 087
Exposures to regional governments or local authorities	140 907	137 084
Exposures to public sector entities	188 626	187 909
Exposures to multilateral development banks	9 900	10 750
Exposures to international organisation	0	0
Exposures to institutions	1 053 541	985 892
Exposures to corporates	4 685 372	4 630 196
Retail exposures	3 973 116	4 007 988
Exposures secured by mortgages on immovable property	5 161 908	5 005 179
Exposures in default	307 829	302 126
Exposures associated with particularly high risk	50 330	44 259
Exposures in the form of covered bonds	87 960	96 310
Exposures to institutions and corporates with a short-term credit assessment	0	0
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	23 260	21 377
Equity exposures	82 161	78 683
Other items	1 355 487	1 258 737
Total	24 772 532	23 750 577

Chart 28: Exposures broken down by geographical areas (by the country of obligors) on 31st December 2020

(in HUF million)	Exposures to central governments or central banks	Exposures to regional governments or local authorities	Exposures to public sector entities	Exposures to multilateral development banks	Exposures to international organisation	Exposures to institutions	Exposures to corporates	Retail exposures	Exposures secured by mortgages on immovable property	Exposures in default	Exposures associated with particularly high risk	Exposures in the form of covered bonds	Exposures to institutions and corporates with a short-term credit assessment	Exposures in the form of units or shares in collective investment undertakings ("CIUs")	Equity exposures	Other items	Total
Total	7 652 135	140 907	188 626	9 900	0	1 053 541	4 685 372	3 973 116	5 161 908	307 829	50 330	87 960	0	23 260	82 161	1 355 487	24 772 532
Albania	86 366	0	0	0	0	4 620	46 177	15 521	123 924	2 608	0	0	0	0	0	9 409	288 625
United States	20 648	0	0	0	0	31 032	10 840	55	235	0	0	0	0	0	5 898	0	68 708
Australia	0	0	0	0	0	5 295	16	21	108	0	0	0	0	0	0	0	5 440
Austria	3	0	0	0	0	26 567	1 428	515	766	29	0	0	0	0	12 080	2 807	44 195
Belgium	15	0	0	0	0	37 499	14 841	82	209	7	111	0	0	0	0	0	52 764
Belize	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4 066	4 068
Bosnia and Herzegovina	0	0	0	0	0	244	86	526	58	2 557	0	0	0	0	0	0	3 471
Bulgaria	832 566	8 595	0	4 595	0	20 795	867 607	915 020	913 366	66 678	53	0	0	49	2 993	220 664	3 852 981
Cyprus	331	0	0	0	0	0	18 666	19	0	1	1 244	0	0	0	0	1	20 262
Czech Republic	0	0	0	0	0	1 538	1 606	11	37	0	0	0	0	0	0	0	3 192
Denmark	0	0	0	0	0	6 089	195	8	42	2	0	0	0	0	0	0	6 336
United Kingdom	2 207	0	0	0	0	43 775	2 909	899	634	54	0	0	0	0	0	0	50 438
France	54 228	0	0	0	0	237 022	2 235	274	536	67	0	0	0	0	0	0	294 362
Greece	48	0	0	0	0	279	895	374	76	39	0	0	0	0	0	0	1 711
Netherlands	145	0	0	0	0	6 083	28 704	166	448	13	0	0	0	0	0	0	35 559
Croatia	691 508	32 509	75 301	0	0	25 634	259 146	530 653	509 503	65 515	144	0	0	0	2 167	93 863	2 285 943
Ireland	8	0	0	0	0	8 522	9 739	97	368	0	0	0	0	0	0	0	18 734
Israel	10 953	0	0	0	0	268	1	113	324	1	0	0	0	0	0	0	11 660
Japan	0	0	0	0	0	1 556	20	1	0	0	0	0	0	0	0	0	1 577
Canada	0	0	0	0	0	18 266	24	12	53	0	0	0	0	0	0	0	18 355
Poland	45 488	0	0	0	0	5 081	2 069	78	164	9	0	0	0	0	0	0	52 889
Lithuania	6 418	0	0	0	0	0	123	1	0	0	0	0	0	0	0	0	6 542
Luxembourg	0	0	0	0	0	33 845	898	0	0	0	5 086	0	0	0	0	0	39 829
Macedonia, the former Yugoslav R	0	0	0	0	0	53	1 090	182	161	4	0	0	0	0	0	0	1 490
Hungary	4 232 765	69 957	42 751	0	0	81 970	1 678 270	785 107	2 062 553	85 315	26 126	87 960	0	23 211	53 901	652 964	9 882 850
Moldova	90 147	0	0	0	0	13 497	45 887	29 916	60 608	2 055	0	0	0	0	0	17 619	259 729
Montenegro	99 355	3 903	82	0	0	703	54 547	121 783	103 533	9 475	36	0	0	0	75	87 390	480 882
Germany	202 979	0	0	0	0	107 933	7 992	444	685	50	0	0	0	0	0	0	320 083
Italy	15	0	0	0	0	20 253	10 050	533	621	28	0	0	0	0	0	0	31 500
Russian Federation	134 028	0	0	5 305	0	17 258	118 826	398 319	6 664	8 133	0	0	0	0	53	35 503	724 089
Portugal	0	0	0	0	0	0	1 203	16	0	2	0	0	0	0	0	0	1 221
Romania	280 480	2 506	0	0	0	15 896	162 136	152 332	558 917	26 786	9 207	0	0	0	245	68 247	1 276 752
Spain	35 168	0	0	0	0	1 092	1 198	158	51	3	0	0	0	0	0	0	37 670
Switzerland	0	0	0	0	0	49 923	67 525	209	318	4	0	0	0	0	0	0	117 979
Sweden	59	0	0	0	0	5 179	1 810	63	109	1	0	0	0	0	0	0	7 221
Serbia	389 371	10 098	1 244	0	0	8 747	677 931	515 247	426 118	19 125	2 062	0	0	0	1 527	99 509	2 150 979
Slovakia	23	0	0	0	0	73 814	1 043	122	361	368	0	0	0	0	392	7 875	83 998
Slovenia	349 484	13 339	0	0	0	10	300 066	382 771	297 515	6 634	5 020	0	0	0	2 618	27 284	1 384 741
Turkey	0	0	0	0	0	1 033	1 120	306	172	20	0	0	0	0	0	0	2 651
Ukraine	86 282	0	69 248	0	0	140 718	284 382	120 760	92 211	12 204	1 241	0	0	0	212	28 273	835 531
Other country	1 045	0	0	0	0	1 452	2 071	442	460	42	0	0	0	0	0	13	5 525

Chart 29: Exposure classes broken down by counterparty type on 31st December 2020

(in HUF million)	Exposures to central governments or central banks	Exposures to regional governments or local authorities	Exposures to public sector entities	Exposures to multilateral development banks	Exposures to international organisation	Exposures to institutions	Exposures to corporates	Retail exposures	Exposures secured by mortgages on immovable property	Exposures in default	Exposures associated with particularly high risk	Exposures in the form of covered bonds	Exposures to institutions and corporates with a short-term credit assessment	Exposures in the form of units or shares in collective investment undertakings ("CIUs")	Equity exposures	Other items	Total
Total	7 652 135	140 907	188 626	9 900	0	1 053 541	4 685 372	3 973 116	5 161 908	307 829	50 330	87 960	0	23 260	82 161	1 355 487	24 772 532
Governments	6 749 435	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6 749 435
Municipal	13 273	137 778	0	0	0	0	0	0	1 166	310	0	0	0	0	0	0	152 527
Public sector entities	93 044	139	188 626	0	0	0	0	0	7 126	1 003	0	0	0	0	0	0	289 938
Multilaterális fejlesztési bankok	0	0	0	5 305	0	0	0	0	0	0	0	0	0	0	0	0	5 305
Institutions	0	0	0	0	0	980 624	0	0	111 237	2 113	0	0	0	0	0	0	1 093 974
Corporate	7 704	2 753	0	592	0	72 917	3 210 074	0	855 876	71 837	36 678	0	0	23 211	0	0	4 281 642
Corporate SME	235 077	211	0	1 782	0	0	1 406 275	0	765 208	41 798	7 871	0	0	0	0	0	2 458 222
Retail	481 812	26	0	2 221	0	0	68 864	3 927 141	3 411 435	190 247	0	0	0	0	0	0	8 081 746
Retail SME	71 790	0	0	0	0	0	159	45 975	9 860	521	0	0	0	0	0	0	128 305
Equity	0	0	0	0	0	0	0	0	0	0	5 781	0	0	0	82 161	0	87 942
Other*	0	0	0	0	0	0	0	0	0	0	0	87 960	0	49	0	1 355 487	1 443 496

* Other, non-credit risk items; collective, investment funds; part of intangible assets to be accounted for in RWA; IFRS 9 transition effect

Chart 30: Exposure classes broken down by residual maturity on 31st December 2020

(in HUF million)	On demand	≤ 1 year	> 1 year ≤ 5 year	> 5 year	No stated maturity	Total
Total	0	4 752 243	7 170 415	10 500 830	2 349 044	24 772 532
Exposures to central governments or central banks	0	960 633	2 806 204	2 924 710	960 588	7 652 135
Exposures to regional governments or local authorities	0	22 388	18 603	99 916	0	140 907
Exposures to public sector entities	0	99 192	54 826	34 608	0	188 626
Exposures to multilateral development banks	0	2 516	5 478	1 906	0	9 900
Exposures to international organisation	0	0	0	0	0	0
Exposures to institutions	0	538 854	140 970	368 455	5 262	1 053 541
Exposures to corporates	0	2 003 441	1 686 386	971 064	24 481	4 685 372
Retail exposures	0	669 979	1 560 203	1 601 727	141 207	3 973 116
Exposures secured by mortgages on immovable property	0	394 604	758 870	4 008 434	0	5 161 908
Exposures in default	0	27 337	66 250	190 331	23 911	307 829
Exposures associated with particularly high risk	0	4 528	23 748	14 902	7 152	50 330
Exposures in the form of covered bonds	0	27 010	46 764	14 186	0	87 960
Exposures to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	0	808	55	22 397	0	23 260
Equity exposures	0	0	0	0	82 161	82 161
Other items	0	953	2 058	248 194	1 104 282	1 355 487

Chart 31: Credit quality of forbore exposures

(in HUF million)	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forbore exposures	
	Performing forbore	Non-performing forbore		On performing forbore exposures	On non-performing forbore exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures	
		Of which defaulted	Of which impaired					
Loans and advances	128 968	328 091	327 794	326 097	-35 102	-183 778	170 483	73 429
<i>Central banks</i>	0	0	0	0	0	0	0	0
<i>General governments</i>	41	0	0	0	-16	0	0	0
<i>Credit institutions</i>	0	0	0	0	0	0	0	0
<i>Other financial corporations</i>	190	167	167	167	-4	-167	183	0
<i>Non-financial corporations</i>	80 173	111 781	111 484	111 781	-16 549	-63 422	84 063	28 078
<i>Households</i>	48 564	216 143	216 143	214 149	-18 533	-120 189	86 236	45 350
Debt securities	0	0	0	0	0	0	0	0
Loan commitments given	1 687	67	67	67	-282	-28	166	0
Total	130 655	328 158	327 861	326 164	-35 384	-183 806	170 648	73 429

Chart 32: Quality of forbearance

(in HUF million)	Gross carrying amount of forbore exposures
Loans and advances that have been forbore more than twice	95 915
Non-performing forbore loans and advances that failed to meet the non-performing exit criteria	63 964

Chart 33: Credit quality of performing and non-performing exposures by past due days

(in HUF million)	Gross carrying amount/nominal amount												
	Performing exposures			Non-performing exposures									Of which defaulted
	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years			
Loans and advances	14 872 638	14 571 653	300 985	859 695	287 517	55 803	79 371	100 226	104 391	61 354	171 033	853 818	
Central banks	220 005	220 005	0	0	0	0	0	0	0	0	0	0	
General governments	717 116	715 162	1 954	629	432	3	1	0	1	7	184	628	
Credit institutions	916 658	916 658	0	119	97	0	0	1	0	14	6	118	
Other financial corporations	154 672	151 911	2 761	451	169	2	0	11	181	71	18	426	
Non-financial corporations	5 615 677	5 491 659	124 017	255 503	132 686	12 779	23 551	25 051	20 043	12 450	28 944	252 448	
Of which SMEs	2 252 987	2 201 607	51 380	127 344	61 513	8 188	14 044	16 271	12 459	6 152	8 717	126 883	
Households	7 248 512	7 076 259	172 253	602 993	154 133	43 019	55 819	75 162	84 167	48 813	141 880	600 199	
Debt securities	4 761 275	4 761 275	0	5 257	4 459	0	0	0	0	0	799	5 257	
Central banks	74 784	74 784	0	0	0	0	0	0	0	0	0	0	
General governments	4 427 448	4 427 448	0	799	0	0	0	0	0	0	799	799	
Credit institutions	99 069	99 069	0	0	0	0	0	0	0	0	0	0	
Other financial corporations	28 455	28 455	0	0	0	0	0	0	0	0	0	0	
Non-financial corporations	131 519	131 519	0	4 459	4 459	0	0	0	0	0	0	4 459	
Off-balance-sheet exposures	4 927 109			15 169								15 169	
Central banks	28			0								0	
General governments	119 149			0								0	
Credit institutions	243 289			0								0	
Other financial corporations	236 611			42								42	
Non-financial corporations	3 460 328			10 326								10 326	
Households	867 703			4 801								4 801	
Total	24 561 022	19 332 928	300 985	880 121	291 976	55 803	79 371	100 226	104 391	61 354	171 832	874 244	

Chart 34: Performing and non-performing exposures and related provisions

(in HUF million)	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
	Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2	Of which stage 3	Of which stage 2	Of which stage 3				
Loans and advances	14 872 638	12 148 656	1 928 769	859 695	2 281	840 382	-311 487	-109 623	-201 664	-552 742	-2 281	-540 822	-197 530	8 205 755	191 801
Central banks	220 005	220 005	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	717 116	675 611	18 854	629	0	628	-4 279	-3 397	-882	-279	0	-278	-63	190 763	128
Credit institutions	916 658	916 658	0	119	1	118	-1 460	-1 460	0	-112	-1	-111	0	130 061	0
Other financial corporations	154 672	141 058	13 614	451	26	426	-3 522	-1 764	-1 758	-293	-26	-267	-149	96 497	151
Non-financial corporations	5 615 677	4 694 751	918 916	255 503	1 048	249 902	-138 309	-47 523	-90 786	-144 138	-1 048	-142 216	-80 807	3 309 021	84 661
Of which SMEs	2 252 987	1 760 471	491 595	127 344	68	126 889	-62 900	-15 354	-47 546	-65 639	-68	-65 616	-36 477	1 494 562	47 442
Households	7 248 512	5 500 574	977 385	602 993	1 206	589 309	-163 917	-55 679	-108 238	-407 921	-1 205	-397 950	-116 512	4 479 413	106 860
Debt securities	4 761 275	4 737 371	14 614	5 257	0	799	-13 270	-11 861	-1 409	-799	0	-799	0	0	0
Central banks	74 784	74 784	0	0	0	0	-142	-142	0	0	0	0	0	0	0
General governments	4 427 448	4 427 448	0	799	0	799	-10 624	-10 624	0	-799	0	-799	0	0	0
Credit institutions	99 069	96 835	0	0	0	0	-467	-467	0	0	0	0	0	0	0
Other financial corporations	28 455	21 399	0	0	0	0	-180	-180	0	0	0	0	0	0	0
Non-financial corporations	131 519	116 905	14 614	4 459	0	0	-1 857	-448	-1 409	0	0	0	0	0	0
Off-balance-sheet exposures	4 927 109	4 730 206	196 903	15 169	0	15 169	-48 373	-37 380	-10 993	-6 458	0	-6 458		554 270	830
Central banks	28	28	0	0	0	0	0	0	0	0	0	0		0	0
General governments	119 149	118 487	662	0	0	0	-384	-344	-40	0	0	0		2 258	0
Credit institutions	243 289	240 986	2 303	0	0	0	-829	-819	-10	0	0	0		11 266	0
Other financial corporations	236 611	236 601	10	42	0	42	-1 410	-1 409	-1	-42	0	-42		76 266	0
Non-financial corporations	3 460 328	3 300 559	159 770	10 326	0	10 326	-33 145	-24 743	-8 402	-4 631	0	-4 631		438 297	613
Households	867 703	833 545	34 157	4 801	0	4 801	-12 605	-10 064	-2 541	-1 785	0	-1 785		26 183	217
Total	24 561 022	21 616 232	2 140 287	880 121	2 281	856 349	-373 131	-159 064	-214 066	-559 998	-2 281	-548 078	-197 530	8 760 025	192 630

Chart 35: Quality of non-performing exposures by geography

(in HUF million)	Gross carrying amount			Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
	Of which non-performing		Of which loans and advances subject to impairment			
		Of which defaulted				
On-balance-sheet exposures	22 498 043	864 952	859 076	21 618 410	-868 659	-9 639
Hungary	8 837 322	218 128	214 970	8 015 204	-213 159	-8 821
Republic of Bulgaria	3 501 798	202 724	202 685	3 492 659	-202 356	0
Republic of Croatia	2 146 247	143 269	143 063	2 137 911	-103 568	0
Republic of Serbia	2 001 920	40 853	40 841	1 976 730	-46 983	0
Republic of Slovenia	1 242 140	10 531	10 531	1 242 140	-14 907	0
Romania	1 193 414	57 182	56 766	1 191 655	-53 066	0
Other countries	3 575 202	192 265	190 220	3 562 111	-234 620	-819
Off-balance-sheet exposures	4 942 278	15 169	15 169		-54 831	
Hungary	2 017 659	3 925	3 925		-17 674	
Republic of Bulgaria	615 586	1 770	1 770		-6 704	
Republic of Croatia	445 581	2 203	2 203		-4 948	
Republic of Serbia	425 776	2 613	2 613		-3 478	
Russian Federation	273 855	933	933		-7 655	
Republic of Slovenia	263 404	2 052	2 052		-3 601	
Other countries	900 418	1 674	1 674		-10 771	
Total	27 440 320	880 121	874 244	21 618 410	-868 659	-9 639

Chart 36: Credit quality of loans and advances by industry

(in HUF million)	Gross carrying amount			Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures	
	Of which non-performing		Of which loans and advances subject to impairment			
		Of which defaulted				
Agriculture, forestry and fishing	417 219	12 143	11 998	417 171	-13 379	0
Mining and quarrying	67 029	1 624	1 604	67 029	-1 673	0
Manufacturing	1 080 861	58 749	58 047	1 080 721	-50 155	-53
Electricity, gas, steam and air conditioning supply	334 173	6 404	6 327	334 043	-5 880	0
Water supply	50 416	715	706	50 414	-1 172	0
Construction	400 950	22 723	22 451	400 948	-23 268	0
Wholesale and retail trade	1 357 375	49 890	49 294	1 352 777	-50 947	-818
Transport and storage	418 523	17 654	17 443	418 503	-13 854	0
Accommodation and food service activities	337 468	14 125	13 956	337 366	-33 784	0
Information and communication	150 192	3 239	3 200	150 192	-4 455	0
Financial and insurance activities	80 906	10 620	10 493	79 743	-10 897	0
Real estate activities	623 513	19 529	19 296	623 246	-30 723	0
Professional, scientific and technical activities	159 953	6 584	6 506	159 942	-6 549	0
Administrative and support service activities	187 312	6 076	6 003	187 298	-6 070	0
Public administration and defence, compulsory social security	471	7	7	471	-8	0
Education	11 235	171	169	11 235	-307	0
Human health services and social work activities	37 452	1 207	1 193	37 436	-1 270	0
Arts, entertainment and recreation	15 371	197	194	15 371	-872	0
Other services	140 760	23 846	23 561	140 710	-26 311	-2
Total	5 871 180	255 503	252 448	5 864 617	-281 573	-874

Chart 37: Collateral valuation – loans and advances

(in HUF million)	Loans and advances											
	Performing			Non-performing								
		Of which past due > 30 days ≤ 90 days	Unlikely to pay that are not past due ≤ 90 days	Past due > 90 days					Of which: past due > 7 years	Of which: past due > 7 years		
				Of which past due > 90 days ≤ 180 days	Of which: past due > 180 days ≤ 1 year	Of which: past due > 1 years ≤ 2 years	Of which: past due > 2 years ≤ 5 years	Of which: past due > 5 years ≤ 7 years	Of which: past due > 7 years			
Gross carrying amount	15 732 333	14 872 638	300 985	859 695	287 517	572 178	55 803	79 371	100 226	104 391	61 354	171 033
Of which secured	8 272 936	7 721 059	252 223	551 876	226 279	325 597	34 331	32 802	39 653	33 423	46 812	138 577
Of which secured with immovable property	6 047 929	5 658 953	32 771	388 976	164 088	224 888	19 125	26 714	19 029	33 423	30 235	96 362
Of which instruments with LTV higher than 80% and lower or equal to 80%	1 599 515	1 540 169		59 346	30 347	28 998						
Of which instruments with LTV higher than 80% and lower or equal to 100%	556 283	517 562		38 721	15 081	23 640						
Of which instruments with LTV higher than 100%	770 513	696 549		73 964	23 885	50 079						
Accumulated impairment for secured assets	-492 262	-162 456	-187 834	-329 806	-89 968	-239 839	-16 102	-18 735	-28 847	-24 484	-34 410	-117 261
Collateral												
Of which value capped at the value of exposure	7 301 754	7 117 426	41 145	184 328	113 051	71 277	13 568	13 784	8 927	15 016	7 323	12 659
Of which immovable property	5 697 273	5 525 462	28 280	171 811	103 976	67 676	11 974	13 292	7 843	14 654	7 261	12 652
Of which value above the cap	14 733 741	13 733 638	178 449	1 000 103	371 022	629 082						
Of which immovable property	12 302 796	11 416 652	47 330	886 144	336 356	549 947						
Financial guarantees received	1 095 802	1 088 329	2 510	7 472	5 662	1 810	813	192	98	110	202	396
Accumulated partial write-off	-197 530	-2	0	-197 529	-4 397	-193 132	-2 052	-592	-2 656	-73 447	-5 945	-108 440

Chart 38: Changes in the stock of non-performing loans and advances

(in HUF million)	Gross carrying amount	Related net accumulated recoveries
Initial stock of non-performing loans and advances	793 946	
Inflow s to non-performing portfolios	556 707	
Outflow s from non-performing portfolios	-490 958	
Outflow to performing portfolio	-158 410	
Outflow due to loan repayment, partial or total	-323 616	
Outflow due to collateral liquidation	0	0
Outflow due to taking possession of collateral	0	0
Outflow due to sale of instruments	-197	0
Outflow due to risk transfer	0	0
Outflow due to write-off	-6 321	
Outflow due to other situations	-2 415	
Outflow due to reclassification as held for sale	0	
Final stock of non-performing loans and advances	859 695	

Chart 39: Collateral obtained by taking possession and execution processes

(in HUF million)	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)	18	-18
Other than PP&E	5 864	-2 686
<i>Residential immovable property</i>	1 752	-277
<i>Commercial immovable property</i>	2 964	-2 193
<i>Movable property (auto, shipping, etc)</i>	518	-100
<i>Equity and debt instruments</i>	0	0
<i>Other</i>	631	-114
Total	5 882	-2 704

Chart 40: Collateral obtained by taking possession and execution processes – vintage breakdown

(in HUF million)	Debt balance reduction		Total collateral obtained by taking possession									
			Foreclosed ≤ 2 years		Foreclosed > 2 years ≤ 5 years		Foreclosed > 5 years		Of which non-current assets held-for-sale			
	Gross carrying amount	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
Collateral obtained by taking possession classified as PP&E	0	0	18	-18								
Collateral obtained by taking possession other than that classified as PP&E	4 063	-245	5 864	-2 686	1 663	-126	2 463	-1 200	1 738	-1 360	245	0
<i>Residential immovable property</i>	1 005	-245	1 752	-277	887	-51	527	-25	338	-201	245	0
<i>Commercial immovable property</i>	2 868	0	2 964	-2 193	36	0	1 645	-1 037	1 282	-1 157	0	0
<i>Movable property (auto, shipping, etc)</i>	34	0	518	-100	484	-74	34	-26	0	0	0	0
<i>Equity and debt instruments</i>	0	0	0	0	0	0	0	0	0	0	0	0
<i>Other</i>	157	0	631	-114	256	0	257	-111	118	-3	0	0
Total	4 063	-245	5 882	-2 704	1 663	-126	2 463	-1 200	1 738	-1 360	245	0

Chart 41: Credit quality of exposures by exposure class and instrument on 31st December 2020

(in HUF million)	Gross carrying values of		Specific/General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Exposures to central governments or central banks	0	7 660 802	-14 807	7 645 995
Exposures to regional governments or local authorities	360	142 257	-1 404	141 213
Exposures to public sector entities	1 851	189 277	-1 499	189 629
Exposures to multilateral development banks	0	9 792	-126	9 666
Exposures to international organisation	0	0	0	0
Exposures to institutions	1	1 056 062	-2 522	1 053 541
Exposures to corporates	219 960	4 761 864	-177 285	4 804 539
Retail exposures	621 012	4 110 241	-564 410	4 166 843
Exposures secured by mortgages on immovable property	0	5 254 245	-92 337	5 161 908
Exposures in default	0	0	0	0
Exposures associated with particularly high risk	0	71 680	-21 350	50 330
Exposures in the form of covered bonds	0	88 220	-260	87 960
Exposures to institutions and corporates with a short-term credit assessment	0	0	0	0
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	0	23 260	0	23 260
Equity exposures	0	89 090	-6 929	82 161
Other exposures	0	1 665 140	-309 653	1 355 487
Total	843 184	25 121 930	-1 192 582	24 772 532

Chart 42: Credit quality of exposures by counterparty types on 31st December 2020

(in HUF million)	Gross carrying values of		Specific / General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Governments	0	6 756 748	-7 313	6 749 435
Municipal	360	153 483	-1 316	152 527
Public sector entities	1 851	290 028	-1 941	289 938
Multilateral development banks	0	5 305	0	5 305
Institutions	3 979	1 096 639	-6 644	1 093 974
Corporate	126 758	4 296 882	-141 998	4 281 642
Corporate SME	89 207	2 475 216	-106 201	2 458 222
Retail	619 016	8 067 782	-605 052	8 081 746
Retail SME	2 013	131 566	-5 274	128 305
Equity	0	94 872	-6 930	87 942
Other*	0	1 753 409	-309 913	1 443 496
Total	843 184	25 121 930	-1 192 582	24 772 532

* Other, non-credit risk items; collective, investment funds; part of intangible assets to be accounted for in RWA; IFRS 9 transition effect

Chart 43: Credit quality of exposures by geography on 31st December 2020

(in HUF million)	Gross carrying values of		Specific / General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Összesen	843 184	25 121 930	-1 192 582	24 772 532
Albania	5 582	292 626	-9 583	288 625
United States	14	68 759	-65	68 708
Australia	1	5 443	-4	5 440
Austria	55	46 201	-2 061	44 195
Belgium	67	52 802	-105	52 764
Belize	0	5 453	-1 385	4 068
Bosnia and Herzegovina	2 773	877	-179	3 471
Bulgaria	202 976	3 912 772	-262 767	3 852 981
Cyprus	13	23 342	-3 093	20 262
Czech Republic	2	3 199	-9	3 192
Denmark	15	6 337	-16	6 336
United Kingdom	1 290	50 438	-1 290	50 438
France	173	294 797	-608	294 362
Greece	153	1 695	-137	1 711
Netherlands	114	35 930	-485	35 559
Croatia	143 269	2 290 344	-147 670	2 285 943
Ireland	107	18 880	-253	18 734
Israel	4	11 663	-7	11 660
Japan	1	1 577	-1	1 577
Canada	2	18 358	-5	18 355
Poland	27	52 975	-113	52 889
Lithuania	1	6 542	-1	6 542
Luxembourg	33	39 860	-64	39 829
Macedonia, the former Yugoslav Republic of	42	1 502	-54	1 490
Hungary	209 137	10 021 955	-348 242	9 882 850
Moldova	3 960	261 452	-5 683	259 729
Montenegro	24 606	494 366	-38 090	480 882
Germany	226	320 359	-502	320 083
Italy	109	31 560	-169	31 500
Russian Federation	87 373	789 608	-152 892	724 089
Portugal	11	1 220	-10	1 221
Romania	60 365	1 284 412	-68 025	1 276 752
Spain	15	37 710	-55	37 670
Sw itzerland	25	118 609	-655	117 979
Sw eden	57	7 218	-54	7 221
Serbia	40 474	2 177 823	-67 318	2 150 979
Slovakia	400	91 196	-7 598	83 998
Slovenia	10 682	1 389 434	-15 375	1 384 741
Turkey	92	2 657	-98	2 651
Ukraine	48 653	844 403	-57 525	835 531
Other country	285	5 576	-336	5 525

Chart 44: Overview of CRM techniques

(in HUF million)	Exposures unsecured - Carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans	26 720 081	1 203 563	149 186	1 054 377	0
Total debt securities	0	0	0	0	0
Total exposures	26 720 081	1 203 563	149 186	1 054 377	0
Of which defaulted	315 018	6 665	265	6 399	0

Note: the table contains exposures secured by financial collaterals and guarantees. Exposures secured by mortgage collaterals are included in “exposures unsecured” column.

Chart 45: Credit quality of loans and advances subject to moratoria on loan repayments applied in the light of the COVID-19 crisis

(in HUF million)	Gross carrying amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk					Gross carrying amount	Inflows to non-performing exposures			
	Performing		Non performing			Performing		Non performing							
	Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days		Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days						
Loans and advances subject to moratorium	2 072 545	1 988 494	36 501	592 698	84 051	46 601	71 168	-99 638	-69 200	-10 188	-61 480	-30 438	-15 839	-25 417	32 257
of which: Households	1 394 314	1 332 879	11 726	324 388	61 435	37 471	49 749	-56 169	-36 224	-3 984	-31 811	-19 945	-11 268	-15 665	26 546
of which: Collateralised by residential immovable property	766 248	724 194	4 954	206 980	42 054	27 987	33 088	-22 119	-12 820	-461	-11 686	-9 300	-6 303	-6 737	16 459
of which: Non-financial corporations	629 339	606 722	24 764	268 075	22 616	9 129	21 420	-43 175	-32 662	-6 203	-29 652	-10 493	-4 572	-9 752	5 710
of which: Small and Medium-sized Enterprises	469 896	452 647	24 016	183 833	17 249	5 984	16 290	-31 380	-23 839	-6 122	-21 263	-7 541	-2 706	-6 812	3 527
of which: Collateralised by commercial immovable property	358 288	343 319	19 174	157 122	14 969	7 798	14 802	-27 884	-20 590	-5 141	-18 471	-7 294	-4 142	-7 155	3 551

The Group implemented the application of those legislative and non-legislative moratoria on loan repayments which may include the suspend, postpone or reduce the payment (principal, interest or both) within a limited period of time with the purpose to offer solution for clients' short-term liquidity shortage which is caused by this extraordinary pandemic situation.

Chart 46: Volume of loans and advances subject to legislative and non-legislative moratoria by residual maturity of these moratoria

(in HUF million)	Number of obligors	Gross carrying amount	Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
					Loans and advances for which moratorium was offered	708 314	2 603 247		
Loans and advances subject to moratorium (granted)	704 602	2 544 635	2 304 735	472 090	2 029 368	32 935	10 207	4	30
of which: Households		1 667 590	1 577 220	273 276	1 377 064	13 369	3 879	2	0
of which: Collateralised by residential immovable property		856 127	801 385	89 879	756 315	8 227	1 707	0	0
of which: Non-financial corporations		814 483	700 583	185 144	603 974	19 013	6 319	3	30
of which: Small and Medium-sized Enterprises		574 512	517 122	104 616	457 747	8 323	3 794	3	30
of which: Collateralised by commercial immovable property		463 646	371 833	105 358	344 721	10 667	2 870	0	30

The length of the applied moratoria is driven by the legislative conditions or industry level agreement as per the type (legislative /non-legislative) of the moratoria. The moratorium based payment facilities are revised how it is required by legal sources or industry level agreements.

Chart 47: Newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

(in HUF million)	Gross carrying amount	Maximum amount of the guarantee that can be considered	Gross carrying amount	
	of which: forborne	Public guarantees received	Inflows to non-performing exposures	
Newly originated loans and advances subject to public guarantee schemes	115 594	38	46 141	1 419
of which: Households	4 420			0
of which: Collateralised by residential immovable property	206			0
of which: Non-financial corporations	110 773	38	44 230	1 419
of which: Small and Medium-sized Enterprises	75 313			1 399
of which: Collateralised by commercial immovable property	22 934			1 370

The measure and the length of the moratorium related state guarantees depends of the concerning conditions of the given state subsidy.

I.9. Use of external credit assessment institutions

To determine the risk weight of non-trading-book exposures, the Group applies the rating of Fitch, an accepted external credit rating agency. OTP Group applies the following table in case of the exposures and issuer in order to determine the credit quality step from the external ratings. OTP Group applies external credit rating in case of exposures to sovereign, institutions and corporate, credit ratings are taken into account on client basis. Risk weights are derived based on CRR articles 114, 119, 120, 121 and 122.

Chart 48: Each credit assessment corresponds to the following credit quality step

Fitch's ratings	Credit quality step	Fitch's ratings	Credit quality step
AAA	1	BB-	4
AA+	1	B+	5
AA	1	B	5
AA-	1	B-	5
A+	2	CCC+	6
A	2	CCC	6
A-	2	CCC-	6
BBB+	3	CC	6
BBB	3	C	6
BBB-	3	DDD	6
BB+	4	DD	6
BB	4	D	6

Chart 49: Exposures broken down by credit quality steps (CQS) of obligors

(in HUF million)	Risk weight										Total	Of which unrated
	0%	4%	10%	20%	35%	50%	75%	100%	150%	250%		
Exposures to central governments or central banks	6 581 098	0	0	50 720	0	268 795	0	751 522	0	0	7 652 135	6 620 462
Exposures to regional governments or local authorities	0	0	0	121 807	0	0	0	19 078	0	0	140 885	140 886
Exposures to public sector entities	26 442	0	0	0	0	0	0	162 184	0	0	188 626	119 378
Exposures to multilateral development banks	5 305	0	0	4 595	0	0	0	0	0	0	9 900	4 595
Exposures to international organisation	0	0	0	0	0	0	0	0	0	0	0	0
Exposures to institutions	0	0	0	604 313	0	330 452	0	104 876	0	0	1 039 641	216 490
Exposures to corporates	0	0	0	1 451	0	0	0	4 574 860	7	0	4 576 318	4 457 784
Retail exposures	0	0	0	0	0	0	3 962 278	0	0	0	3 962 278	3 962 278
Exposures secured by mortgages on immovable property	0	0	0	0	2 278 448	316 398	1 211 611	1 355 451	0	0	5 161 908	5 115 108
Exposures in default	0	0	0	0	0	0	0	245 225	62 366	0	307 591	307 591
Exposures associated with particularly high risk	0	0	0	0	0	0	0	0	50 288	0	50 288	50 288
Exposures in the form of covered bonds	0	0	0	0	0	87 960	0	0	0	0	87 960	87 960
Exposures to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0
Exposures in the form of units or shares in collective investment undertakings (CIUs)	0	0	0	0	0	0	0	23 260	0	0	23 260	23 260
Equity exposures	0	0	0	0	0	0	0	44 050	0	38 111	82 161	82 161
Other exposures	486 656	0	0	0	0	0	0	857 443	0	11 388	1 355 487	1 355 486
Total	7 099 501	0	0	782 886	2 278 448	1 003 605	5 173 889	8 137 949	112 661	49 499	24 638 438	22 543 727

Note: "of which unrated" column contains the exposures which do not have external credit ratings.

I.10. Capital requirement for operational risk

OTP Group's operational risk capital requirement, which was determined by the advanced measurement approach and the basic indicator approach in line with the principle of 'partial use', was HUF 113 418 million on 31st December 2020.

Chart 50: Operational risk capital requirements on 31st December 2020

Operational risk capital requirement's breakdown based on methods (in HUF million)	
Basic Indicator Approach	48 598
Standardised Approach	0
Alternative Standardised Approach	0
Advanced Measurement Approach	64 820
Total	113 418

I.11. Exposures in equities not included in the trading book

I.11.1. Trading purposes, valuation methods

Aspects of classification for trading purposes:

According to the Regulation of OTP Bank Plc. on Keeping of the Trading Book and Determining the Capital Requirements the trading book contains:

- the positions of the financial assets belonging to held-for-trading portfolio, related to investment or financial services, which are exposed primarily to market risks and
- the risk assumption related to them.

The classification into the trading book has the following criteria:

- The financial assets have to be classified into the trading book in accordance with the accounting policy.

- Those positions of the financial assets have to be classified into the trading book which are purchased by OTP Bank Plc. for realizing a short term gain due to the price difference between the purchase and selling price or due to changes of the interest rates.
- The repo transactions held for trading have to be classified into the trading book.
- The shares purchased by OTP Bank Plc. with no investment purpose have to be classified into the trading book.

According to the Investment Regulation of the Bank the long-term investments are financial instruments (*Interests in Entities*) purchased or founded for the purposes of providing the strategic (furthermore gaining ability to influence, direct, control another company) purpose of the Bank, providing the banking activities (as financial enterprise) and the banking operations (as incremental subsidiary), and shares in other financial intermediaries and in financial auxiliaries institutions.

Long-term investments can be classified as it follows:

- The OTP Group which is the complex entirety of the OTP Bank and the enterprises closely affiliated (qualified as dominant influence or participation) with OTP Bank.
- Other capital investments which operate under the direct ownership of the Bank, but not belong to the OTP Group.

In the financial statements of the Bank long-term investments are presented among Investments in subsidiaries and associates. Investments in subsidiaries comprise those investments where the Bank, through direct and indirect ownership interest, controls the investee.

Accounting and valuation methods:

Investments in subsidiaries, associates are recorded at the cost of acquisition, less impairment for permanent diminution in value, when appropriate. After initial measurement investments in subsidiaries and associates 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 investment and macroeconomic factors. The 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.

I.11.2. Exposures in equities not included in the trading book on 31st December 2020

Chart 51: Exposures in equities not included in the trading book according to IFRS on 31st December 2020

Num-ber	Entity	Balance sheet value (in HUF million)	Listed (Exchanged- traded)	Num-ber	Entity	Balance sheet value (in HUF million)	Listed (Exchanged- traded)
1	ABE Clearing SAS	0	No	53	Montair A.D.	0	No
2	Agro banka a.d. in bankruptcy	0	No	54	Montenegroberza ad	36	No
3	Agro-Szalók Ltd.	367	No	55	NAGISZ Ltd.	10 221	No
4	Auctioneer s. r. o.	184	No	56	"Nemesszalóki Mezőgazdasági" Ltd.	3 658	No
5	AY BANKA LONDON u likvidaciji	0	No	57	NovaKid Inc.	446	No
6	BANKART PROCESIRANJE PLACILNIH INSTRUMENTOV	2 618	No	58	OJSC Saint Petersburg Exchange	0	No
7	Banzai Cloud Ltd.	904	No	59	OTP Advisors SRL	9	No
8	Beogradska Berza Ad., Beograd	3	No	60	OTP Consulting Romania SRL	22	No
9	Borika Bankservice AD	2 245	No	61	OTP Nedvizhimost OOO	57	No
10	Budapest Stock Exchange Ltd.	123	No	62	OTP Travel Ltd.	2 614	No
11	Bulgarian Development Bank	0	No	63	OTP Újlakás Credit Intermediary LLC	9	No
12	Bulgarian Stock exchange AD	5	No	64	OTP Vendéglátás és Hotelszolgáltatás Szervező Ltd.	3	No
13	BULGARLEASING JSC	0	No	65	Overdose Vagyonkezelő Ltd. "u.v.l."	0	No
14	Central Depository AD	47	No	66	PEKO, TOVARNA OBUTVE, D.D. - V STECAJU	0	No
15	Centralna depository agency a.d.	52	No	67	Pepita Ltd.	516	No
16	Club Hotel Füred Szálloda Ltd.	1 980	No	68	PEVEC d.o.o. Beograd	2 587	No
17	CodeCool Ltd.	1 769	No	69	Pokojniska družba A d.d.	262	No
18	Company for Cash Services AD	392	No	70	POSLOVNO LOGISTICKI CENTAR "MORACA" AD PODG	0	No
19	Csillag Csermege Ltd.	17 015	No	71	Privredna banka a.d. - in bankruptcy	0	No
20	D-ÉG Thermoset Ltd.	0	No	72	Project 03 s.r.o.	0	No
21	Diákigazgatóhely Ltd.	3	No	73	Projekt 13 Apartmany Slovensko s.r.o.	210	No
22	Dinghy Sport Club Hungary Ltd.	57	No	74	Projekt-Ingatlan 8. Ltd.	396	No
23	DUNAVSKI PROJEK.CENTAR Beograd	0	No	75	Razvojnja banka Vojvodine a.d. - in bankruptcy	0	No
24	Edrone spółka z ograniczoną odpowiedzialnością	446	No	76	Rea Project One Company SRL	35	No
25	Elektroprivreda Crne Gore ad Nikšić	59	No	77	Recreatours AD Beograd	12	No
26	Első Alkotmány Utcai Ingatlanhasznosító Ltd..	0	No	78	REG.AGEN.ALMA MONS N.SAD	0	No
27	EUROAXIS BANK MOSKVA in bankruptcy	0	No	79	RESPV s.r.l.	0	No
28	Financial Research Corporation	0	No	80	S.W.I.F.T. SCRL	111	No
29	First Ukrainian Credit Bureau LLC	11	No	81	SC AS Tourism SRL	2 668	No
30	FORTENOVA GROUP STAK STICHTING	36	No	82	SC Casa de Compensare SA	0	No
31	Garantiqa Credit Guarantee Closed Co. Ltd.	280	No	83	SC Cefin Real Estate Kappa SRL	0	No
32	Govcka Project Company SRL	180	No	84	SEON Technologies Ltd.	339	No
33	GRABOPLAST Ltd.	700	No	85	ShiwaForce.com Ltd.	1	No
34	HAGE Ltd.	135	No	86	Sklad za reševanje bank	4 757	No
35	HROK d.o.o.	105	No	87	SLOBODNA CARINSKA ZONA NOVI SAD	15	No
36	HRVATSKI NOGOMETNI KLUB HAJDUK SPLIT Š.D.D.	0	No	88	SOMBORSATAN DOO SOMBOR	1	No
37	IMOS AD ŠID	0	No	89	SPC MILENIUM VRŠAC	15	No
38	Ingatlanvagyon Projekt 14. Ltd.	36	No	90	Središnja depozitarna agencija d.d.	1	No
39	Investment Broker Varna JSC	0	No	91	Starschema Ltd.	1 290	No
40	Investment Company "CG Broker-Dealer" JSC	23	No	92	Szallas.hu Ltd.	7 132	No
41	Investment Projekt 1. d.o.o.	9	No	93	Tresorit S.A.	1 478	No
42	Istarska autocesta d.d.	5	No	94	TRŽIŠTE NOVCA AD BEOGRAD	0	No
43	JSC PFTS	2	No	95	Trziste novca d.d.	36	No
44	JSC Rostov Regional Mortgage Corporation	0	No	96	VCC Live Group Ltd.	1 575	No
45	JSC Settlement Center	0	No	97	Vesta United Regional Registrar OJSC	0	No
46	Jubmes banka a.d.	0	No	98	Virtual Solution Ltd.	65	No
47	Kiev International Stock Exchange	0	No	99	VISA Incorporated	14 831	No
48	KÖZVIL Ltd.	0	No	100	Yieldigo s.r.o.	71	No
49	Lutrija Crme Gore ad	7	No	101	Zagrebacka burza d.d.	125	No
50	MasterCard Incorporated	316	No	102	Zelena Nektretine d.o.o.	6 365	No
51	METANOLSKO SIRČETNI KOMBINAT KIKINDA	0	No	103	"13.Jul -Plantaze" a.d. Podgorica	544	No
52	MIN Holding Nis v.a.	0	No				

The consolidated gain realised from sales and liquidations relating to exposures in equities not included in the trading book was HUF 2 395 million related to 31.12.2020.

I.12. Exposure to interest rate risk on positions not included in the trading book

Asset-Liability Directorate measures banking book interest rate risk exposure in case of the most important currency – HUF - monthly, and also presents it to the management with the same frequency. In case of the other currencies consolidated exposure is measured quarterly.

The size and direction of the exposure is determined based on sensitivity analysis mainly.

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 were prepared by assuming only the adversing interest rate changes. The main assumptions were as follows:

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

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

- HUF base rate and BUBOR decreases gradually by 15 bps over the next year (scenario 1)
- HUF base rate and BUBOR decreases gradually by 60 bps over the next year (scenario 2)

The net interest income in a one year period after January 1, 2021 would be decreased by HUF 1 301 million (scenario 1) and HUF 5 732 million (scenario 2) as a result of these simulation. This effect is counterbalanced by capital gains (HUF 584 million for scenario 1, HUF 2 329 million for scenario 2) on the government bond portfolio held for hedging.

Furthermore, the effects of an instant 10 bp 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 analyzed. The results can be summarized as follows (HUF million):

Chart 52: The effects of the parallel shifts of the yield-curves to the net interest income on a one-year period and to the market value of the hedge government bond portfolio booked against capital

Description (in HUF million)	Effects to the net interest income (1Year period)	(Price change of AFS government bonds)
HUF -0.1% parallel shift	-1 809	389
EUR -0.1% parallel shift	-2 179	0
USD -0.1% parallel shift	-497	0
Total	-4 485	389

I.13. Remuneration policy

I.13.1. Decision-making process applied in determining the remuneration policy

The Supervisory Board of OTP Bank Plc. – within the framework approved by the Bank’s General Meeting – makes a decision about accepting the Bank Group’s Remuneration Policy, approves its amendment and takes responsibility for its review. OTP Bank Plc.’s Supervisory Board consults with all the units of OTP Bank that are significant in terms of corporate governance with regard to drafting the Banking Group’s Remuneration Policy.

OTP Bank Plc.’s Supervisory Board has the right to modify the Remuneration Policy with the exception of matters that by law are subject to the competence of the General Meeting, with the proviso that it shall notify all the subsidiaries of the OTP Banking Group on the amendment immediately and/or that it shall notify the shareholders at OTP Bank Plc.’s next General Meeting.

The Board of Directors of OTP Bank Plc. is responsible for the implementation of the Banking Group’s Remuneration Policy.

The provisions of the Banking Group’s Remuneration Policy, as well as the regulations related to it and their implementation, must be checked by OTP Bank Plc.’s Internal Audit department at least once a year, no later than by 31 March, and a report on the matter must be prepared for OTP Bank Plc.’s Board of Directors, Supervisory Board and Remuneration Committee.

OTP Bank Plc.’s Remuneration Committee oversees the remuneration of the managers who are responsible for risk management and legal compliance – including the employees, who are responsible for internal control - and prepares remuneration decisions by taking into account the long-term interests of shareholders, investors and other stakeholders of the credit institution.

OTP Bank Plc.’s Remuneration Committee makes recommendations to the Supervisory Board of OTP Bank Plc. regarding the remuneration of the Board of Directors of OTP Bank Plc. and provides support and advice with respect to drafting the Bank Group’s comprehensive remuneration policy and checking the planning and operation of the remuneration system.

OTP Bank Plc.’s Remuneration Committee consists of 3-7 members (chairman and at least two other members) appointed by the Board of Directors from among its own members, taking into consideration that the members cannot be employed by the bank. The Remuneration Committee held sessions and voted in writing twelve times in 2020 and carried out its activities without an external consultant.

OTP Bank Plc.’s Risk Assumption and Risk Management Committee’s tasks include the examination of the remuneration policy from a perspective where the incentive elements of the designed remuneration system takes into consideration the risks, the capital and liquidity situation of the credit institution, as well as the probability and sequence of incomes. The Risk Assumption and Risk Management Committee also participates in the identification procedure necessary for the determination of the personal scope of the Banking Group’s Remuneration Policy.

OTP Bank Plc.’s Risk Assumption and Risk Management Committee consists of at least 3 members (chairman and at least two other members) appointed by the Board of Directors from among its own members, taking into consideration that the members cannot be employed by the bank.

The detailed description of the tasks and responsibilities related to the operation of the Bank Group’s Remuneration Policy is contained in the effective rules of procedure of the individual bodies.

In 2020 the transformation of the incentive system can be considered a material change in relation to the regulation of the Banking Group’s Remuneration Policy. In addition to the general bonus the so called extraordinary bonus pool has been introduced, the establishment of which may be decided by the Supervisory Board in the event of an extraordinary business performance in the previous business year. The extraordinary bonus pool may be determined independently for each company operating in the Banking Group, provided that the extraordinary business performance of the company concerned is proven. Payments from the Extraordinary Bonus Pool may only be made - even if the additional conditions are met - if the quotient of the overall payment to be made at group level from the General and Extraordinary Bonus Pools and OTP Bank Plc.’s Common Equity Tier 1 capital do not exceed 2%. To assess the performance at the Banking Group level, the group-level RORAC+ indicator (risk-adjusted ROE/COE) has been introduced, which measures the return on equity in

relation to the cost of equity. It is also a change that the Supervisory Board is entitled to set a performance threshold for the financial indicators used to assess performance, in case of failing to achieve which the employee is not entitled to performance-based remuneration, and to set a tolerance threshold, upon achieving which, in addition to measured performance, subjective aspects may be taken into account in recognizing actual performance. It has been included in the regulation that the Group Governance Directorate of OTP Bank Plc. compiles a “KPI library” that contains the individual optional indicators by institution, their definition, unit of measure and data owner. The KPI library is approved every year by the Supervisory Board of OTP Bank Plc.

I.13.2. Scope of the remuneration policy

The rules of the Banking Group’s Remuneration Policy shall be applied in OTP Bank Plc and in all Banking Group Subsidiaries under the consolidated supervision of the Hungarian National Bank where identified employees are employed. The identification of the identified employees is based on the provisions of Regulation (EU) No 604/2014 (RTS), with that the Supervisory Board of OTP Bank Plc also takes into consideration additional risk aspects in the identification process. For the sake of proportionality, OTP Bank Plc classifies all the Banking Group Subsidiaries into low, medium or high risk categories based on a combination of balance sheet total, net earnings for the year and the complexity of the business. The Supervisory Board of OTP Bank Plc identifies the managers of the high-risk Banking Group Subsidiaries under the consolidated level personal scope of the Banking Group’s Remuneration Policy even if it is not required by RTS regulations. Subconsolidated and local level identification of employees takes place when the employee concerned does not have decision-making power and competence over the entire Banking Group, and his or her professional activities may affect only a particular Banking Group Subsidiary or a sub-consolidated group controlled by that subsidiary. Identified employees employed by OTP Bank Plc – with respect to group responsibility – are identified at consolidated level.

The provisions of the Banking Group’s Remuneration Policy shall be applied to the group of persons identified on the basis of the above criteria, having a significant impact on the risk profile through their professional activities. The provisions of the Banking Group’s Remuneration Policy (deferral, share-based payment, ex ante and ex post risk adjustment) and the involvement of the Risk Assumption and Risk Management Committee in the development of the incentive elements of the remuneration system facilitate the efficient and effective risk management of OTP Bank Plc.

For proportionate application, those employees identified at a local or subconsolidated level may be exempted from the application of the deferred and share-based payment rules whose annual performance-based remuneration does not exceed EUR 50,000 and 25% of the total remuneration. It is not possible to apply this rule to employees identified at consolidated level.

Banking Group Subsidiaries which are classified as institutions may adopt local remuneration policies based on the Banking Group’s Remuneration Policy. As a general rule, the local remuneration policies of the Banking Group Subsidiaries shall not deviate from the rules and principles set forth in the Banking Group’s Remuneration Policy, except to the extent required by local laws or regulatory requirements. Approval of the Supervisory Board of OTP Bank Plc. is the precondition of the application of the local remuneration policies deviating from the Banking Group’s Remuneration Policy as a general rule, thereby ensuring consistency between the Banking Group’s Remuneration Policy and local remuneration policies.

I.13.3. Relationship between performance and performance-based remuneration

The most important principle of the Bank Group's Remuneration Policy is that the amount of performance-based remuneration – with the ex-ante and ex-post assessment of the associated risks – is tied to the extent by which the objectives of the Bank Group/Bank/subsidiary and the individual are realised. The amount of the performance-based remuneration is determined on the basis of a joint assessment of the objectives.

In respect of the personal scope under the effect of the Banking Group's Remuneration Policy, performance evaluation, as a general rule, is based on individual agreements. Performance expectations are determined in a predefined indicator structure at Banking Group/Bank/subsidiary, organisational, managerial and job level and/or in terms of target tasks, taking into account the differences stemming from the nature of the activities of the Bank's individual units.

In the case of managers employed by OTP Bank Plc., the key performance evaluation indicators include:

- the banking group-level (domestic and foreign companies that operated as group members under consolidated supervision in the whole evaluated business year) RORAC+, which indicates the return on equity in relation to the cost of equity, as well as
- criteria that measure institutional and individual performance (financial indicators and indicators measuring the quality of work performance).

In the case of the managers of the Banking Group Subsidiaries, performance evaluation is conducted in a differentiated manner based on the nature of the companies' activities.

The key indicator (RORAC+) is based on the prevailing annual financial plan. The proposal about the evaluated business year target value of the key indicator should be submitted to the Supervisory Board of OTP Bank Plc. The target value may be modified in response to a change in the statutory regulations and/or a change in market circumstances that occurs after the target value is determined and that has a significant objective impact on the Bank's profit and/or attainment of the target value.

I.13.4. Ratio of fixed to performance-based remuneration

The members of the Board of Directors and the Supervisory Board in their function get fix honorarium and do not receive performance-based remuneration.

The remuneration of the various positions of additional persons belonging to the scope of the Bank Group Remuneration Policy comprises of a fixed and a performance-based remuneration element. The main elements of fixed remuneration are basic salary and ordinary shares issued by OTP Bank.

The proportion of the fixed and performance-based remuneration is defined in a way so that it properly reflects the function, size and complexity of the managed organisation. The ratio of performance-based remuneration shall not exceed 100 % of the fixed remuneration in the case of any of the individuals concerned.

The minimum and maximum ratios of performance-based remuneration for the Banking Group Subsidiaries, depending on the organizational level – and in the case of institutions, the organizational function as well – are defined in the Remuneration Guidelines of OTP Bank Plc, deviations from these bands may only be made in cases duly justified by labour market reasons. The bands for employees with control functions – in order to make their remuneration less dependent on the performance of the business units they control – are lower than those for employees in business and support functions. The lower bands promote that the remuneration of the employees performing control functions is predominantly or exclusively composed of basic salary. In the case of OTP Bank Plc, the applicable proportion of the performance-based remuneration is individually considered by the Supervisory Board based on the function, size and complexity of the managed organization.

I.13.5. Criteria of variable remuneration

At Banking Group level, the maximum amount available for performance-based remuneration in a given year is determined by OTP Bank Plc.'s Supervisory Board. OTP Bank Plc. uses the combined method when determining the amount of the performance-based remuneration (variable remuneration), with the proviso that the maximum amount available for performance-based remuneration is determined in line with the Banking Group's capital position and its expected financial performance. As mentioned above, the Supervisory Board may decide to establish an extraordinary bonus pool in case of an extraordinary business performance in the previous business year. In the case of an exceptional individual performance, the executive or the employee may also receive a payment within the general bonus pool in excess of the performance-based remuneration ratio established for the general bonus pool, but not in excess of the performance-based remuneration ratio determined for the case of the joint establishment of the general and extraordinary bonus pools, provided that such payment is covered by the general bonus pool.

Banking Group level and individual performances are evaluated once a year. At Banking Group level the maximum amount of performance-based remuneration in a given year in relation to the general bonus pool and potentially the extraordinary bonus pool and the amount broken down by individuals are determined within 45 days after the date of the General Meeting of OTP Bank Plc. that closes the evaluated year.

As a general rule, the performance-based variable remuneration is provided in the form of a cash bonus and as share based allowance, in a 50-50% ratio. As a general rule, in the personal scope identified on consolidated level the share based allowance, in accordance with the decision of the individual, is settled as remuneration converted into shares or as preferentially priced share allowance. In the case of subsidiaries outside the European Union, for the consolidated level identified personal scope the share based allowance is provided in the form of such a cash-based payment, as if - in accordance with the decision of the individual - the settlement of the remuneration converted into shares or the preferentially priced share allowance would take place, with the proviso, that the calculation method of the allowance's nominal value shall be approved by an expert independent from the Bank (so called virtual share allocation). In respect of sub-consolidated and local level identified personal scope in Hungary, the share based allowance is provided in the form of remuneration converted into shares. In respect of sub-consolidated and local level identified personal scope in foreign subsidiaries, the share based allowance is provided as such a cash-based payment, as if the settlement of the remuneration converted into shares would take place, with the proviso, that the calculation method of the allowance's nominal value shall be approved by an expert independent from the Bank (so called virtual share allocation). The number of shares available for share allocation as remuneration converted into shares broken down to individuals is to be determined on the basis of the amount of the share-based performance remuneration divided by the share price as at the date of the Supervisory Board decision. The number of shares available for preferentially priced share allowance broken down to individuals is to be determined on the basis of the amount of the share-based performance remuneration divided by the value of the preferentially priced share allowance as at the date of the Supervisory Board decision.

The share price and the value of the preferentially priced share allowance as at the date of the Supervisory Board decision is established by OTP Bank's Supervisory Board as the average of the daily average prices of the ordinary shares issued by OTP Bank Plc. recorded on the Budapest Stock Exchange on the three trading days preceding the day of the Supervisory Board decision. The due part of the performance based remuneration, not depending on the exercise of the share allocation, must be settled in 10 days counted from the Supervisory Board decision, but not later than until 30th June of the year when the payment is due.

The share allocation at a reduced price may include a maximum allowance of HUF 6 000 per share on the date of Supervisory Board decision and the income content realisable per share shall equal the smaller of the amount specified by the Supervisory Board of OTP Bank Plc. as at the date of the exercising the share allocation or HUF 12 000. The conditions of the share based remuneration are determined by the Supervisory Board of OTP Bank Plc. within the frames defined by the Annual General Meeting. In respect of the personal scope identified on consolidated level, as a general rule, the share-based portion of variable remuneration is provided by OTP Bank Plc. to those concerned, while in the sub-consolidated and local level identified personal scope outside Hungary, and within the subsidiaries operating outside of the territory of the European Union, virtual share allocation is applied.

The identified employees of OTP Bank Plc., OTP Mortgage Bank Ltd., OTP Building Society Ltd., Merkantil Bank Ltd., OTP Asset Management SAI S.A., OTP Factoring Ltd., OTP Real Estate Investment Fund Management Ltd., OTP Real Estate Ltd., OTP Pénzügyi Pont Ltd., Merkantil Bill and Property Investments Bank Ltd. and OTP Real Estate Leasing Ltd. by their own will, are entitled to participate in OTP Bank ESOP Organization, in which case they can acquire a member's share up to the value of their performance-based remuneration under the general bonus pool within the ESOP Organization. For the identified persons participating in OTP Bank ESOP Organization the settlement of the performance based remuneration, in case of the fulfilment of the conditions, is provided by the ESOP Organization, up to the value of the member's share.

Pursuant to the general rule that is in line with the provisions of the Credit Institutions Act, in the consolidated level identified personal scope 60%, while in sub-consolidated and local level personal scope, as a general rule, 40% of the variable remuneration is deferred for 3 years – in the case of the President-CEO and deputy-CEOs of OTP Bank Plc. for 4 year –, within which period the extent of the deferred payment shall be identical every year.

Entitlement to the deferred instalments is determined based on a subsequent assessment of the risks. The assessment of risks takes place, on one hand, on the basis of quantitative criteria pertaining to prudent operations and, on the other hand, on qualitative evaluation criteria. On the basis of the values of the criteria of prudent operation, OTP Bank Plc.'s Supervisory Board resolves on the possibility to pay deferred instalments. Based on the assessment of the risks related to the activities of those concerned, the deferred portion of the performance-based remuneration may be reduced or cancelled. As a general rule, an additional condition for entitlement to the deferred instalments is the existence of the employment relationship.

If the person in a managerial position or if the employee has been involved in any practice that caused a significant loss, and/or is not up to the requirements pertaining to suitability or conformity, the Supervisory Board of OTP Bank Plc. is entitled to make the required decision on claiming back the performance-based remuneration booked for/paid to the individual concerned in regard to the period affected by the circumstance resulting in the claiming back of the remuneration. In addition to as specified in paragraph performance-based remuneration paid to the individual earlier on is refunded if the individual is found to have committed a criminal act or in the case of such serious omission, abuse or defect that had significantly deteriorated the creditworthiness and/or profitability of the institution. Decisions on claw back shall be taken by the Supervisory Board of OTP Bank Plc.

I.13.6. Summarised information relating to the remuneration

Within the context of the Bank Group's Remuneration Policy, the summarised information pertaining to the remuneration of the staff employed in positions that have a material impact on the risk profile is contained in the following table.

Chart 53: Summarised information of remuneration categorized by activities¹⁾

(million HUF)	Remuneration for 2020					
	Investment banking	Retail banking	Asset management	Corporate functions	Independent control functions	All other
The remuneration of the staff whose professional activities have a material impact on the risk profile	1 022	5 935	841	7 399	3 903	3 130
<i>OTP Bank Plc.</i>	384	1 731		3 086	709	318
<i>OTP Mortgage Bank Ltd.</i>	0	95	27	59	16	0
<i>OTP Building Society Ltd.</i>		17		61	17	
<i>Merkantil Bank Ltd.</i>	0	171	74	369	119	0
<i>Other subsidiaries</i>	638	3 921	740	3 824	3 042	2 812

Comments:

(1) The specification of activities made in accordance with annex 13. of MNB regulation 42/2020. (XI.19.):

- a. Investment banking: including corporate finance advice services, private equity, capital markets, trading and sales;

- b. Retail banking: including total lending activity (to individuals and enterprises);
- c. Asset management: including portfolio management, managing of UCITS and other forms of asset management;
- d. Corporate functions: all functions that have responsibilities for the whole institution at the consolidated level and for subsidiaries with such functions at the solo level, (e.g. Human Resources, IT);
- e. Independent control functions: staff active in the independent risk management, compliance and internal audit functions as described in the EBA's guidelines on internal governance;
- f. All other: staff who cannot be mapped into one of other business areas.

Chart 54: Summarised information of remuneration according to the type of remuneration

	Persons receiving remuneration ¹⁾	Remuneration for 2020			Amount of unpaid, deferred remuneration		The amounts of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments
		Fixed remuneration	Performance based remuneration ²⁾		Entitlement obtained	Entitlement not obtained	
			Cash based	Share based			
	(persons)	(million HUF)					
The remuneration of the staff whose professional activities have a material impact on the risk profile ¹⁾	612	15 340	3 445	3 445	786	6 891	4 769
<i>OTP Bank Plc.</i>	66	3 850	1 189	1 189	140	3 311	1 508
<i>OTP Mortgage Bank Ltd.</i>	8	131	33	33	5	72	57
<i>OTP Building Society Ltd.</i>	8	69	13	13		17	18
<i>Merkantil Bank Ltd.</i>	26	535	99	99	10	194	168
<i>Other subsidiaries ³⁾</i>	504	10 755	2 111	2 111	631	3 297	3 018

Comments:

- (1) Persons under the Bank Group Remuneration Policy whose employed in positions that have a material impact on the risk profile in 2020.
- (2) The sum of calculated performance-based remuneration after the year 2020, the settlement of which shall take place based on the performance evaluation after the General Meeting closing the year 2020.
- (3) In case of the subsidiaries under consolidated supervision the remuneration is calculated at the closing exchange rate as at 31 December 2020,

The unpaid deferred remuneration and the awarded remuneration during the business year of the employees whose were identified before 2020, and not employed in identified position in 2020, or the employment was terminated by maintaining the deferred parts or retired, was the follows:

Chart 55: The changes in the remuneration of the staff whose professional activities have a material impact on the risk profile

	Persons receiving remuneration	Amount of unpaid, deferred remuneration		The amounts of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments
		Entitlement obtained	Entitlement not obtained	
	(persons)	(million HUF)		
The remuneration of the staff whose professional activities have a material impact on the risk profile	113	113	553	649
<i>OTP Bank Plc.</i>	16	2	163	223
<i>OTP Mortgage Bank Ltd.</i>	1		1	1
<i>OTP Building Society Ltd.</i>	2			
<i>Merkantil Bank Ltd.</i>	5		9	16
<i>Other subsidiaries</i>	89	111	380	409

During the business year in the frame of the Remuneration Policy nobody was compensated above a law with a severance payment.

During the year 2020 one person was compensated between 2.5 and 3.0 million EUR and three person was compensated between 1.0 and 1.5 million EUR.

Remuneration settled in 2020 for the members of the OTP Bank Plc. Board of Directors and the Supervisory Board amounted to HUF 1 125 million, which amount includes the fixed share-based remuneration of the members of the Board of Directors as well, that was settled after the General Meeting closing the year 2019.

Chart 56: Remuneration settled in 2019 for the members of the OTP Bank Plc. Board of Directors and the Supervisory Board

Name	Position	Amount of compensation		Total amount of cash compensation in 2020 (HUF)
		HUF/month	OTP shares number/month ¹	
Board of Directors				
Dr. Sándor Csányi	Chairman	810 000	1 000	9 720 000
Tamás Erdei	Vice Chairman (non-executive)	695 000	900	9 420 000
Antal György Kovács	Member	695 000	800	8 340 000
László Wolf	Member	695 000	800	8 340 000
Dr. Antal Pongrácz	Member (non-executive)	695 000	800	8 340 000
Dr. István Gresá	Member (non-executive)	695 000	800	8 340 000
Mihály Baumstark	Member (non-executive)	695 000	800	8 340 000
Dr. Tibor Bíró	Member (non-executive)	695 000	800	8 340 000
Dr. László Utassy	Member (non-executive)	695 000	800	8 340 000
Dr. József Vörös	Member (non-executive)	695 000	800	8 340 000
Supervisory Board				
Tibor Tolnay	Chairman	2 400 000	---	28 800 000
Dr. Gábor Horváth	Vice Chairman	1 900 000	---	22 800 000
Olivier Péqueux	Member	1 700 000	---	--- ²
Dr. Gellért Márton Vági	Member	1 700 000	---	20 400 000
Klára Bella	Member (employee)	1 700 000	---	20 400 000
András Michnai	Member (employee)	1 700 000	---	20 400 000

Comments:

- (1) The share allowance is granted once a year within 30 days of the General Meeting closing the evaluated financial year; the beneficiaries bear the burden of restraint on alienation with respect to 50% of the share allowance until the end of mandate.
- (2) The compensation has been transferred to Groupama S.A

In case of Hungarian subsidiaries there is no remuneration paid for Board of Directors and Supervisory Board members, employed by the Bank Group.

Chart 57: Received remuneration of the OTP Mortgage Bank Ltd.'s Board of Directors and Supervisory Board in 2019

Name	Position	Notes	Amount of compensation HUF/month	Total amount of cash compensation in 2020 HUF
Board of Directors				
Antal György Kovács	Chairman		---	---
András Becsei	Member		---	---
Zoltán Roskó	Member		200 000	2 400 000
Attila Kovács	Member		---	---
Csaba Zoltán Elek	Member		---	---
Csaba Nagy	Member		---	---
Anna Mitkova Florova	Member		---	---
Supervisory Board				
Győző Nyitrai	Chairman		---	---
Ágota Selymes ¹	Member		200 000	1 850 000
Zoltán Kormos	Member		---	---
Beáta Mesterné Halász ²	Member		---	---

Comments:

- 1) The amount of compensation between 01.01.2020-30.11.2020. was 150 000 HUF/month
- 2) From 03. Febr. 2020.

Chart 58: Received remuneration of the OTP Building Society Ltd.'s Board of Directors and Supervisory Board members in 2019

Name	Position	Notes	Amount of compensation HUF/month	Total amount of cash compensation in 2020 HUF
Board of Directors				
Antal György Kovács	Chairman		---	---
Csaba Nagy	Member		---	---
Árpád Srankó	Member		---	---
Attila Kovács	Member		---	---
Csaba Zoltán Elek	Member		---	---
Anna Mitkova Florova	Member		---	---
Supervisory Board				
József Windheim	Chairman		---	---
dr. Ilona Ádámné Környei ¹	Member		---	---
Dr. Júlia Erős ²	Member		---	---
Beáta Anett Sukovich ³	Member		200 000	1 850 000
dr. Tamás Gudra ³	Member		200 000	1 850 000

Comments:

- (1) Until 31. May 2020.
- (2) From 01. June 2020.
- (3) The amount of compensation between 01.01.2020-30.11.2020. was 150 000 HUF/month

Chart 59: Received remuneration of the Merkantil Bank Ltd.'s Board of Directors and Supervisory Board members in 2019

Name	Position	Notes	Amount of compensation HUF/month	Total amount of cash compensation in 2020 HUF
Board of Directors				
dr. László Utassy	Chairman		---	---
Tibor László Csonka	Member		---	---
dr. Ibolya Rajmonné Veres	Member		---	---
Péter Köntös	Member		---	---
Csaba Zoltán Elek				
dr. Bálint Csere	Member		---	---
Supervisory Board				
dr. Ferenc Ecsedi	Chairman		---	---
Zsuzsanna Szabó ¹	Member		200 000	200 000
Ágota Selymes ¹	Member		200 000	200 000
dr. Tamás Suchman	Member		300 000	3 600 000

Comments:

(1) The compensation started from 01.12.2020.

In other subsidiaries under the Bank Group's Remuneration Policy the remuneration of the Board of Directors and the Supervisory Board members in 2020 was HUF 498 million.

I.14. Disclosure of encumbered and unencumbered assets

Chart 60: The encumbered and unencumbered assets in carrying and fair value amounts by broad categories of asset type

(in HUF million)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution	1 861 172		20 491 280	
Equity instruments	591	586	81 285	55 026
Debt securities	546 885	508 952	4 110 152	4 088 861
Other assets	1 395		1 770 794	

Chart 61: Collateral received, by broad categories of product type

(in HUF million)	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	0	431 746
Equity instruments	0	0
Debt securities	0	32 500
Other collateral received	0	399 246
Own debt securities issued other than own covered bonds or ABSs	0	0

Chart 62: Encumbered assets/collateral received and associated liabilities

(in HUF million)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	1 234 647	1 831 516

Information on importance of encumbrance

The encumbrances of OTP Group's assets and collaterals received are caused by different types of transactions.

- The collateral for the funds granted by the MNB's Funding for Growth Scheme is partly the loans refinanced through the funds, and in part the loans that cover the mortgage bonds issued by OTP Mortgage Bank, which are in the Group's books.
- The covered loan provided by the MNB is secured by mortgage bonds, corporate and bank bond which are in the Group's books as well as corporate loans blocked for the benefit of the MNB.
- One of the Group's subsidiary bank issue mortgage bonds to finance their assets. The collateral for mortgage bonds is the mortgage loan stock placed from the funds.
- The encumbrances caused by derivative transactions largely stem from CIRS transactions, the market value of which may fluctuate depending on the foreign exchange rate.
- Some subsidiary banks enter into repo agreements, the collateral for which typically consists of government bonds issued by the government of that country.
- The value of other encumbrances (e.g. collaterals from securities lending, collaterals for VISA/MasterCard or stock exchanges) is the least relevant in the Group's encumbrances

OTP Group's repo stock, the value of encumbrances arising from the Funding for Growth Scheme funds and issued mortgage bonds all increased significantly in 2020.

The intragroup asset encumbrance stemmed from derivative transactions, repo agreements, and mortgage bond issuance.

At OTP Mortgage Bank, the stock of receivables that may be accepted as collateral has somewhat exceeded the stock of mortgage bonds issued.

The ISDA/CSA agreement regulates how to define the value of the collateral behind derivative transactions for all major partners. In the case of derivative transactions, if the total current market value of the derivative transactions with a partner, as calculated by the calculation agent, is negative, then the value that corresponds to the negative NPV shall be placed on the partner's margin account.

From the items recognized under other assets in balance sheet, OTP Group does not consider its cash balance, intangible assets, tangible assets, inventories or deferred tax assets subject to encumbrance.

I.15. Liquidity risk

The Bank managing the liquidity risk exposure by (i) accumulating appropriate amount of high quality liquidity reserves, (ii) developing advanced risk management methodology that models the relevant risk exposure in a proper and prudent way, (iii) applying transparent processes and workflows that are straightforward from authority and responsibility point of view therefore they minimize operational risks and (iv) exercising frequent high quality management reporting that provides the adequate scale and scope of insight for economically reasoned decision making.

According to the industrial best practice the risk measurement, strategic risk management and the operational risk management are separated functions. The risk measurement, the risk methodology development and the long term strategic risk management functions are the responsibilities of Asset-liability Management Directorate (ALM) in Strategic and Financial Division, while the daily liquidity management process is executed by Global Markets in the Commercial Banking Division.

The ALM Directorate prepares liquidity risk related standard reports for ALCO on a monthly basis. The report contains the quantitative and qualitative ex post assessment of risk measurement and management process and contains proposals in connection with the future challenges that require ALCO approved actions to deal with.

The internal regulation on liquidity risk management is approved by ALCO after the standard annual revision process of the risk management methodology.

Monthly report is presented to the Management Committee where the evolution of liquidity risk profile analyzed in a way that makes the management certain of that risk appetite and risk tolerance are in harmony. Management Committee is the body that approves the Asset-liability Strategy.

Annual report is presented to the Board of Directors which contains key topics that affected the risk profile of the bank and the findings of internal end regulatory audits. By approving the annual report the Board of Directors validates the appropriateness of the risk management framework.

The principle of liquidity risk management is that a considerable part of risks is covered by a joint liquidity pool, which offers instant and flexible access for the parent bank and its subsidiaries, while subsidiaries shall build their own liquidity reserve for the risks that are difficult to measure and manage from the center. It is a common feature of the Group's centralized and decentralized methodological framework to compare the quantity of available high-quality reliable liquidity to the risk exposure considered to be relevant.

Liquidity reserve consists of assets that can be quickly converted into cash because of their maturity, or their eligibility for covered financing (repo), therefore they can be used to meet financial obligations, expected or unforeseeable, when they are due. The main components of the liquid asset portfolio include the central bank placements, government securities and mortgage bonds, a smaller share of corporate bonds eligible for central bank repo and money market placements. Using the conservative approach of liquidity management, the expected cashflows of maturing client loan portfolio are not considered as safe liquidity.

The Group's liquidity reserves appear at two levels of hierarchy: in the liquidity pool, and at the subsidiary banks. The minimum liquid asset volume required at either level depends on the size of the risk exposure to be covered.

According to the liquidity strategy the liquidity reserves have to cover the relevant exposure on multiple time horizons (1 month, 3 months). The reserves have to provide coverage under normal business conditions for debt maturities within one year and for the estimated liquidity need of potential liquidity reducing shocks on the applied time horizons.

Under the applied risk management framework the following risk factors have been identified and assessed: (i) business shock (deposit withdrawal and credit line utilization) (ii) market rate shock (interest rates and FX rates) and (iii) renewal risk (capital market debt maturities).

Chart 63: Liquidity coverage ratio

(in HUF million)		Description	
		Total unweighted value (average) 31.12.2020	Total weighted value (average) 31.12.2020
Number of data points used in the calculation of averages		12	12
HIGH-QUALITY LIQUID ASSETS			
1.	Total high-quality liquid assets (HQLA)		5 000 372
CASH – OUTFLOWS			
2.	Retail deposits and deposits from small business customers, of which:	11 532 980	778 920
3.	<i>Stable deposits</i>	7 790 630	389 532
4.	<i>Less stable deposits</i>	2 703 946	324 455
5.	Unsecured w wholesale funding	4 834 562	2 304 151
6.	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	235 129	59 600
7.	<i>Non-operational deposits (all counterparties)</i>	4 596 680	2 241 799
8.	<i>Unsecured debt</i>	2 752	2 752
9.	Secured w wholesale funding		0
10.	Additional requirements	2 420 189	368 199
11.	<i>Outflows related to derivative exposures and other collateral requirements</i>	63 185	63 185
12.	<i>Outflows related to loss of funding on debt products</i>	0	0
13.	Credit and liquidity facilities	2 357 004	305 014
14.	Other contractual funding obligations	129 329	97 567
15.	Other contingent funding obligations	1 677 488	42 645
16.	TOTAL CASH OUTFLOWS	20 594 548	3 591 482
CASH – INFLOWS			
17.	<i>Secured lending (e.g. reverse repos)</i>	54 187	0
18.	<i>Inflows from fully performing exposures</i>	895 280	701 808
19.	<i>Other cash inflows</i>	176 763	172 675
EU-19a	<i>{Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies}</i>		0
EU-19b	<i>{Excess inflows from a related specialised credit institution}</i>		0
20.	TOTAL CASH INFLOWS	1 126 230	874 483
EU-20a	Fully exempt inflows	0	0
EU-20b	Inflows subject to 90% cap	0	0
EU-20c	Inflows subject to 75% cap	1 126 230	874 483
TOTAL ADJUSTED VALUE			
21.	LIQUIDITY BUFFER		5 000 372
22.	TOTAL NET CASH OUTFLOWS		2 717 000
23.	LIQUIDITY COVERAGE RATIO (%)		185%

The declaration about the appropriateness of the liquidity risk management can be found in the Annex 3. The Asset–Liability Committee, approved the declaration. (ref. 2021/41/5.).

Based on the (47) paragraph of the 15/2018.- THH – 6212. internal regulation, the information described in the 2. table of the 2. Annex of 9/2017 (VIII.8) proposal of National Bank of Hungary are not disclosed in this document, because they do not have significant effect due to the following:

- Significantly high LCR ratio
- Significant outflow is not expected
- Significant change in LCT is not expected
- OTP Group's capital market reliance is negligible in terms of liquidity risk

II. OTP Bank

Information required to be disclosed regarding OTP Bank is not presented in this chapter separately, only in the OTP Group chapter, if it is the same as OTP Group level publications.

II.1. Regulatory capital and capital requirements

II.1.1. Capital adequacy of OTP Bank

The capital requirement calculation of OTP Bank for the end of 2020 is based on IFRS and audited data.

OTP Bank applied standardized capital calculation method regarding credit and market risk, and advanced measurement approach (AMA) regarding the operational risk. The capital adequacy ratio calculated in line with Article 92 of CRR as of end of December 2020 stood at 26,68%. OTP Bank regulatory capital was HUF 1 894 090 million and the capital requirement was HUF 568 003 million.

Chart 64: OTP bank's overview of RWAs

(in HUF million)	RWAs	Minimum capital requirements
	31.12.2020	31.12.2020
Credit risk (excluding CCR)	6 479 453	518 356
Of which the standardised approach	6 479 453	518 356
CCR	115 991	9 279
Of which mark to market	106 056	8 484
Of which CVA	9 935	795
Market risk	159 631	12 771
Of which the standardised approach	159 631	12 771
Operational risk	344 962	27 597
Of which basic indicator approach	0	0
Of which standardised approach	0	0
Of which advances measurement approach	344 962	27 597
Total	7 100 037	568 003

Note: the credit risk RWA is calculated according to Article 473a of regulation (EU) no 575/2013, including the effect of transitional arrangements for mitigating the impact of the application of IFRS9

Chart 65: Credit risk exposure and CRM effects on 31st December 2020

(in HUF million)	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWA density
Exposures to central governments or central banks	3 100 555	0	3 860 355	18 452	59 551	1,54%
Exposures to regional governments or local authorities	72 055	25 580	61 438	9 143	14 466	20,50%
Exposures to public sector entities	53 958	245	40 984	0	22 872	55,81%
Exposures to multilateral development banks	5 294	0	5 294	0	0	0,00%
Exposures to international organisation	0	0	0	0	0	0,00%
Exposures to institutions	1 352 457	1 088 836	1 425 373	889 162	353 677	15,28%
Exposures to corporates	2 234 256	1 462 520	1 861 107	529 680	2 280 333	95,38%
Retail exposures	1 007 944	417 214	481 500	74 922	409 268	73,55%
Exposures secured by mortgages on immovable property	693 355	156 344	693 355	67 004	586 303	77,11%
Exposures in default	21 116	2 701	16 826	232	18 246	106,96%
Exposures associated with particularly high risk	1 552 662	0	1 552 620	0	2 328 930	150,00%
Exposures in the form of covered bonds	332 688	0	332 688	0	41 062	12,34%
Exposures to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0,00%
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	23 212	0	23 212	0	23 212	100,00%
Equity exposures	65 811	0	65 811	0	110 588	168,04%
Other items	363 514	194	363 514	194	230 945	63,50%
Total	10 878 877	3 153 634	10 784 077	1 588 789	6 479 453	52,37%

II.1.2. Information about disclosure requirements related to the regulatory capital in line with Commission Implementing Regulation (EU) no. 1423/2013

Chart 66: Mapping of financial statement categories with regulatory categories

Description (in HUF million)	Carrying values as reported in published financial statements	Carrying values of items				
		Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Cash, amounts due from banks and balances with the National Bank of Hungary	579 120	579 120	0	0	0	0
Placements with other banks, net of allowance for placement losses	1 535 884	1 521 061	0	0	0	513
Repo receivables	183 364	0	183 364	0	0	0
Financial assets at fair value through profit or loss	160 483	0	0	0	160 483	129
Financial assets at fair value through other comprehensive income	911 950	911 950	0	0	0	912
Loans	3 898 697	3 898 697	0	0	0	0
Securities at amortised cost	2 007 692	2 007 692	0	0	0	0
Investments properties	1 936	1 936	0	0	0	0
Investments in subsidiaries	1 548 972	1 548 972	0	0	0	0
Intangible assets	57 639	39 143	0	0	0	18 496
Property and equipment	77 974	77 974	0	0	0	0
Right-of-use assets	13 479	13 479	0	0	0	0
Derivative financial assets designated as hedge accounting relationships	6 817	0	6 817	0	0	7
Deferred tax assets	0	0	0	0	0	0
Current tax receivables	593	593	0	0	0	0
Other assets	169 794	169 794	0	0	0	0
Total assets	11 154 394	10 770 411	190 181	0	160 483	20 057
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	766 977	0	0	0	0	766 977
Deposits from customers	7 895 735	0	0	0	0	7 895 735
Repo liabilities	109 612	0	0	0	0	109 612
Liabilities from issued securities	28 435	0	0	0	0	28 435
Subordinated bonds and loans	304 243	0	0	0	0	304 243
Financial liabilities at fair value through profit or loss	25 902	0	0	0	0	25 902
Held for trading derivative financial liabilities	99 987	0	0	0	0	99 987
Derivative financial liabilities designated as hedge accounting relationships	3 104	0	0	0	0	3 104
Deferred tax liabilities	3 062	0	0	0	0	3 062
Leasing liabilities	14 106	0	0	0	0	14 106
Other liabilities	224 897	0	0	0	0	224 897
Total liabilities	9 476 060	0	0	0	0	9 476 060

Chart 67: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

Description (in HUF million)	Total	Items subject to			
		Credit risk framework	CCR framework	Securitisation framework	Market risk framework
Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	11 154 394	10 770 411	190 181	0	160 483
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	9 476 060	0	0	0	0
Total net amount under the regulatory scope of consolidation	1 678 334	0	0	0	0
Off-balance sheet amounts	3 153 634	1 628 196	0	0	0
Non deducted from regulatory capital, capital requirement increase elements	41 107	41 107	0	0	0
Differences because the transitional arrangements related to IFRS 9 or analogous ECLs*	67 359	67 359	0	0	0
Exposure amounts considered for regulatory purposes	12 857 737	12 507 073	190 181	0	160 483

* Calculated according to article 473a of 575/2013 regulation.

Due to the COVID19 pandemia, in order to strengthen the banking system, Hungarian National Bank requests banks to make sure that dividends are neither approved, nor paid until the 30.09.2021.

Chart 68: OTP bank's regulatory capital

Total regulatory capital (in HUF million)	31 December 2020	Cross reference to rows of own funds disclosure template
Paid in capital	28 000	(1)
General reserve	105 371	(2)
Retained earnings	1 451 193	(2)
Accumulated other comprehensive income and other reserves	21 323	(3)
Balance sheet profit or loss (1)	0	(2)
Intangible assets (-)	-18 495	(8)
Prudential filters	-1 698	(7)
Deferred tax assets	-1 322	(10)
Treasury shares (-)	-68 658	(16)
(-) <i>Direct shares</i>	-68 658	
(-) <i>Indirect shares</i>	0	
Other transitional adjustments (2)	82 582	(26)
Common Equity Tier 1 capital	1 598 296	(29)
Total Tier 1 capital	1 598 296	(45)
Total Tier 2 capital	295 794	(58)
Total regulatory capital	1 894 090	(59)

- (1) Balance sheet profit or loss contains the calculated dividend payment. Due to the COVID19 pandemic, in order to strengthen the banking system, National Bank of Hungary recommended banks that dividends are neither approved, nor paid until 30 september 2021. But the potential amount of dividend is deducted from the regulatory capital due to prudential reasons (in accordance with regulation 241/2014 EU). The board of directors may decide about paying dividend advance after 30th september 2021.
- (2) Transitional arrangements for mitigating the impact of the application of IFRS9 on own funds according to Article 473a of 575/2013 EU regulation and the impact of unrealised gains and losses measured at fair value through other comprehensive income (exposures to central governments, to regional governments or to local authorities) in accordance with commission regulation (EU) no. 873/2020. Article 1. (6).

Chart 69: Breakdown of regulatory capital including transitional arrangements for mitigating the impact of the application of IFRS9 on own funds in accordance with Article 473a of regulation (EU) no 575/2013

Common Equity Tier 1 capital: instruments and reserves (in HUF million)	(A) 31 December 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
1 Capital instruments and the related share premium accounts	28 000	26 (1), 27, 28, 29, EBA list 26 (3)	
of which: share	28 000	EBA list 26 (3)	
2 Retained earnings (1)	1 556 564	26 (1) (c)	
3 Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	21 323	26 (1)	
3a Funds for general banking risk	0	26 (1) (f)	
4 Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	0	486 (2)	
5 Minority interests (amount allowed in consolidated CET1)	0	84, 479, 480	
5a Independently reviewed interim profits net of any foreseeable charge or dividend	0	26 (2)	
6 Common Equity Tier 1 (CET1) capital before regulatory adjustments	1 605 887		
Common Equity Tier 1 (CET1) capital: regulatory adjustments (in HUF million)	(A) 31 December 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
7 Additional value adjustments (negative amount)	-1 698	34, 105	
8 Intangible assets (net of related tax liability) (negative amount)	-18 495	36 (1) (b), 37, 472 (4)	
9 Empty set in the EU	0		
10 Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-1 322	36 (1) (c), 38, 472 (5)	
11 Fair value reserves related to gains or losses on cash flow hedges		33 (1) (a)	
12 Negative amounts resulting from the calculation of expected loss amounts		36 (1) (d), 40, 159, 472 (6)	
13 Any increase in equity that results from securitised assets (negative amount)		32 (1)	
14 Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33 (1) (b)	
15 Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41, 472 (7)	
16 Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-68 658	36 (1) (f), 42, 472 (8)	
17 Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36 (1) (g), 44, 472 (9)	
18 Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (1)- (3), 79, 472 (10)	-32 988
19 Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1)-(3), 79, 470, 472 (11)	-1 513 457

	(A)	(B)	(C)
Common Equity Tier 1 (CET1) capital: regulatory adjustments (in HUF million)	31 December 2020	REGULATION (EU) No 575/2013 ARTICLE REFERENCE	AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
20a Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)	
20b of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89-91	
		36 (1) (k) (ii)	
20c of which: securitisation positions (negative amount)		243 (1) (b)	
		244 (1) (b)	
		258	
20d of which: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)	
21 Deferred tax assets arising from temporary difference (amount above 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
22 Amount exceeding the 15% threshold (negative amount)		48 (1)	0
23 of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b), 470, 472 (11)	0
24 of which: deferred tax assets arising from temporary difference		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
25a Losses for the current financial year (negative amount)		36 (1) (a), 472 (3)	
25b Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)	
26 Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment (2)	82 582		
27 Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)		36 (1) (j)	
28 Total regulatory adjustments to Common Equity Tier 1 (CET1)	-7 591		
29 Common Equity Tier 1 (CET1) capital	1 598 296		

	(A)	(B)	(C)
Additional Tier 1 (AT1) capital: instruments (in HUF million)	31 December 2020	REGULATION (EU) No 575/2013 ARTICLE REFERENCE	AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
30 Capital instruments and the related share premium accounts		51, 52	
31 of which: classified as equity under applicable accounting standards			
32 of which: classified as liabilities under applicable accounting standards			
33 Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1		486 (3)	
34 Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties		85, 86, 480	
35 of which: instruments issued by subsidiaries subject to phase-out		486 (3)	
36 Additional Tier 1 (AT1) capital before regulatory adjustments	0		

	(A)	(B)	(C)
Additional Tier 1 (AT1) capital: regulatory adjustments (in HUF million)	31 December 2020	REGULATION (EU) No 575/2013 ARTICLE REFERENCE	AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
37 Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52 (1) (b), 56 (a), 57, 475 (2)	
38 Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56 (b), 58, 475 (3)	
39 Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (c), 59, 60, 79, 475 (4)	
40 Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (d), 59, 79, 475 (4)	
42 Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56 (e)	
43 Total regulatory adjustments to Additional Tier 1 (AT1) capital	0		
44 Additional Tier 1 (AT1) capital	0		
45 Tier 1 capital (T1 = CET1 + AT1)	1 598 296		

	(A)	(B)	(C)
Tier 2 (T2) capital: instruments and provisions (in HUF million)	31 December 2020	REGULATION (EU) No 575/2013 ARTICLE REFERENCE	AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
46 Capital instruments and the related share premium accounts	295 794	62, 63	
47 Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		486 (4)	
48 Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party		87, 88, 480	
49 of which: instruments issued by subsidiaries subject to phase-out		486 (4)	
50 Credit risk adjustments		62 (c) & (d)	
51 Tier 2 (T2) capital before regulatory adjustment	295 794		

	(A)	(B)	(C)
Tier 2 (T2) capital: regulatory adjustments (in HUF million)	31 December 2020	REGULATION (EU) No 575/2013 ARTICLE REFERENCE	AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
52 Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63 (b) (i), 66 (a), 67, 477 (2)	
53 Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)		66 (b), 68, 477 (3)	
54 Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		66 (c), 69, 70, 79, 477 (4)	-56 795
55 Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)		66 (d), 69, 79, 477 (4)	
57 Total regulatory adjustments to Tier 2 (T2) capital	0		
58 Tier 2 (T2) capital	295 794		
59 Total capital (TC = T1 + T2)	1 894 090		
60 Total risk weighted assets	7 100 037		

	(A)	(B)	(C)
Capital ratios and buffers (in HUF million)	31 December 2020	REGULATION (EU) No 575/2013 ARTICLE REFERENCE	AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
61 Common Equity Tier 1 (as a percentage of total risk exposure amount)	22,51%	92 (2) (a), 465	
62 Tier 1 (as a percentage of total risk exposure amount)	22,51%	92 (2) (b), 465	
63 Total capital (as a percentage of total risk exposure amount)	26,68%	92 (2) (c)	
64 Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of total risk exposure amount)	7,000%	CRD 128, 129, 130, 131 and 133	
65 of which: capital conservation buffer requirement	2,500%		
66 of which: countercyclical buffer requirement			
67 of which: systemic risk buffer requirement (3)			
67a of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer		CRD 131	
68 Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	14,51%	CRD 128	

Amounts below the thresholds for deduction (before risk-weighting) (in HUF million)	(A) 31 December 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
72 Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	32 988	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	
73 Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36 (1) (i), 45, 48, 470, 472 (11)	
75 Deferred tax assets arising from temporary difference (amount below 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met)		36 (1) (c), 38, 48, 470, 472 (5)	

Applicable caps on the inclusion of provisions in Tier 2 (in HUF million)	(A) 31 December 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
76 Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		62	
77 Cap on inclusion of credit risk adjustments in T2 under standardised approach		62	
78 Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)		62	
79 Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		62	

Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022) (in HUF million)	(A) 31 December 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
80 Current cap on CET1 instruments subject to phase-out arrangements		484 (3), 486 (2) & (5)	
81 Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484 (3), 486 (2) & (5)	
82 Current cap on AT1 instruments subject to phase-out arrangements		484 (4), 486 (3) & (5)	
83 Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) & (5)	
84 Current cap on T2 instruments subject to phase-out arrangements		484 (5), 486 (4) & (5)	
85 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484 (5), 486 (4) & (5)	

- (1) Profit for financial year 2020 is included in retained earnings.
- (2) Transitional arrangements for mitigating the impact of the application of IFRS9 on own funds according to article 473a of 575/2013 EU regulation and the effect of unrealised gains and losses measured at fair value through other comprehensive income (exposures to central governments, to regional governments or to local authorities) in accordance with Commission Regulation (EU) No. 873/2020. Article 1. (6).
- (3) Capital buffer is not implemented
- (4) Not relevant capital buffer

Information about the main characteristics of capital instruments is under Group level data.

Chart 70: The impact of the transitional arrangements for mitigating the impact of the application of IFRS9 on own funds in accordance with Article 473a of regulation (EU) no 575/2013

IFRS 9 effect		31.12.2020
(in HUF million)		
Regulatory capital		
1	Common Equity Tier 1 (CET1) capital	1 598 296
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1 530 937
3	Tier 1 capital	1 598 296
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1 530 937
5	Total capital	1 894 090
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1 826 731
Total risk weighted assets		
7	Total risk weighted assets	7 100 037
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7 032 679
Capital ratios		
9	Common Equity Tier 1 (as a percentage of total risk exposure amount)	22,51%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	21,77%
11	Tier 1 (as a percentage of total risk exposure amount)	22,51%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	21,77%
13	Total capital (as a percentage of total risk exposure amount)	26,68%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	25,97%
Leverage ratio		
15	Total exposure	13 062 959
16	Leverage ratio	12,24%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	11,72%

II.2. Trading book market and counterparty risks (capital requirements)

Chart 71: Trading book positions capital requirement

Description (in HUF million)	RWAs	Capital requirements
Interest rate risk (general and specific)	78 315	6 265
Equity risk (general and specific)	743	59
Foreign exchange risk	57 282	4 583
Commodity risk	23 028	1 842
Options		
Simplified approach		
Delta-plus method	263	21
Scenario approach		
Securitisation (specific risks)		
Total	159 631	12 771

Chart 72: Analysis of CCR exposure by approach

Description (in HUF million)	Notional	Replacement cost/current market value	Potential future credit exposure	EEPE (Effective Expected Positive Exposure)	Multiplier	EAD post CRM	RWAs
Mark to market		14 365	131 717			126 666	86 371
Original exposure	0					0	0
Standardised approach		0			0	0	0
IMM (for derivatives and SFTs)				0	0	0	0
<i>Of which securities financing transactions</i>				0	0	0	0
<i>Of which derivatives and long settlement transactions</i>				0	0	0	0
<i>Of which from contractual cross-product netting</i>				0	0	0	0
Financial collateral simple method (for SFTs)						0	0
Financial collateral comprehensive method (for SFTs)						58 330	19 680
VaR for SFTs						0	0
Total							106 051

Chart 73: CVA capital charge

Description (in HUF million)	Exposure value	RWAs
Total portfolios subject to the advanced method	0	0
VaR component (including the 3 x multiplier)		0
SVaR component (including the 3 x multiplier)		0
All portfolios subject to the standardised method	57 503	9 935
Based on the original exposure method	0	0
Total subject to the CVA capital charge	0	0

Chart 74: CCR exposures by regulatory portfolio and risk

Exposure classes (in HUF million)	Risk weight											Total	Of which unrated	
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Other			
Central governments or central banks	31 191	0	0	0	0	0	0	0	0	0	0	0	31 191	0
Regional government or local authorities	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Public sector entities	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Multilateral development banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0
International organisations	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Institutions	309	0	0	0	17 447	55 917	0	0	17 967	0	0	0	91 640	24 010
Corporates	0	0	0	0	0	0	0	0	54 182	0	0	0	54 182	41 330
Retail	0	0	0	0	0	0	0	3 144	0	0	0	0	3 144	3 144
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other items	0	4 838	0	0	0	0	0	0	5	0	0	0	4 843	0
Total	31 501	4 838	0	0	17 447	55 917	0	3 144	72 154	0	0	0	185 000	68 483

Note: „Of which unrated” column contains the exposures which do not have external credit ratings

Chart 75: Exposures to CCP-s

(in HUF million)	Description	EAD post CRM	RWAs
Exposures to QCCPs (total)			
	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which		
	(i) OTP derivatives		4 838
	(ii) Exchange-traded derivatives		97
	(iii) SFTs		0
	(iv) Netting sets where cross-product netting has been approved		0
	Segregated initial margin		23 613
	Non-segregated initial margin		0
	Prefunded default fund contributions		5
	Alternative calculation of own funds requirements for exposures		0
Exposures to non-QCCPs (total)			
	Exposures for trades at non QCCPs (excluding initial margin and default fund contributions); of which		
	(i) OTP derivatives		0
	(ii) Exchange-traded derivatives		0
	(iii) SFTs		0
	(iv) Netting sets where cross-product netting has been approved		0
	Segregated initial margin		0
	Non-segregated initial margin		0
	Prefunded default fund contributions		0
	Unfunded default fund contributions		0

Chart 76: Impact of netting and collateral held on exposure values

(in HUF million)	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	63 530	0	63 530	4 727	58 803
SFTs	183 650	0	183 650	163 660	19 990
Cross-product netting	348 500	103 102	245 398	139 196	106 202
Total	595 681	103 102	492 578	307 583	184 995

Chart 77: Composition of collateral for exposures to CCR

(in HUF million)	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash	23 613	35 559	46 481	18 282	0	5 115
Total	23 613	35 559	46 481	18 282	0	5 115

II.3. Leverage

Chart 78: Net exposure value to leverage ratio

	(in HUF million)	Applicable Amount
1	Total assets as per published financial statements	11 154 394
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	0
4	Adjustments for derivative financial instruments	126 666
5	Adjustment for securities financing transactions (SFTs)	58 330
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	1 933 189
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	0
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	0
7	Other adjustments	-209 620
8	Leverage ratio total exposure measure	13 062 959

Chart 79: Leverage ratio

	(in HUF million)	CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	10 965 639
2	(Asset amounts deducted in determining Tier 1 capital)	-20 865
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)*	10 944 774
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	49 795
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	76 871
EU-5a	Exposure determined under Original Exposure Method	0
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	Total derivatives exposures (sum of lines 4 to 10)	126 666
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	0
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	Counterparty credit risk exposure for SFT assets	58 330
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	0
15	Agent transaction exposures	0
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	0
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	58 330

Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	3 153 634
18	(Adjustments for conversion to credit equivalent amounts)	-1 220 445
19	Other off-balance sheet exposures (sum of lines 17 and 18)*	1 933 189
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)		
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
Capital and total exposure measure		
20	Tier 1 capital	1 598 296
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	13 062 959
Leverage ratio		
22	Leverage ratio	12,24%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Fully phased in
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	0

Note: the exposures are calculated according to Article 473a of regulation (EU) no 575/2013, including the impact of transitional arrangements for mitigating the impact of the application of IFRS9.

The change of Tier1 capital and risk weighted assets can have an impact on leverage ratio. There was no material change in the value of leverage ratio in 2020.

II.4. Credit risk adjustments

II.4.1. Methodology of valuation and provisions

The financial reports of the OTP Bank are based on IFRS regulation. Measurement and provision allocation of assets, investments and off-balance sheet liabilities are realized according to frameworks of relevant IFRS/IAS standards.

In its regulations entitled “International Financing Reporting Standards (IFRS) valuation requirements” OTP Bank provides detailed regulations pertaining to the measurement and provision recognition of outstanding debts, investments and off-balance sheet liabilities.

The recognized provision level reflects to the foreseeable risks and potential losses. The amount of the recognized impairment is the difference between the book value of the outstanding debt and the expected amount of the recovered debt. OTP Bank recognizes risk provision for off-balance sheet (pending, future) liabilities on the basis of their assessment. If the measurement process reveals that the amount of the risk provision exceeds the amount required on the basis of the assessment, the excess amount of the risk provision is released.

At initial recognition the financial assets must be tested based on the business model and the contracted cash flow characteristics, based on which it can be determined according to which measurement method, specified in the IFRS9 standard, the given asset is to be managed and valued. The assets can be allocated to the following three categories:

- Assets measured at amortized cost
- Assets valued at fair value through other comprehensive income (FVOCI) – IFRS13,
- Assets valued at fair value through profit and loss (FVPL) – IFRS13.

According to the requirements of the IFRS9 standard, upon the initial recognition and on the reporting dates (last calendar day of the reporting month) the assets measured at amortized cost and the assets valued at fair value through other comprehensive income must be allocated to three stages by their credit risk or POCI category:

- Stage 1 category contains the performing deals.
- Those deals, which are performing, but compared to the initial recognition it shows significant increase in credit risk, must be categorized to Stage 2.
- Stage 3 contains the non-performing (credit-impaired) deals.
- Purchased or originated credit impaired assets are financial assets that are impaired already upon the initial recognition. These assets must be classified as POCI.

In case of the Stage 1 deals 12-month credit losses must be calculated by the expectations of the default probability, for Stage 2 and Stage 3 deals lifetime expected losses must be calculated as impairment.

Depending on the item, assessment based on the following aspects:

- client and counterparty rating – financial situation, stability and income generation capability of the client or counterparty affected by the financial and investment service, and any changes in these factors;
- the repayment schedule (overdue days) – patterns of delay on principal and interest payment related to the amortization of the outstanding debt, regular fulfillment of the payment obligation;
- status of restructuring risk contract;
- sovereign risk and changes in the sovereign risk associated with the client (both political risk and transfer risk);
- value, marketability and availability of the securities pledged as collateral and any changes in them;
- marketability of the item (market demand and supply, achievable market prices, share in the issuer’s equity in proportion to the size of the investment),

- future payment obligation, which qualifies as a loss originating from the item,
- significant increase in credit risk compared to the initial recognition.

Probable future losses on the item are determined on a case-by-case basis, in consideration of the above aspects as applicable. If this amount is lower than the amount recognized on the item earlier, it has to be supplemented by the amount of the difference by recognizing a further amount of impairment, or if it is higher, it has to be reduced by the release of the existing amount of impairment.

Delinquent deal: the client doesn't perform his/her payment obligations.

According to the CRR a default shall be considered to have occurred with regard to a particular obligor when either or both of the following events have taken place:

- the institution considers that the obligor is unlikely to pay its credit obligations to the institution, the parent undertaking or any of its subsidiaries in full, without recourse by the institution to actions such as realising security
- the obligor is past due more than 90 days on any material credit obligation to the institution, the parent undertaking or any of its subsidiaries.

If the debts are past due more than 90 days and it derives from non-lending type contracts do not qualify as default event. These exposures are not considered to be impaired.

A credit risk exposure shall be considered as restructured:

- considering the current or future financial difficulties of the client the institution
- provides a concession/allowance in respect of the contract originating the exposure (and this would not be done if the client would not have financial difficulties)

The calculation of credit losses may be carried out on an individual or collective basis.

Portfolio (collective) assessment

The collective assessment based on the following parameters: probability of defaults, cure rate, loss given default. The condition of applying collective assessment is that the assets should be allocable to groups representing similar credit risk based on major credit risk characteristics and their capability to fulfill contractual obligations. The most important variables of the assessment procedure are payment delay, deal/client rating, the restructuring information and the default status.

Upon estimating the future cash flows related to the group(s) of financial assets, the historic credit loss data of the assets representing similar credit risk, the macroeconomic factors and information on the future of financial instruments must be taken into account.

The OTP Bank shall measure expected credit losses of a financial asset 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.

Individual assessment

Receivables that are of significant amount on a stand-alone basis with objective evidence of impairment or that the risk management functional area subjected to individual assessment based on monitoring information must be measured individually:

- The cash flows expected from the financial instruments must be defined, which has to be based on at least two scenarios.
- Valuation and revaluation of collaterals is crucial, discounting the cash-flows from the sale of collaterals is an important part of individual assessment.
- The defined cash flows must be discounted to the present value.

- The impairment of the financial instrument is taking into account the riskiness of cash flows and individual collateralization.
- The individual cash-flow estimation also has to be forward looking, which has to contain the information about the macroeconomic environment and the future of the financial instruments.
- If there is a significant change in the credit risk of a financial asset, the impairment calculation must be reviewed taking into account the new information and risks.

Changes in impairment of loan portfolio are presented in in the following notes of the financial statement:

- changes of impairment regarding “Placements with other banks” in Note 6.
- changes of impairment regarding “Securities at amortised cost” in Note 12.
- changes of impairment regarding “Loans” in Note 10.

Chart 80: Changes in the stock of general and specific credit risk adjustments

(in HUF million)	Accumulated specific / general credit risk adjustment
Opening balance	86 661
Increases due to amounts set aside for estimated loan losses during the period	62 209
Decreases due to amounts reversed for estimated loan losses during the period	0
Decreases due to amounts taken against accumulated credit risk adjustments	-7 242
Transfers between credit risk adjustments	3 424
Impact of exchange rate differences	-10 268
Cured from default or non-impaired	0
Other adjustments	0
Closing balance	134 784
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	0
Specific credit risk adjustments directly recorded to the statement of profit or loss	265

Chart 81: Changes of non-performing loan exposures

	(in HUF million)	Gross carrying value defaulted exposures
1	Opening balance - 31.12.2019	42 204
2	Loans and debt securities that have defaulted since the last reporting period	14 732
3	Returned to non-defaulted status	5 895
4	Amounts written-off	1 192
5	Other changes*	-797
6	Closing balance - 31.12.2020 (6 = 1 + 2 - 3 - 4 + 5)	49 052

* Contains the IFRS 9 transitional difference

II.4.2. Exposures to credit risk

The presented RWAs and exposures in this chapter are calculated according to Article 473a of regulation (EU) no 575/2013, including the impact of transitional arrangements for mitigating the impact of the application of IFRS9.

Chart 82: Net exposures broken down by exposure classes (without the impact of credit risk mitigation methods)

Exposures (in HUF million)	31.12.2020	2020 Average
Exposures to central governments or central banks	3 878 807	3 416 986
Exposures to regional governments or local authorities	70 603	72 104
Exposures to public sector entities	40 984	50 722
Exposures to multilateral development banks	5 294	5 340
Exposures to international organisation	0	0
Exposures to institutions	2 314 535	2 372 259
Exposures to corporates	2 513 497	2 418 074
Retail exposures	567 588	581 648
Exposures secured by mortgages on immovable property	760 359	691 097
Exposures in default	17 324	19 474
Exposures associated with particularly high risk	1 552 662	1 558 670
Exposures in the form of covered bonds	332 688	330 705
Exposures to institutions and corporates with a short-term credit assessment	0	0
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	23 212	21 330
Equity exposures	65 811	65 079
Other items	363 708	307 851
Total	12 507 072	11 911 339

Chart 83: Exposures broken down by geographical areas (by the country of obligors) on 31st December 2020

(in HUF million)	Exposures to central governments or central banks	Exposures to regional governments or local authorities	Exposures to public sector entities	Exposures to multilateral development banks	Exposures to international organisation	Exposures to institutions	Exposures to corporates	Retail exposures	Exposures secured by mortgages on immovable property	Exposures in default	Exposures associated with particularly high risk	Exposures in the form of covered bonds	Exposures to institutions and corporates with a short-term credit assessment	Exposures in the form of units or shares in collective investment undertakings ('CIUs')	Equity exposures	Other items	Total
Total	3 878 807	70 603	40 984	5 294	0	2 314 535	2 513 497	567 588	760 359	17 324	1 552 662	332 688	0	23 212	65 811	363 708	12 507 072
Albania	0	0	0	0	0	25 882	6	0	0	0	11 865	0	0	0	0	0	37 753
United States	0	0	0	0	0	11 343	8 670	2	0	0	0	0	0	0	5 898	0	25 913
Australia	0	0	0	0	0	1 360	0	0	0	0	0	0	0	0	0	0	1 360
Austria	0	0	0	0	0	1 059	553	1	0	2	1 322	0	0	0	10 759	0	13 696
Belgium	0	0	0	0	0	3 679	14 833	0	0	0	91	0	0	0	0	0	18 603
Belize	0	0	0	0	0	0	0	0	0	0	2 857	0	0	0	0	0	2 857
Bulgaria	0	0	0	0	0	1 007	17 011	2	82 491	0	280 800	0	0	0	0	0	381 311
Cyprus	0	0	0	0	0	0	5 969	0	0	0	3 475	0	0	0	71	0	9 515
United Kingdom	0	0	0	0	0	35 584	849	2	0	0	0	0	0	0	0	0	36 435
France	0	0	0	0	0	40 686	528	0	0	0	0	0	0	0	0	0	41 214
Netherlands	0	0	0	0	0	369	9 898	1	13	0	481	0	0	0	0	0	10 762
Croatia	7 439	0	0	0	0	114 386	9 370	2	8 034	0	206 486	0	0	0	0	0	345 717
Ireland	0	0	0	0	0	400	4 720	0	0	0	0	0	0	0	0	0	5 120
Japan	0	0	0	0	0	1 137	13	0	0	0	0	0	0	0	0	0	1 150
Poland	0	0	0	0	0	4 449	773	0	0	0	0	0	0	0	0	0	5 222
Luxembourg	0	0	0	0	0	7 945	85	0	0	0	5 086	0	0	0	0	0	13 116
Hungary	3 565 717	70 603	40 984	0	0	1 677 869	1 522 063	567 475	627 240	17 318	257 653	332 688	0	23 212	14 456	363 708	9 080 986
Malta	0	0	0	0	0	0	711 872	0	0	0	39 153	0	0	0	32 390	0	783 415
Moldova	0	0	0	0	0	430	0	0	0	0	24 159	0	0	0	0	0	24 589
Montenegro	15 348	0	0	0	0	0	55 191	0	0	0	49 496	0	0	0	0	0	120 035
Germany	202 648	0	0	0	0	16 519	2 780	3	0	0	0	0	0	0	0	0	221 950
Italy	0	0	0	0	0	148	1 691	2	0	0	0	0	0	0	0	0	1 841
Russian Federation	56 206	0	0	5 294	0	24 392	118	1	0	0	150 212	0	0	0	1	0	236 224
Romania	16 201	0	0	0	0	22 688	10 359	24	31 522	2	95 616	0	0	0	0	0	176 412
Spain	0	0	0	0	0	1 083	196	1	3	0	0	0	0	0	0	0	1 283
Switzerland	0	0	0	0	0	9 373	64 842	0	0	0	0	0	0	0	0	0	74 215
Sweden	0	0	0	0	0	4 268	1 773	2	0	0	0	0	0	0	0	0	6 043
Serbia	15 022	0	0	0	0	160 593	57 243	4	11 046	0	205 154	0	0	0	1 295	0	450 357
Slovakia	0	0	0	0	0	73 031	650	43	3	0	325	0	0	0	942	0	74 994
Slovenia	0	0	0	0	0	73 601	7 472	0	0	0	112 708	0	0	0	0	0	193 781
Ukraine	0	0	0	0	0	1	0	5	0	0	105 725	0	0	0	1	0	105 732
Other country	226	0	0	0	0	1 253	3 969	18	7	2	-2	0	0	0	-2	0	5 471

Chart 84: Exposure classes broken down by counterparty type on 31st December 2020

(in HUF million)	Exposures to central governments or central banks	Exposures to regional governments or local authorities	Exposures to public sector entities	Exposures to multilateral development banks	Exposures to international organisation	Exposures to institutions	Exposures to corporates	Retail exposures	Exposures secured by mortgages on immovable property	Exposures in default	Exposures associated with particularly high risk	Exposures in the form of covered bonds	Exposures to institutions and corporates with a short-term credit assessment	Exposures in the form of units or shares in collective investment undertakings ('CIUs')	Equity exposures	Other items	Total
Total	3 878 807	70 603	40 984	5 294	0	2 314 535	2 513 497	567 588	760 359	17 324	1 552 662	332 688	0	23 212	65 811	363 708	12 507 072
Governments	3 100 555	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3 100 555
Municipal	13 273	67 638	0	0	0	0	0	0	0	0	0	0	0	0	0	0	80 911
Public sector entities	12 974	0	40 984	0	0	0	0	0	0	27	0	0	0	0	0	0	53 985
Multilaterális fejlesztési bankok	0	0	0	5 294	0	0	0	0	0	0	0	0	0	0	0	0	5 294
Institutions	0	0	0	0	0	2 241 618	0	0	0	0	0	0	0	0	0	0	2 241 618
Corporate	1 886	2 754	0	0	0	72 917	1 994 675	0	244 672	70	31 287	0	0	23 212	0	0	2 371 473
Corporate SME	228 409	211	0	0	0	449 958	0	411 648	5 438	2 158	0	0	0	0	0	0	1 097 822
Retail	449 920	0	0	0	0	68 864	521 289	96 120	11 288	0	0	0	0	0	0	0	1 147 481
Retail SME	71 790	0	0	0	0	0	46 299	7 919	501	0	0	0	0	0	0	0	126 509
Equity	0	0	0	0	0	0	0	0	0	1 519 217	0	0	0	0	65 811	0	1 585 028
Other*	0	0	0	0	0	0	0	0	0	0	0	332 688	0	0	0	363 708	696 396

* Other, non-credit risk items; collective, investment funds; part of intangible assets to be accounted for in RWA; IFRS 9 transition effect

Chart 85: Exposure classes broken down by residual maturity on 31st December 2020

(in HUF million)	On demand	≤ 1 year	> 1 year ≤ 5 year	> 5 year	No stated maturity	Total
Total	0	3 558 960	3 252 115	3 695 466	2 000 531	12 507 072
Exposures to central governments or central banks	0	634 579	1 672 289	1 571 939	0	3 878 807
Exposures to regional governments or local authorities	0	4 325	3 655	62 623	0	70 603
Exposures to public sector entities	0	16 751	7 235	16 998	0	40 984
Exposures to multilateral development banks	0	1 844	3 450	0	0	5 294
Exposures to international organisation	0	0	0	0	0	0
Exposures to institutions	0	1 051 700	413 127	797 913	51 795	2 314 535
Exposures to corporates	0	1 544 886	542 519	426 092	0	2 513 497
Retail exposures	0	207 421	157 448	202 719	0	567 588
Exposures secured by mortgages on immovable property	0	59 454	170 301	530 604	0	760 359
Exposures in default	0	3 293	3 320	10 711	0	17 324
Exposures associated with particularly high risk	0	3 815	15 506	14 124	1 519 217	1 552 662
Exposures in the form of covered bonds	0	30 084	263 210	39 394	0	332 688
Exposures to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	0	808	55	22 349	0	23 212
Equity exposures	0	0	0	0	65 811	65 811
Other items	0	0	0	0	363 708	363 708

Due to the organic growth, the exposures of OTP Bank raised remarkably in 2020, compared to 2019.

Chart 86: Credit quality of forborne exposures

(in HUF million)	Gross carrying amount/nominal amount of exposures with forbearance measures			Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures		
	Performing forborne	Non-performing forborne		On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures	
		Of which defaulted	Of which impaired					
Loans and advances	41 649	32 706	32 706	31 202	-12 074	-20 956	29 186	10 065
Central banks	0	0	0	0	0	0	0	0
General governments	41	0	0	0	-15	0	0	0
Credit institutions	0	0	0	0	0	0	0	0
Other financial corporations	11	0	0	0	-1	0	7	0
Non-financial corporations	33 836	24 504	24 504	24 504	-9 451	-18 187	22 152	5 406
Households	7 761	8 202	8 202	6 698	-2 606	-2 769	7 026	4 659
Debt securities	0	0	0	0	0	0	0	0
Loan commitments given	1 555	46	46	46	-276	-25	165	0
Total	43 204	32 752	32 751	31 247	-12 350	-20 981	29 351	10 065

Chart 87: Credit quality of performing and non-performing exposures by past due days

(in HUF million)	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted	
Loans and advances	5 672 694	5 665 056	7 638	70 444	41 362	4 892	5 920	1 871	2 518	1 666	12 215	68 163
Central banks	220 005	220 005	0	0	0	0	0	0	0	0	0	0
General governments	331 382	331 382	0	43	42	0	1	0	0	0	0	43
Credit institutions	1 299 700	1 299 700	0	1 462	1 461	0	0	1	0	0	0	1 461
Other financial corporations	886 559	886 559	0	26	0	0	0	0	1	25	0	0
Non-financial corporations	1 758 541	1 755 559	2 982	38 018	24 874	1 821	4 622	1 121	1 449	163	3 968	36 970
Of which SMEs	953 654	951 195	2 460	21 466	13 810	1 699	4 308	830	611	19	190	21 397
Households	1 176 508	1 171 852	4 656	30 895	14 986	3 071	1 296	748	1 069	1 479	8 247	29 689
Debt securities	2 929 975	2 929 975	0	0	0	0	0	0	0	0	0	0
Central banks	0	0	0	0	0	0	0	0	0	0	0	0
General governments	2 464 028	2 464 028	0	0	0	0	0	0	0	0	0	0
Credit institutions	338 188	338 188	0	0	0	0	0	0	0	0	0	0
Other financial corporations	20 462	20 462	0	0	0	0	0	0	0	0	0	0
Non-financial corporations	107 296	107 296	0	0	0	0	0	0	0	0	0	0
Off-balance-sheet exposures	3 199 969			3 654								3 654
Central banks	0											0
General governments	57 063			0								0
Credit institutions	1 092 535			0								0
Other financial corporations	238 782			0								0
Non-financial corporations	1 402 378			1 973								1 973
Households	409 211			1 681								1 681
Total	11 802 638	8 595 031	7 638	74 098	41 362	4 892	5 920	1 871	2 518	1 666	12 215	71 817

Chart 88: Performing and non-performing exposures and related provisions

(in HUF million)	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions		Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					On performing exposures	On non-performing exposures
	Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2	Of which stage 2	Of which stage 3					
Loans and advances	5 672 694	4 645 015	548 195	70 444	2 281	58 354	-91 017	-27 157	-63 861	-45 839	-2 281	-35 202	-23 444	1 601 690	17 683
Central banks	220 005	220 005	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	331 382	292 811	15 920	43	0	43	-1 568	-914	-654	-17	0	-16	0	29 669	0
Credit institutions	1 299 700	1 299 700	0	1 462	1	1 461	-4 297	-4 297	0	-1 462	-1	-1 461	0	0	0
Other financial corporations	886 559	875 757	10 802	26	26	0	-6 610	-5 431	-1 179	-26	-26	0	0	53 424	0
Non-financial corporations	1 758 541	1 396 817	359 715	38 018	1 048	36 860	-51 201	-10 214	-40 987	-26 271	-1 048	-25 167	-23 444	845 326	9 142
Of which SMEs	953 654	697 328	255 805	21 466	68	21 288	-35 285	-5 210	-30 075	-11 312	-68	-11 188	-1 830	620 882	7 822
Households	1 176 508	559 925	161 758	30 895	1 206	19 991	-27 340	-6 299	-21 041	-18 064	-1 205	-8 558	0	673 270	8 541
Debt securities	2 929 975	2 908 913	12 943	0	0	0	-6 284	-5 003	-1 281	0	0	0	0	0	0
Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	2 464 028	2 464 028	0	0	0	0	-4 038	-4 038	0	0	0	0	0	0	0
Credit institutions	338 188	338 188	0	0	0	0	-722	-722	0	0	0	0	0	0	0
Other financial corporations	20 462	12 344	0	0	0	0	-24	-24	0	0	0	0	0	0	0
Non-financial corporations	107 296	94 353	12 943	0	0	0	-1 501	-219	-1 281	0	0	0	0	0	0
Off-balance-sheet exposures	3 199 969	3 125 572	74 397	3 654	0	3 654	-16 537	-10 676	-5 861	-953	0	-953		265 823	186
Central banks	0	0	0	0	0	0	0	0	0	0	0	0		0	0
General governments	57 063	56 692	371	0	0	0	-231	-207	-25	0	0	0		1 739	0
Credit institutions	1 092 535	1 092 535	0	0	0	0	-3 603	-3 603	0	0	0	0		2 953	0
Other financial corporations	238 782	238 782	0	0	0	0	-1 421	-1 421	0	0	0	0		73 596	0
Non-financial corporations	1 402 378	1 340 507	61 871	1 973	0	1 973	-8 928	-4 341	-4 587	-379	0	-379		179 893	159
Households	409 211	397 056	12 155	1 681	0	1 681	-2 354	-1 104	-1 250	-574	0	-574		7 641	27
Total	11 802 638	10 679 500	635 535	74 098	2 281	62 008	-113 838	-42 835	-71 003	-46 792	-2 281	-36 155	-23 444	1 867 513	17 869

Chart 89: Collateral obtained by taking possession and execution processes

(in HUF million)	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)	0	0
Other than PP&E	0	0
<i>Residential immovable property</i>	0	0
<i>Commercial immovable property</i>	0	0
<i>Movable property (auto, shipping, etc)</i>	0	0
<i>Equity and debt instruments</i>	0	0
<i>Other</i>	0	0
Total	0	0

Chart 90: Credit quality of exposures by exposure class and instrument on 31st december 2020

(in HUF million)	Gross carrying values of		Specific/General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Exposures to central governments or central banks	0	3 884 625	-9 882	3 874 743
Exposures to regional governments or local authorities	1	71 656	-1 054	70 603
Exposures to public sector entities	48	41 162	-199	41 011
Exposures to multilateral development banks	0	5 305	-11	5 294
Exposures to international organisation	0	0	0	0
Exposures to institutions	1	2 320 086	-5 552	2 314 535
Exposures to corporates	17 053	2 548 277	-43 934	2 521 396
Retail exposures	31 737	592 979	-43 666	581 050
Exposures secured by mortgages on immovable property	0	780 706	-20 347	760 359
Exposures in default	0	0	0	0
Exposures associated with particularly high risk	0	1 971 333	-418 671	1 552 662
Exposures in the form of covered bonds	0	332 688	0	332 688
Exposures to institutions and corporates with a short-term credit assessment	0	0	0	0
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	0	23 212	0	23 212
Equity exposures	0	89 680	-23 869	65 811
Other exposures	0	363 717	-9	363 708
Total	48 840	13 025 426	-567 194	12 507 072

Chart 91: Credit quality of exposures by counterparty types on 31st december 2020

(in HUF million)	Gross carrying values of		Specific / General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Governments	0	3 104 045	-3 490	3 100 555
Municipal	1	81 825	-915	80 911
Public sector entities	48	54 363	-426	53 985
Multilateral development banks	0	5 305	-11	5 294
Institutions	1	2 247 010	-5 393	2 241 618
Corporate	2 000	2 418 906	-49 433	2 371 473
Corporate SME	15 052	1 125 995	-43 225	1 097 822
Retail	29 754	1 154 467	-36 740	1 147 481
Retail SME	1 984	129 731	-5 206	126 509
Equity	0	2 007 374	-422 346	1 585 028
Other*	0	696 405	-9	696 396
Total	48 840	13 025 426	-567 194	12 507 072

* Other, non-credit risk items; collective, investment funds; part of intangible assets to be accounted for in RWA; IFRS 9 transition effect

Chart 92: Credit quality of exposures by geography on 31st december 2020

(in HUF million)	Gross carrying values of		Specific / General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Total	48 840	13 025 426	-567 194	12 507 072
Albania	0	37 753	0	37 753
United States	14	25 944	-45	25 913
Australia	1	1 361	-2	1 360
Austria	13	13 698	-15	13 696
Belgium	0	18 645	-42	18 603
Belize	0	2 857	0	2 857
Bulgaria	0	390 468	-9 157	381 311
Cyprus	0	12 598	-3 083	9 515
United Kingdom	7	36 441	-13	36 435
France	3	41 219	-8	41 214
Netherlands	2	10 833	-73	10 762
Croatia	2	346 660	-945	345 717
Ireland	0	5 222	-102	5 120
Japan	1	1 150	-1	1 150
Poland	1	5 229	-8	5 222
Luxembourg	16	13 116	-16	13 116
Hungary	48 610	9 239 180	-206 804	9 080 986
Malta	0	787 400	-3 985	783 415
Moldova	0	24 589	0	24 589
Montenegro	0	144 046	-24 011	120 035
Germany	5	221 976	-31	221 950
Italy	3	1 855	-17	1 841
Russian Federation	4	236 290	-70	236 224
Romania	23	219 131	-42 742	176 412
Spain	1	1 288	-6	1 283
Switzerland	4	74 770	-559	74 215
Sweden	1	6 044	-2	6 043
Serbia	13	512 725	-62 381	450 357
Slovakia	31	78 497	-3 534	74 994
Slovenia	0	193 784	-3	193 781
Ukraine	28	315 141	-209 437	105 732
Other country	57	5 516	-102	5 471

Chart 93: Overview of CRM techniques

(in HUF million)	Exposures unsecured - Carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans	12 977 451	1 055 060	134 206	920 855	0
Total debt securities	0	0	0	0	0
Total exposures	12 977 451	1 055 060	134 206	920 855	0
Of which defaulted	19 467	4 349	265	4 084	0

Note: the table contains exposures secured by financial collaterals and guarantees. Exposures secured by mortgage collaterals are included in "exposures unsecured" column.

Chart 94: Credit quality of loans and advances subject to moratoria on loan repayments applied in the light of the COVID-19 crisis

(in HUF million)	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
	Performing			Non performing				Performing			Non performing				
	Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			
Loans and advances subject to moratorium	1 046 248	1 015 346	29 966	317 998	30 902	13 251	26 197	-61 925	-48 009	-8 308	-42 338	-13 916	-4 989	-11 429	4 931
of which: Households	582 846	566 291	6 463	122 818	16 555	6 058	12 732	-27 042	-20 270	-2 261	-17 154	-6 773	-1 356	-4 957	3 463
of which: Collateralised by residential immovable property	55 216	48 921	1 633	34 947	6 295	4 324	4 790	-1 206	-444	-42	-433	-762	-430	-445	78
of which: Non-financial corporations	452 245	437 898	23 492	195 152	14 347	7 193	13 465	-34 706	-27 563	-6 045	-25 181	-7 144	-3 633	-6 472	1 468
of which: Small and Medium-sized Enterprises	344 038	332 804	23 478	135 646	11 233	4 087	10 352	-25 821	-20 545	-6 043	-18 301	-5 276	-1 771	-4 604	1 302
of which: Collateralised by commercial immovable property	286 252	275 969	18 231	118 119	10 283	6 201	10 116	-22 844	-17 463	-5 004	-15 698	-5 381	-3 326	-5 242	604

The Bank implemented the application of those legislative and non-legislative moratoria on loan repayments which may include the suspend, postpone or reduce the payment (principal, interest or both) within a limited period of time with the purpose to offer solution for clients' short-term liquidity shortage which is caused by this extraordinary pandemic situation.

Chart 95: Volume of loans and advances subject to legislative and non-legislative moratoria by residual maturity of these moratoria

(in HUF million)	Number of obligors	Gross carrying amount	Residual maturity of moratoria							
			Of which: legislative moratoria	Of which: expired	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year	
Loans and advances for which moratorium was offered	408 845	1 046 248								
Loans and advances subject to moratorium (granted)	408 845	1 046 248	1 046 248	0	1 046 248	0	0	0	0	0
of which: Households		582 846	582 846	0	582 846	0	0	0	0	0
of which: Collateralised by residential immovable property		55 216	55 216	0	55 216	0	0	0	0	0
of which: Non-financial corporations		452 245	452 245	0	452 245	0	0	0	0	0
of which: Small and Medium-sized Enterprises		344 038	344 038	0	344 038	0	0	0	0	0
of which: Collateralised by commercial immovable property		286 252	286 252	0	286 252	0	0	0	0	0

The length of the applied moratoria is driven by the legislative conditions or industry level agreement as per the type (legislative /non-legislative) of the moratoria. The moratorium based payment facilities are revised how it is required by legal sources or industry level agreements.

Chart 96: Newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

(in HUF million)	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forbore	Public guarantees received	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	4 364	0	3 230	0
of which: Households	910			0
of which: Collateralised by residential immovable property	0			0
of which: Non-financial corporations	3 454	0	2 502	0
of which: Small and Medium-sized Enterprises	3 454			0
of which: Collateralised by commercial immovable property	1 746			0

The measure and the length of the moratorium related state guarantees depends of the concerning conditions of the given state subsidy.

II.5. Use of external credit assessment institutions

Chart 97: Exposures broken down by credit quality steps (CQS) of obligors

(in HUF million)	Risk weight										Total	Of which unrated
	0%	4%	10%	20%	35%	50%	75%	100%	150%	250%		
Exposures to central governments or central banks	3 789 938	0	0	226	0	58 273	0	30 370	0	0	3 878 807	3 878 807
Exposures to regional governments or local authorities	0	0	0	70 145	0	0	0	436	0	0	70 581	70 582
Exposures to public sector entities	18 111	0	0	0	0	0	0	22 873	0	0	40 984	40 984
Exposures to multilateral development banks	5 294	0	0	0	0	0	0	0	0	0	5 294	0
Exposures to international organisation	0	0	0	0	0	0	0	0	0	0	0	0
Exposures to institutions	1 609 104	0	0	345 340	0	150 968	0	209 123	0	0	2 314 535	2 131 212
Exposures to corporates	61 708	0	0	0	0	26	0	2 329 046	7	0	2 390 787	2 299 870
Retail exposures	0	0	0	0	0	0	556 422	0	0	0	556 422	556 423
Exposures secured by mortgages on immovable property	0	0	0	0	81 158	145 320	17 549	516 332	0	0	760 359	760 359
Exposures in default	0	0	0	0	0	0	0	14 682	2 376	0	17 058	17 058
Exposures associated with particularly high risk	0	0	0	0	0	0	0	0	1 552 620	0	1 552 620	1 552 620
Exposures in the form of covered bonds	250 564	0	0	0	0	82 124	0	0	0	0	332 688	332 688
Exposures to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0
Exposures in the form of units or shares in collective investment undertakings (CIUs)	0	0	0	0	0	0	0	23 212	0	0	23 212	23 212
Equity exposures	0	0	0	0	0	0	0	35 960	0	29 851	65 811	65 811
Other exposures	133 134	0	0	0	0	0	0	230 327	0	247	363 708	363 708
Total	5 867 853	0	0	415 711	81 158	436 711	573 971	3 412 361	1 555 003	30 098	12 372 866	12 093 334

Note: „of which unrated” column contains the exposures which do not have external credit ratings

II.6. Capital requirement for operational risks

Capital requirement for operational risk of OTP Bank amounted to HUF 27 597 million on 31st December 2020, which was determined by advanced measurement approaches.

Chart 98: Capital requirement for operational risks on 31st December 2020:

Operational risk capital requirement's breakdown based on methods (in HUF million)	
Basic Indicator Approach	0
Standardised Approach	0
Alternative Standardised Approach	0
Advanced Measurement Approach	27 597
Total	27 597

II.7. Equity exposures not included in the trading book on 31 December 2020

Chart 99: Equity exposures not included in the trading book according to IFRS on 31 December 2020

Num-ber	Entity	Balance sheet value (in HUF million)	Listed (Exchanged-traded)	Num-ber	Entity	Balance sheet value (in HUF million)	Listed (Exchanged-traded)
1	ABE Clearing SAS	0	No	29	OTP eBIZ Ltd.	2 139	No
2	Air-Invest Ltd.	26 257	No	30	OTP Factoring Ltd.	25 411	No
3	BALANSZ Real Estate Institute Fund	29 150	No	31	OTP Financing Cyprus Company Limited	301	No
4	BANK CENTER No. 1. Ltd.	26 063	No	32	OTP Financing Malta Ltd.	31	No
5	Banka OTP Albania SHA	11 865	No	33	OTP Financing Netherlands B.V.	481	No
6	Budapest Stock Exchange Ltd.	123	No	34	OTP Fund Management Ltd.	1 653	No
7	CIL Babér Ltd.	6 824	No	35	OTP Funds Servicing and Consulting Company Ltd.	3 269	No
8	Crnogorska Komercijalna Banka a.d.	49 460	No	36	OTP Holding Ltd.	2 000	No
9	DSK Bank EAD	280 692	No	37	OTP Holding Malta Ltd.	32 359	No
10	Financial Research Corporation	0	No	38	OTP Hungaro-Project Ltd.	176	No
11	Garantiqa Credit Guarantee Closed Co. Ltd.	270	No	39	OTP Ingatlanüzemeltető Ltd.	15	No
12	HAGE Ltd.	135	No	40	OTP Kockázati Fund	500	No
13	INGA KETTŐ Ltd.	17 892	No	41	OTP Life Annuity Real Estate Investment Ltd.	4 331	No
14	JSC "OTP Bank" (Russia)	74 335	No	42	OTP Osiguranje A.D.O. Beograd	701	No
15	KÖZVIL Ltd.	0	No	43	OTP Mortgage Bank Ltd.	89 198	No
16	LLC AllianceReserve	50 074	No	44	OTP Real Estate Investment Fund Management Ltd.	1 352	No
17	Merkantil Bill and Property Investments Bank Ltd.	23 663	No	45	OTP Real Estate Ltd.	4 466	No
18	Mobiasbanca - OTP Group S.A.	24 159	No	46	Overdose Vagyonkezelő Ltd. "u.v.l."	0	No
19	MONICOMP Ltd.	9 065	No	47	Portfolion Venture Capital Fund Management Ltd.	3 513	No
20	OTP Bank JSC (Ukraine)	103 994	No	48	Portfolion Regionális Fund	4 408	No
21	OTP Bank Romania S.A.	95 571	No	49	Portfolion Regionális Fund II.	1 243	No
22	OTP banka dioničko društvo	205 349	No	50	Portfolion Zöld Fund	13 851	No
23	OTP Banka Srbija AD. Beograd	127 140	No	51	R.E. Four d.o.o., Novi Sad	594	No
24	OTP Building Society Ltd.	1 266	No	52	SC Cefin Real Estate Kappa SRL	0	No
25	OTP Card Factory Ltd.	450	No	53	SKB Banka d.d. Ljubljana	107 689	No
26	OTP Close Building Society	1 950	No	54	S.W.I.F.T. SCRL	0	No
27	OTP Digitális Fund	5 615	No	55	VISA Incorporated	5 898	No
28	OTP-DayOne Magvető Fund	280	No	56	Vojvodjanska Banka a.d. Novi Sad	77 782	No

OTP Bank's individual gains arising from sales and liquidations relating to exposures in equities not included in the trading book for the year ended 31 December 2020 were 8 903 million HUF.

II.8. Exposure to interest rate risk on positions not included in the trading book

Asset-Liability Directorate measures banking book interest rate risk exposure monthly, and also presents it as part of the consolidated exposure to the management with the same frequency.

The size and direction of the exposure is determined based on sensitivity analysis mainly.

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 were prepared by assuming only the adversing interest rate changes. The main assumptions were as follows:

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

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

- HUF base rate and BUBOR decreases gradually by 15 bps over the next year (scenario 1)
- HUF base rate and BUBOR decreases gradually by 60 bps over the next year (scenario 2)

The net interest income in a one year period after January 1, 2021 would be decreased by HUF 1 476 million (scenario 1) and HUF 6 420 million (scenario 2) as a result of these simulation. This effect is counterbalanced by capital gains (HUF 584 million for scenario 1, HUF 2 329 million for scenario 2) on the government bond portfolio held for hedging.

Furthermore, the effects of an instant 10 bp 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 analyzed. The results can be summarized as follows (HUF million):

Chart 100: The effects of an instant 10 bp 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

Description (in HUF million)	Effects to the net interest income (1Year period)	(Price change of AFS government bonds)
HUF -0.1% parallel shift	-1 991	389
EUR -0.1% parallel shift	-676	0
USD -0.1% parallel shift	-165	0
Total	-2 832	389

II.9. Disclosure of encumbered and unencumbered assets

Chart 101: The encumbered and unencumbered assets in carrying and fair value amounts by broad categories of asset type

(in HUF million)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution	705 934		10 169 421	
Equity instruments	622	622	40 840	37 694
Debt securities	391 425	396 987	2 532 639	2 572 239
Other assets	0		2 152 687	

Chart 102: Collateral received, by broad categories of product type

(in HUF million)	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	0	161 631
Equity instruments	0	0
Debt securities	0	95 695
Other collateral received	0	65 936
Own debt securities issued other than own covered bonds or ABSs	0	0

Chart 103: Encumbered assets/collateral received and associated liabilities

(in HUF million)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	700 957	694 076

Information on importance of encumbrance

The encumbrances of OTP Bank's assets and collaterals received mostly arise from the derivatives, repurchase agreements, and from the funds granted by the MNB's Funding for Growth Scheme and covered loans provided by the MNB. Typically, the collateral for repo transactions is HUF-denominated government bonds issued by the Hungarian government while the covered loan provided by the MNB is secured by mortgage bonds as well as corporate loans blocked for the benefit of the MNB. The collateral for the central bank funding (the MNB's Funding for Growth Scheme) is partly the loans refinanced by the funds, and in part the mortgage bonds issued by OTP Mortgage Bank, which are in OTP Bank's books. The encumbrances caused by derivative deals largely arise from CIRS transactions, the market value of which may fluctuate depending on the foreign exchange rate (however, this exposure has greatly decreased after the conversion of foreign currency mortgage loans into HUF-loans). The value of other encumbrances (e.g. collaterals from securities lending, and collaterals for VISA/MasterCard) is insignificant compared to the Bank's securities portfolio.

The Bank's repo liability stock significantly decreased in 2020 (from HUF 463 billion to HUF 110 billion) and there was HUF 140 billion of covered loans provided by the MNB. On the other hand, the value of encumbrances coming from the Funding for Growth Scheme's funds has increased by HUF 220 billion.

At the end of the year there was not significant over-collateralization in any case of instruments.

The ISDA/CSA agreement regulates how to define the value of the collateral behind derivative transactions for all major partners. In the case of derivative transactions, if the total current market value of the derivative

transactions with a partner, as calculated by the calculation agent, is negative, then the value that corresponds to the negative NPV shall be placed on the partner's margin account.

In respect of the items recognized under other assets in the balance sheet, OTP Bank does not consider its cash balance, intangible assets, tangible assets, or inventories subject to encumbrance.

II.10. Liquidity risk

Chart 104: Liquidity coverage ratio

Description	Total unweighted value (average)	Total weighted value (average)
	31.12.2020	31.12.2020
(in HUF million)		
Number of data points used in the calculation of averages	12	12
HIGH-QUALITY LIQUID ASSETS		
1. Total high-quality liquid assets (HQLA)		2 563 462
CASH – OUTFLOWS		
2. Retail deposits and deposits from small business customers, of which:	4 405 944	260 990
3. <i>Stable deposits</i>	3 658 000	182 900
4. <i>Less stable deposits</i>	631 961	78 090
5. Unsecured w wholesale funding	2 728 215	1 497 544
6. <i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	4	1
7. <i>Non-operational deposits (all counterparties)</i>	2 725 678	1 495 010
8. <i>Unsecured debt</i>	2 533	2 533
9. Secured w wholesale funding		0
10. Additional requirements	1 368 326	309 227
11. <i>Outflows related to derivative exposures and other collateral requirements</i>	38 528	38 528
12. <i>Outflows related to loss of funding on debt products</i>	0	0
13. Credit and liquidity facilities	1 329 798	270 699
14. Other contractual funding obligations	43 737	28 836
15. Other contingent funding obligations	1 528 767	29 488
16. TOTAL CASH OUTFLOWS	10 074 991	2 126 085
CASH – INFLOWS		
17. <i>Secured lending (e.g. reverse repos)</i>	31 513	179
18. <i>Inflows from fully performing exposures</i>	592 232	553 265
19. <i>Other cash inflows</i>	11 217	11 217
EU-19a <i>{Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies}</i>		0
EU-19b <i>{Excess inflows from a related specialised credit institution}</i>		0
20. TOTAL CASH INFLOWS	634 962	564 661
EU-20a Fully exempt inflows	0	0
EU-20b Inflows subject to 90% cap	0	0
EU-20c Inflows subject to 75% cap	634 962	564 661
TOTAL ADJUSTED VALUE		
21. LIQUIDITY BUFFER		2 563 462
22. TOTAL NET CASH OUTFLOWS		1 561 424
23. LIQUIDITY COVERAGE RATIO (%)		165%

II.11. Regional distribution of the Bank's activity, return on assets ratio**Chart 105: Regional distribution of the Bank's activity, return on assets ratio**

Description (in HUF million)	OTP Total year 2020	Branch (Germany) year 2020	Without Branch (Hungary) year 2020
Turnover	617 576	0	617 576
Profit or loss before tax	93 246	22	93 224
Tax on profit or loss	102 117	6	102 111
Public subsidies received	0	0	0
Number of employees on a full time basis	8 872	1	8 871
Return on assets	0,87%		

II.12. Shareholders with significant investment in OTP Bank

The OTP Bank had no shareholders with significant investment on 31st December 2020.

III. OTP Mortgage Bank

Information required to be disclosed regarding OTP Mortgage Bank Ltd. ("OTP Mortgage Bank") is not presented in this chapter separately only in the OTP Group Chapter, if it is the same as OTP Group level publications.

III.1. Corporate governance

Chart 106: The number of board memberships of OTP Mortgage Bank's board members in other companies

Members of the Board of Directors	Number of board memberships (according to CRR Art. 435. paragraph (2))		Members of the Supervisory Board	Number of board memberships (according to CRR Art. 435. paragraph (2))	
	outside OTP Group	in OTP Group*		outside OTP Group	in OTP Group*
Antal György KOVÁCS	-	5	Gyöző NYITRAI	2	4
András BECSEI	1	1	Ágota SELYMESI	2	2
Attila KOVÁCS	-	2	Zoltán KORMOS	-	2
Zoltán ROSKÓ	-	-	Beáta dr. MESTERNÉ HALÁSZ	-	-
Csaba NAGY	-	3	*with the exception of directorships held at OTP Mortgage Bank		
Ákos Ferenc FISCHL	-	1			
Anna FLOROVA	-	3			

*with the exception of directorships held at OTP Mortgage Bank

The number of directorships includes the membership of Board of Directors and the Supervisory Board as well

Chart 107: Board members' education data

Board of Directors		Supervisory Board	
Antal György KOVÁCS		Győző NYITRAI	
University of Economics, Budapest	MSc in Economics (1985)	University of Economics, Budapest	MSc in Economics – finance specialization (1997)
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University of Economics, Budapest	MSc in Economics (2001)	European Federation of Financial Analyst Societies	Investment Analyst Diploma (2000)
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University of Economics, Budapest	MSc in Economics (2001)	College of Finance and Accounting	BSc in Finance (1973)
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College of Finance and Accounting	BSc in Economics (1993)	University of Economics, Budapest	MSc in Economics (2002)
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Szent István University	MSc in Agricultural Engineering (2002)	Beáta dr. MESTERNÉ HALÁSZ	
University of Technology and Economics, Budapest	MSc in Real Estate (2006)	GATE College of Agricultural	economic engineer, finance specialization (1997)
University of Technology and Economics, Budapest	MSc in Construction Industry Judicial Expertise (2009)		
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III.2. Regulatory capital and capital requirements

III.2.1. Capital adequacy of OTP Mortgage Bank

The capital requirement calculation of OTP Mortgage Bank for the end of 2020 is based on IFRS and audited data.

OTP Mortgage Bank applied standardized capital calculation method regarding credit and market risk, advanced measurement approach (AMA) regarding the operational risk. OTP Mortgage Bank regulatory capital requirement as of end of December 2020 was HUF 49 087 million, the amount of regulatory capital was HUF 96 710 million. The capital adequacy ratio calculated in line with Article 92 of CRR stood at 15,76%.

Chart 108: OTP Mortgage Bank's overview of RWAs

(in HUF million)	RWAs	Minimum capital requirements
	31.12.2020	31.12.2020
Credit risk (excluding CCR)	594 993	47 599
Of which the standardised approach	594 993	47 599
CCR	0	0
Of which mark to market	0	0
Of which CVA	0	0
Market risk	0	0
Of which the standardised approach	0	0
Operational risk	18 594	1 488
Of which basic indicator approach	0	0
Of which standardised approach	0	0
Of which advances measurement approach	18 594	1 488
Total	613 587	49 087

Note: the credit risk RWA is calculated according to Article 473a of regulation (EU) no 575/2013, including the effect of transitional arrangements for mitigating the impact of the application of IFRS9

Chart 109: Credit risk exposure and CRM effects on 31st December 2020

(in HUF million)	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWA density
Exposures to central governments or central banks	133 517	0	154 248	0	0	0,00%
Exposures to regional governments or local authorities	14	0	14	0	3	21,43%
Exposures to public sector entities	0	0	0	0	0	0,00%
Exposures to multilateral development banks	0	0	0	0	0	0,00%
Exposures to international organisation	0	0	0	0	0	0,00%
Exposures to institutions	18 634	1 301	4 994	0	0	0,00%
Exposures to corporates	635	0	635	0	572	90,08%
Retail exposures	20 063	29 787	182	14 893	11 306	75,00%
Exposures secured by mortgages on immovable property	1 393 203	12 045	1 393 203	5 425	544 169	38,91%
Exposures in default	16 544	222	15 698	111	16 857	106,63%
Exposures associated with particularly high risk	1 196	0	1 196	0	1 794	150,00%
Exposures in the form of covered bonds	0	0	0	0	0	0,00%
Exposures to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0,00%
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	0	0	0	0	0	0,00%
Equity exposures	1 867	0	1 867	0	1 867	100,00%
Other items	18 676	0	18 676	0	18 425	98,66%
Total	1 604 349	43 355	1 590 713	20 429	594 993	36,93%

In calculating credit risk capital requirement OTP Mortgage Bank took into consideration the guarantees of Hungarian central government as credit risk mitigation at the end of 2020.

III.2.2. Information about disclosure requirements related to the regulatory capital in line with Commission Implementing Regulation (EU) no. 1423/2013

Chart 110: Mapping of financial statement categories with regulatory categories

Description (in HUF million)	Carrying values as reported in published financial statements	Carrying values of items				
		Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Cash, amounts due from banks and balances with the National Banks	5 395	5 395	0	0	0	0
Placements with other banks, net of allowance for placement losses	125 781	125 781	0	0	0	0
Repo receivables	0	0	0	0	0	0
Financial assets at fair value through profit or loss	0	0	0	0	0	0
Financial assets at fair value through other comprehensive income	18 273	18 273	0	0	0	18
Loans	1 319 783	1 319 783	0	0	0	0
Securities at amortised cost	108 455	108 455	0	0	0	0
Investment properties	0	0	0	0	0	0
Investments in subsidiaries	3 063	3 063	0	0	0	0
Intangible assets	192	190	0	0	0	2
Property and equipment	20	20	0	0	0	0
Right-of-use assets	226	226	0	0	0	0
Derivative financial assets designated as hedge accounting relationships	442	0	0	0	442	0
Deferred tax assets	0	0	0	0	0	0
Current tax receivables	1 038	1 038	0	0	0	0
Other assets	4 497	4 497	0	0	0	0
TOTAL ASSETS	1 587 165	1 586 721	0	0	442	20
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	692 906	0	0	0	0	692 906
Deposits from customers	0	0	0	0	0	0
Repo liabilities	0	0	0	0	0	0
Liabilities from issued securities	807 513	0	0	0	0	807 513
Subordinated bonds and loans	0	0	0	0	0	0
Financial liabilities at fair value through profit or loss	0	0	0	0	0	0
Held for trading derivative financial liabilities	0	0	0	0	0	0
Derivative financial liabilities designated as hedge accounting relationships	780	0	0	0	0	780
Deferred tax liabilities	86	0	0	0	0	86
Leasing liabilities	232	0	0	0	0	232
Other liabilities	6 546	0	0	0	0	6 546
TOTAL LIABILITIES	1 508 063	0	0	0	0	1 508 063

Chart 111: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

Description (in HUF million)	Total	Items subject to			
		Credit risk framework	CCR framework	Securitisation framework	Market risk framework
Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	1 587 165	1 586 721	0	0	442
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	1 508 063	0	0	0	0
Total net amount under the regulatory scope of consolidation	79 102	0	0	0	0
Off-balance sheet amounts	43 355	21 730	0	0	0
Non deducted from regulatory capital, capital requirement increase elements	0	0	0	0	0
Differences because the transitional arrangements related to IFRS 9 or analogous ECLs*	17 628	17 628	0	0	0
Exposure amounts considered for regulatory purposes	1 626 521	1 626 079	0	0	442

* Calculated according to article 473a of 575/2013 regulation.

Chart 112: OTP Mortgage Bank's regulatory capital on 31st December 2020

Total regulatory capital (in HUF million)	31 December 2020	Cross reference to rows of own funds disclosure template
Paid in capital	37 000	(1)
General reserve	18 109	(2)
Retained earnings	31 220	(2)
Accumulated other comprehensive income and other reserves	-1 862	(3)
Balance sheet profit or loss	-5 365	(2)
Intangible assets (-)	0	(8)
Prudential filters	-20	(7)
Deferred tax assets	0	(10)
Other transitional adjustments (1)	17 628	(26)
Common Equity Tier 1 capital	96 710	(29)
Total Tier 1 capital	96 710	(45)
Total Tier 2 capital	0	(58)
Total regulatory capital	96 710	(59)

(1) Transitional arrangements for mitigating the impact of the application of IFRS9 on own funds according to Article 473a of regulation (EU) no 575/2013.

Chart 113: Breakdown of regulatory capital including transitional arrangements for mitigating the impact of the application of IFRS9 on own funds in accordance with Article 473a of regulation (EU) no 575/2013

Common Equity Tier 1 capital: instruments and reserves (in HUF million)	(A) 31 December 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
1 Capital instruments and the related share premium accounts	37 000	26 (1), 27, 28, 29, EBA list 26 (3)	
of which: share	37 000	EBA list 26 (3)	
2 Retained earnings (1)	43 964	26 (1) (c)	
3 Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-1 862	26 (1)	
3a Funds for general banking risk	0	26 (1) (f)	
4 Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	0	486 (2)	
5 Minority interests (amount allowed in consolidated CET1)	0	84, 479, 480	
5a Independently reviewed interim profits net of any foreseeable charge or dividend	0	26 (2)	
6 Common Equity Tier 1 (CET1) capital before regulatory adjustments	79 102		
Common Equity Tier 1 (CET1) capital: regulatory adjustments (in HUF million)	(A) 31 December 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
7 Additional value adjustments (negative amount)	-20	34, 105	
8 Intangible assets (net of related tax liability) (negative amount)	0	36 (1) (b), 37, 472 (4)	
10 Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	0	36 (1) (c), 38, 472 (5)	
11 Fair value reserves related to gains or losses on cash flow hedges		33 (1) (a)	
12 Negative amounts resulting from the calculation of expected loss amounts		36 (1) (d), 40, 159, 472 (6)	
13 Any increase in equity that results from securitised assets (negative amount)		32 (1)	
14 Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33 (1) (b)	
15 Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41, 472 (7)	
16 Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		36 (1) (f), 42, 472 (8)	
17 Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36 (1) (g), 44, 472 (9)	
18 Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (1)- (3), 79, 472 (10)	
19 Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1)-(3), 79, 470, 472 (11)	

Common Equity Tier 1 (CET1) capital: regulatory adjustments (in HUF million)	(A) 31 December 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
20a Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)	
20b of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89-91	
		36 (1) (k) (ii)	
20c of which: securitisation positions (negative amount)		243 (1) (b)	
		244 (1) (b)	
		258	
20d of which: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)	
21 Deferred tax assets arising from temporary difference (amount above 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
22 Amount exceeding the 15% threshold (negative amount)		48 (1)	
23 of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b), 470, 472 (11)	
24 of which: deferred tax assets arising from temporary difference		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
25a Losses for the current financial year (negative amount)		36 (1) (a), 472 (3)	
25b Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)	
26 Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment (2)	17 628		
27 Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)		36 (1) (j)	
28 Total regulatory adjustments to Common Equity Tier 1 (CET1)	17 608		
29 Common Equity Tier 1 (CET1) capital	96 710		

Additional Tier 1 (AT1) capital: instruments (in HUF million)	(A) 31 December 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
30 Capital instruments and the related share premium accounts		51, 52	
31 of which: classified as equity under applicable accounting standards			
32 of which: classified as liabilities under applicable accounting standards			
33 Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1		486 (3)	
34 Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties		85, 86, 480	
35 of which: instruments issued by subsidiaries subject to phase-out		486 (3)	
36 Additional Tier 1 (AT1) capital before regulatory adjustments	0		

Additional Tier 1 (AT1) capital: regulatory adjustments (in HUF million)	(A) 31 December 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
37 Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52 (1) (b), 56 (a), 57, 475 (2)	
38 Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56 (b), 58, 475 (3)	
39 Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (c), 59, 60, 79, 475 (4)	
40 Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (d), 59, 79, 475 (4)	
42 Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56 (e)	
43 Total regulatory adjustments to Additional Tier 1 (AT1) capital	0		
44 Additional Tier 1 (AT1) capital	0		
45 Tier 1 capital (T1 = CET1 + AT1)	96 710		

Tier 2 (T2) capital: instruments and provisions (in HUF million)	(A) 31 December 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
46 Capital instruments and the related share premium accounts	0	62, 63	
47 Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		486 (4)	
48 Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party		87, 88, 480	
49 of which: instruments issued by subsidiaries subject to phase-out		486 (4)	
50 Credit risk adjustments		62 (c) & (d)	
51 Tier 2 (T2) capital before regulatory adjustment	0		

	(A)	(B)	(C)
Tier 2 (T2) capital: regulatory adjustments (in HUF million)	31 December 2020	REGULATION (EU) No 575/2013 ARTICLE REFERENCE	AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
52 Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63 (b) (i), 66 (a), 67, 477 (2)	
53 Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)		66 (b), 68, 477 (3)	
54 Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		66 (c), 69, 70, 79, 477 (4)	
55 Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)		66 (d), 69, 79, 477 (4)	
57 Total regulatory adjustments to Tier 2 (T2) capital	0		
58 Tier 2 (T2) capital	0		
59 Total capital (TC = T1 + T2)	96 710		
60 Total risk weighted assets	613 587		

	(A)	(B)	(C)
Capital ratios and buffers (in HUF million)	31 December 2020	REGULATION (EU) No 575/2013 ARTICLE REFERENCE	AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
61 Common Equity Tier 1 (as a percentage of total risk exposure amount)	15,76%	92 (2) (a), 465	
62 Tier 1 (as a percentage of total risk exposure amount)	15,76%	92 (2) (b), 465	
63 Total capital (as a percentage of total risk exposure amount)	15,76%	92 (2) (c)	
64 Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of total risk exposure amount)	7,000%	CRD 128, 129, 130, 131 és 133	
65 of which: capital conservation buffer requirement	2,500%		
66 of which: countercyclical buffer requirement			
67 of which: systemic risk buffer requirement (3)			
67a of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer		CRD 131	
68 Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	7,76%	CRD 128	

Amounts below the thresholds for deduction (before risk-weighting) (in HUF million)	(A) 31 December 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
72 Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	
73 Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36 (1) (i), 45, 48, 470, 472 (11)	
75 Deferred tax assets arising from temporary difference (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)		36 (1) (c), 38, 48, 470, 472 (5)	

Applicable caps on the inclusion of provisions in Tier 2 (in HUF million)	(A) 31 December 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
76 Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		62	
77 Cap on inclusion of credit risk adjustments in T2 under standardised approach		62	
78 Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)		62	
79 Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		62	

Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022) (in HUF million)	(A) 31 December 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
80 Current cap on CET1 instruments subject to phase-out arrangements		484 (3), 486 (2) & (5)	
81 Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484 (3), 486 (2) & (5)	
82 Current cap on AT1 instruments subject to phase-out arrangements		484 (4), 486 (3) & (5)	
83 Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) & (5)	
84 Current cap on T2 instruments subject to phase-out arrangements		484 (5), 486 (4) & (5)	
85 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484 (5), 486 (4) & (5)	

- (1) Loss for financial year 2020 is included in retained earnings.
- (2) Transitional arrangements for mitigating the impact of the application of IFRS9 on own funds according to Article 473a of regulation (EU) no 575/2013.
- (3) Capital buffer is not implemented
- (4) Not relevant capital buffer

Chart 114: The effect of the transitional arrangements for mitigating the impact of the application of IFRS9 on own funds in accordance with Article 473a of regulation (EU) no 575/2013

IFRS 9 effect		31.12.2020
(in HUF million)		
Regulatory capital		
1	Common Equity Tier 1 (CET1) capital	96 710
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	79 082
3	Tier 1 capital	96 710
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	79 082
5	Total capital	96 710
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	79 082
Total risk weighted assets		
7	Total risk weighted assets	613 587
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	595 959
Capital ratios		
9	Common Equity Tier 1 (as a percentage of total risk exposure amount)	15,76%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	13,27%
11	Tier 1 (as a percentage of total risk exposure amount)	15,76%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	13,27%
13	Total capital (as a percentage of total risk exposure amount)	15,76%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	13,27%
Leverage ratio		
15	Total exposure	1 627 011
16	Leverage ratio	5,94%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4,86%

III.3. Trading book market and counterparty risks (capital requirements)

Chart 115: Trading book positions capital requirement

Description (in HUF million)	RWAs	Capital requirements
Interest rate risk (general and specific)	0	0
Equity risk (general and specific)	0	0
Foreign exchange risk	0	0
Commodity risk	0	0
Options		
Simplified approach	0	0
Delta-plus method	0	0
Scenario approach	0	0
Securitisation (specific risks)	0	0
Total	0	0

III.4. Leverage

Chart 116: Net exposure value to leverage ratio

	(in HUF million)	Applicable Amount
1	Total assets as per published financial statements	1 587 165
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	0
4	Adjustments for derivative financial instruments	928
5	Adjustment for securities financing transactions (SFTs)	0
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	21 730
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	0
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	0
7	Other adjustments	17 188
8	Leverage ratio total exposure measure	1 627 011

Chart 117: Leverage ratio

	(in HUF million)	CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	1 604 372
2	(Asset amounts deducted in determining Tier 1 capital)	-19
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)*	1 604 353
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	372
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	556
EU-5a	Exposure determined under Original Exposure Method	0
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	Total derivatives exposures (sum of lines 4 to 10)	928
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	0
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	Counterparty credit risk exposure for SFT assets	0
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	0
15	Agent transaction exposures	0
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	0
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	0

Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	43 355
18	(Adjustments for conversion to credit equivalent amounts)	-21 625
19	Other off-balance sheet exposures (sum of lines 17 and 18)*	21 730
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)		
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
Capital and total exposure measure		
20	Tier 1 capital	96 710
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	1 627 011
Leverage ratio		
22	Leverage ratio	5,94%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Fully phased in
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	0

Note: the exposures are calculated according to Article 473a of regulation (EU) no 575/2013, including the impact of transitional arrangements for mitigating the impact of the application of IFRS9.

There was no notable move in the value of leverage ratio in 2020.

III.5. Credit risk adjustments

III.5.1. Methodology of valuation and provisions

The financial reports of the OTP Mortgage Bank are based on IFRS regulation. Measurement and provision allocation of assets, investments and off-balance sheet liabilities are realized according to frameworks of relevant IFRS/IAS standards.

In its regulations entitled “International Financing Reporting Standards (IFRS) valuation requirements” OTP Mortgage Bank provides detailed regulations pertaining to the measurement and provision recognition of outstanding debts, investments and off-balance sheet liabilities.

The recognized provision level reflects to the foreseeable risks and potential losses. The amount of the recognized impairment is the difference between the book value of the outstanding debt and the expected amount of the recovered debt. OTP Mortgage Bank recognizes risk provision for off-balance sheet (pending, future) liabilities on the basis of their assessment. If the measurement process reveals that the amount of the risk provision exceeds the amount required on the basis of the assessment, the excess amount of the risk provision is released.

At initial recognition the financial assets must be tested based on the business model and the contracted cash flow characteristics, based on which it can be determined according to which measurement method, specified in the IFRS9 standard, the given asset is to be managed and valued. The assets can be allocated to the following three categories:

- Assets measured at amortized cost
- Assets valued at fair value through other comprehensive income (FVOCI) – IFRS13,
- Assets valued at fair value through profit and loss (FVPL) – IFRS13.

According to the requirements of the IFRS9 standard, upon the initial recognition and on the reporting dates (last calendar day of the reporting month) the assets measured at amortized cost and the assets valued at fair value through other comprehensive income must be allocated to three stages by their credit risk or POCI category:

- Stage 1 category contains the performing deals.
- Those deals, which are performing, but compared to the initial recognition it shows significant increase in credit risk, must be categorized to Stage 2.
- Stage 3 contains the non-performing (credit-impaired) deals.
- Purchased or originated credit impaired assets are financial assets that are impaired already upon the initial recognition. These assets must be classified as POCI.

In case of the Stage 1 deals 12-month credit losses must be calculated by the expectations of the default probability, for Stage 2 and Stage 3 deals lifetime expected losses must be calculated as impairment.

Depending on the item, assessment based on the following aspects:

- client and counterparty rating – financial situation, stability and income generation capability of the client or counterparty affected by the financial and investment service, and any changes in these factors;
- the repayment schedule (overdue days) – patterns of delay on principal and interest payment related to the amortization of the outstanding debt, regular fulfillment of the payment obligation;
- status of restructuring risk contract;
- sovereign risk and changes in the sovereign risk associated with the client (both political risk and transfer risk);
- value, marketability and availability of the securities pledged as collateral and any changes in them;
- marketability of the item (market demand and supply, achievable market prices, share in the issuer’s equity in proportion to the size of the investment),

- future payment obligation, which qualifies as a loss originating from the item,
- significant increase in credit risk compared to the initial recognition.

Probable future losses on the item are determined on a case-by-case basis, in consideration of the above aspects as applicable. If this amount is lower than the amount recognized on the item earlier, it has to be supplemented by the amount of the difference by recognizing a further amount of impairment, or if it is higher, it has to be reduced by the release of the existing amount of impairment.

Delinquent deal: the client doesn't perform his/her payment obligations.

According to the CRR a default shall be considered to have occurred with regard to a particular obligor when either or both of the following events have taken place:

- the institution considers that the obligor is unlikely to pay its credit obligations to the institution, the parent undertaking or any of its subsidiaries in full, without recourse by the institution to actions such as realising security
- the obligor is past due more than 90 days on any material credit obligation to the institution, the parent undertaking or any of its subsidiaries.

If the debts are past due more than 90 days and it derives from non-lending type contracts do not qualify as default event. These exposures are not considered to be impaired.

A credit risk exposure shall be considered as restructured:

- considering the current or future financial difficulties of the client the institution
- provides a concession/allowance in respect of the contract originating the exposure (and this would not be done if the client would not have financial difficulties)

The calculation of credit losses may be carried out on an individual or collective basis.

Portfolio (collective) assessment

The collective assessment based on the following parameters: probability of defaults, cure rate, loss given default. The condition of applying collective assessment is that the assets should be allocable to groups representing similar credit risk based on major credit risk characteristics and their capability to fulfill contractual obligations. The most important variables of the assessment procedure are payment delay, deal/client rating, the restructuring information and the default status.

Upon estimating the future cash flows related to the group(s) of financial assets, the historic credit loss data of the assets representing similar credit risk, the macroeconomic factors and information on the future of financial instruments must be taken into account.

The OTP Mortgage Bank shall measure expected credit losses of a financial asset 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.

Individual assessment

Receivables that are of significant amount on a stand-alone basis with objective evidence of impairment or that the risk management functional area subjected to individual assessment based on monitoring information must be measured individually:

- The cash flows expected from the financial instruments must be defined, which has to be based on at least two scenarios.
- Valuation and revaluation of collaterals is crucial, discounting the cash-flows from the sale of collaterals is an important part of individual assessment.
- The defined cash flows must be discounted to the present value.

- The impairment of the financial instrument is taking into account the riskiness of cash flows and individual collateralization.
- The individual cash-flow estimation also has to be forward looking, which has to contain the information about the macroeconomic environment and the future of the financial instruments.
- If there is a significant change in the credit risk of a financial asset, the impairment calculation must be reviewed taking into account the new information and risks.

Changes in impairment of loan portfolio are presented in in the following notes of the financial statement:

- changes of impairment regarding "Placements with other banks" in Note 5.
- changes of impairment regarding "Loans" in Note 7.

Chart 118: Changes in the stock of general and specific credit risk adjustments

(in HUF million)	Accumulated specific / general credit risk adjustment
Opening balance	5 808
Increases due to amounts set aside for estimated loan losses during the period	1 037
Decreases due to amounts reversed for estimated loan losses during the period	0
Decreases due to amounts taken against accumulated credit risk adjustments	-4 353
Transfers between credit risk adjustments	18 373
Impact of exchange rate differences	0
Cured from default or non-impaired	0
Other adjustments	0
Closing balance	20 865
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	0
Specific credit risk adjustments directly recorded to the statement of profit or loss	48

Chart 119: Changes of non-performing loan exposures

	(in HUF million)	Gross carrying value defaulted exposures
1	Opening balance - 31.12.2019	17 065
2	Loans and debt securities that have defaulted since the last reporting period	6 363
3	Returned to non-defaulted status	1 408
4	Amounts written-off	0
5	Other changes*	-1 055
6	Closing balance - 31.12.2020 (6 = 1 + 2 - 3 - 4 + 5)	20 966

* Contains the IFRS 9 transitional difference

III.5.2. Exposures to credit risk

The presented RWAs and exposures in this chapter are calculated according to Article 473a of regulation (EU) no 575/2013, including the impact of transitional arrangements for mitigating the impact of the application of IFRS9.

Chart 120: Net exposures broken down by net exposure classes (before credit risk mitigation)

Exposures (in HUF million)	31.12.2020	2020 Average
Exposures to central governments or central banks	154 248	83 947
Exposures to regional governments or local authorities	14	81
Exposures to public sector entities	0	28 126
Exposures to multilateral development banks	0	0
Exposures to international organisation	0	0
Exposures to institutions	19 934	24 358
Exposures to corporates	635	987
Retail exposures	15 075	19 450
Exposures secured by mortgages on immovable property	1 398 628	1 347 121
Exposures in default	15 809	17 537
Exposures associated with particularly high risk	1 196	1 196
Exposures in the form of covered bonds	0	0
Exposures to institutions and corporates with a short-term credit assessment	0	0
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	0	0
Equity exposures	1 867	1 867
Other items	18 676	9 680
Total	1 626 082	1 534 350

Chart 121: Exposures broken down by geographical areas (by the country of obligors) on 31st December 2020

(in HUF million)	Exposures to central governments or central banks	Exposures to regional governments or local authorities	Exposures to public sector entities	Exposures to multilateral development banks	Exposures to international organisation	Exposures to institutions	Exposures to corporates	Retail exposures	Exposures secured by mortgages on immovable property	Exposures in default	Exposures associated with particularly high risk	Exposures in the form of covered bonds	Exposures to institutions and corporates with a short-term credit assessment	Exposures in the form of units or shares in collective investment undertakings ('CIUs')	Equity exposures	Other items	Total
Total	154 248	14	0	0	0	19 934	635	15 075	1 398 628	15 809	1 196	0	0	0	1 867	18 676	1 626 082
Hungary	154 244	14	0	0	0	19 934	635	15 075	1 398 553	15 809	1 196	0	0	0	1 867	18 676	1 626 003
Other country	4	0	0	0	0	0	0	0	75	0	0	0	0	0	0	0	79

Chart 122: Exposure classes broken down by counterparty type on 31st December 2020

(in HUF million)	Exposures to central governments or central banks	Exposures to regional governments or local authorities	Exposures to public sector entities	Exposures to multilateral development banks	Exposures to international organisation	Exposures to institutions	Exposures to corporates	Retail exposures	Exposures secured by mortgages on immovable property	Exposures in default	Exposures associated with particularly high risk	Exposures in the form of covered bonds	Exposures to institutions and corporates with a short-term credit assessment	Exposures in the form of units or shares in collective investment undertakings ('CIUs')	Equity exposures	Other items	Total
Total	154 248	14	0	0	0	19 934	635	15 075	1 398 628	15 809	1 196	0	0	0	1 867	18 676	1 626 082
Governments	133 520	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	133 520
Municipal	0	14	0	0	0	0	0	0	0	0	0	0	0	0	0	0	14
Public sector entities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Multilateral development banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Institutions	0	0	0	0	0	19 934	0	0	111 236	0	0	0	0	0	0	0	131 170
Corporate	0	0	0	0	0	0	635	0	0	0	0	0	0	0	0	0	635
Corporate SME	0	0	0	0	0	0	0	0	1 505	6	0	0	0	0	0	0	1 511
Retail	20 728	0	0	0	0	0	0	15 075	1 283 946	15 778	0	0	0	0	0	0	1 335 527
Retail SME	0	0	0	0	0	0	0	0	1 941	25	0	0	0	0	0	0	1 966
Equity	0	0	0	0	0	0	0	0	0	0	1 196	0	0	0	1 867	0	3 063
Other*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	18 676	18 676

* Other, non-credit risk items; collective, investment funds; part of intangible assets to be accounted for in RWA; IFRS 9 transition effect

Chart 123: Exposure classes broken down by residual maturity on 31st December 2020

(in HUF million)	On demand	≤ 1 year	> 1 year ≤ 5 year	> 5 year	No stated maturity	Total
Total	0	12 098	317 387	1 271 356	25 241	1 626 082
Exposures to central governments or central banks	0	4 964	119 208	28 209	1 867	154 248
Exposures to regional governments or local authorities	0	0	0	14	0	14
Exposures to public sector entities	0	0	0	0	0	0
Exposures to multilateral development banks	0	0	0	0	0	0
Exposures to international organisation	0	0	0	0	0	0
Exposures to institutions	0	4 994	14 940	0	0	19 934
Exposures to corporates	0	551	0	84	0	635
Retail exposures	0	1	99	13 340	1 635	15 075
Exposures secured by mortgages on immovable property	0	1 546	182 084	1 214 998	0	1 398 628
Exposures in default	0	42	1 056	14 711	0	15 809
Exposures associated with particularly high risk	0	0	0	0	1 196	1 196
Exposures in the form of covered bonds	0	0	0	0	0	0
Exposures to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	0	0	0	0	0	0
Equity exposures	0	0	0	0	1 867	1 867
Other items	0	0	0	0	18 676	18 676

Chart 124: Credit quality of forbore exposures

(in HUF million)	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forbore exposures	
	Performing forbore	Non-performing forbore		On performing forbore exposures	On non-performing forbore exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures	
		Of which defaulted	Of which impaired					
Loans and advances	4 140	7 650	7 650	7 201	-459	-1 648	9 656	6 002
<i>Central banks</i>	0	0	0	0	0	0	0	0
<i>General governments</i>	0	0	0	0	0	0	0	0
<i>Credit institutions</i>	0	0	0	0	0	0	0	0
<i>Other financial corporations</i>	0	0	0	0	0	0	0	0
<i>Non-financial corporations</i>	0	0	0	0	0	0	0	0
<i>Households</i>	4 140	7 650	7 650	7 201	-459	-1 648	9 656	6 002
Debt securities	0	0	0	0	0	0	0	0
Loan commitments given	1	0	0	0	0	0	1	0
Total	4 140	7 650	7 650	7 201	-459	-1 648	9 657	6 002

Chart 125: Credit quality of performing and non-performing exposures by past due days

(in HUF million)	Gross carrying amount/nominal amount												
	Performing exposures			Non-performing exposures									Of which defaulted
	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years			
Loans and advances	1 438 076	1 432 652	5 425	20 769	14 409	4 168	1 534	482	157	8	12	20 769	
<i>Central banks</i>	0	0	0	0	0	0	0	0	0	0	0	0	
<i>General governments</i>	0	0	0	0	0	0	0	0	0	0	0	0	
<i>Credit institutions</i>	126 181	126 181	0	0	0	0	0	0	0	0	0	0	
<i>Other financial corporations</i>	0	0	0	0	0	0	0	0	0	0	0	0	
<i>Non-financial corporations</i>	0	0	0	0	0	0	0	0	0	0	0	0	
<i>Of which SMEs</i>	0	0	0	0	0	0	0	0	0	0	0	0	
<i>Households</i>	1 311 895	1 306 470	5 425	20 769	14 409	4 168	1 534	482	157	8	12	20 769	
Debt securities	126 931	126 931	0	0	0	0	0	0	0	0	0	0	
<i>Central banks</i>	0	0	0	0	0	0	0	0	0	0	0	0	
<i>General governments</i>	126 931	126 931	0	0	0	0	0	0	0	0	0	0	
<i>Credit institutions</i>	0	0	0	0	0	0	0	0	0	0	0	0	
<i>Other financial corporations</i>	0	0	0	0	0	0	0	0	0	0	0	0	
<i>Non-financial corporations</i>	0	0	0	0	0	0	0	0	0	0	0	0	
Off-balance-sheet exposures	40 512			271								271	
<i>Central banks</i>	0			0								0	
<i>General governments</i>	0			0								0	
<i>Credit institutions</i>	3 306			0								0	
<i>Other financial corporations</i>	0			0								0	
<i>Non-financial corporations</i>	0			0								0	
<i>Households</i>	37 206			271								271	
Total	1 605 519	1 559 582	5 425	21 041	14 409	4 168	1 534	482	157	8	12	21 041	

Chart 126: Performing and non-performing exposures and related provisions

(in HUF million)	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Collateral and financial guarantees received		
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Accumulated partial write-off	On performing exposures	On non-performing exposures
	Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3				
Loans and advances	1 438 076	904 141	218 207	20 769	0	17 989	-16 846	-2 711	-14 135	-4 281	0	-3 816	0	1 360 422	16 254
Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Credit institutions	126 181	126 181	0	0	0	0	-400	-400	0	0	0	0	0	0	124 478
Other financial corporations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Of which: SMEs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Households	1 311 895	777 960	218 207	20 769	0	17 989	-16 445	-2 311	-14 135	-4 281	0	-3 816	0	1 235 945	16 254
Debt securities	126 931	126 931	0	0	0	0	-202	-202	0	0	0	0	0	0	0
Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	126 931	126 931	0	0	0	0	-202	-202	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Off-balance-sheet exposures	40 512	35 108	5 405	271	0	271	-682	-159	-523	-50	0	-50	0	12 473	169
Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Credit institutions	3 306	3 306	0	0	0	0	-12	-12	0	0	0	0	0	3 294	0
Other financial corporations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Households	37 206	31 802	5 405	271	0	271	-670	-147	-523	-50	0	-50	0	9 179	169
Total	1 605 519	1 066 179	223 612	21 041	0	18 261	-17 731	-3 073	-14 658	-4 331	0	-3 866	0	1 372 895	16 424

Chart 127: Collateral obtained by taking possession and execution processes

(in HUF million)	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)	0	0
Other than PP&E	0	0
Residential immovable property	0	0
Commercial immovable property	0	0
Movable property (auto, shipping, etc)	0	0
Equity and debt instruments	0	0
Other	0	0
Total	0	0

Chart 128: Credit quality of exposures by exposure class and instrument on 31st December 2020

(in HUF million)	Gross carrying values of		Specific/General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Exposures to central governments or central banks	0	153 821	-420	153 401
Exposures to regional governments or local authorities	0	14	0	14
Exposures to public sector entities	0	0	0	0
Exposures to multilateral development banks	0	0	0	0
Exposures to international organisation	0	0	0	0
Exposures to institutions	0	19 993	-59	19 934
Exposures to corporates	14	635	-8	641
Retail exposures	20 928	18 749	-7 952	31 725
Exposures secured by mortgages on immovable property	0	1 415 064	-16 436	1 398 628
Exposures in default	0	0	0	0
Exposures associated with particularly high risk	0	1 196	0	1 196
Exposures in the form of covered bonds	0	0	0	0
Exposures to institutions and corporates with a short-term credit assessment	0	0	0	0
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	0	0	0	0
Equity exposures	0	1 867	0	1 867
Other exposures	0	18 676	0	18 676
Total	20 942	1 630 015	-24 875	1 626 082

Chart 129: Credit quality of exposures by counterparty types on 31st December 2020

(in HUF million)	Gross carrying values of		Specific / General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Governments	0	133 694	-174	133 520
Municipal	0	14	0	14
Public sector entities	0	0	0	0
Multilateral development banks	0	0	0	0
Institutions	0	131 570	-400	131 170
Corporate	5	636	-6	635
Corporate SME	9	1 513	-11	1 511
Retail	20 894	1 338 853	-24 220	1 335 527
Retail SME	34	1 996	-64	1 966
Equity	0	3 063	0	3 063
Other*	0	18 676	0	18 676
Total	20 942	1 630 015	-24 875	1 626 082

* Other, non-credit risk items; collective, investment funds; part of intangible assets to be accounted for in RWA; IFRS 9 transition effect

Chart 130: Credit quality of exposures by geography on 31st December 2020

(in HUF million)	Gross carrying values of		Specific / General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Összesen	20 942	1 630 015	-24 875	1 626 083
Hungary	20 942	1 629 934	-24 873	1 626 004
Other country	0	81	-2	79

Chart 131: Overview of CRM techniques

(in HUF million)	Exposures unsecured - Carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans	1 612 035	35 669	14 940	20 728	0
Total debt securities	0	0	0	0	0
Total exposures	1 612 035	35 669	14 940	20 728	0
Of which defaulted	15 919	847	0	847	0

Note: the table contains exposures secured by financial collaterals and guarantees. Exposures secured by mortgage collaterals are included in "exposures unsecured" column.

Chart 132: Credit quality of loans and advances subject to moratoria on loan repayments applied in the light of the COVID-19 crisis

(in HUF million)	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount	Inflows to non-performing exposures
	Performing			Non performing				Performing			Non performing					
	Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days				
Loans and advances subject to moratorium	681 357	663 180	3 128	156 323	18 177	7 140	12 036	-15 452	-11 619	-358	-10 534	-3 833	-1 548	-2 084	320	
of which: Households	681 357	663 180	3 128	156 323	18 177	7 140	12 036	-15 452	-11 619	-358	-10 534	-3 833	-1 548	-2 084	320	
of which: Collateralised by residential immovable property	649 903	632 378	3 119	149 574	17 525	7 087	11 512	-14 817	-11 081	-358	-10 057	-3 726	-1 535	-2 009	263	
of which: Non-financial corporations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
of which: Small and Medium-sized Enterprises	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
of which: Collateralised by commercial immovable property	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	

The OTP Mortgage Bank applies that legislative moratoria on loan repayments which includes the suspend the payment (principal and interest) within a limited period of time with the purpose to offer solution for clients' short-term liquidity shortage which is caused by this extraordinary pandemic situation.

Chart 133: Volume of loans and advances subject to legislative and non-legislative moratoria by residual maturity of these moratoria

(in HUF million)	Number of obligors	Gross carrying amount	Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
					Loans and advances for which moratorium was offered	106 119	681 357		
Loans and advances subject to moratorium (granted)	106 119	681 357	681 357	0	681 357	0	0	0	0
of which: Households		681 357	681 357	0	681 357	0	0	0	0
of which: Collateralised by residential immovable property		649 903	649 903	0	649 903	0	0	0	0
of which: Non-financial corporations		0	0	0	0	0	0	0	0
of which: Small and Medium-sized Enterprises		0	0	0	0	0	0	0	0
of which: Collateralised by commercial immovable property		0	0	0	0	0	0	0	0

The length of the applied moratoria is driven by the legislative conditions of the moratoria. The moratorium based payment facilities are revised how it is required by considering legal source.

Chart 134: Newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

(in HUF million)	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forbore	Public guarantees received	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	0	0	0	0
of which: Households	0			0
of which: Collateralised by residential immovable property	0			0
of which: Non-financial corporations	0	0	0	0
of which: Small and Medium-sized Enterprises	0			0
of which: Collateralised by commercial immovable property	0			0

The measure and the length of the moratorium related state guarantees depends of the concerning conditions of the given state subsidy.

III.6. Use of external credit assessment institutions

Chart 135: Exposures broken down by credit quality steps (CQS) of obligors

(in HUF million)	Risk weight											Total	Of which unrated
	0%	4%	10%	20%	35%	50%	75%	100%	150%	250%			
Exposures to central governments or central banks	154 248	0	0	0	0	0	0	0	0	0	0	154 248	154 248
Exposures to regional governments or local authorities	0	0	0	14	0	0	0	0	0	0	0	14	14
Exposures to public sector entities	0	0	0	0	0	0	0	0	0	0	0	0	0
Exposures to multilateral development banks	0	0	0	0	0	0	0	0	0	0	0	0	0
Exposures to international organisation	0	0	0	0	0	0	0	0	0	0	0	0	0
Exposures to institutions	4 994	0	0	0	0	0	0	0	0	0	0	4 994	4 994
Exposures to corporates	62	0	0	0	0	0	0	573	0	0	0	635	635
Retail exposures	0	0	0	0	0	0	15 075	0	0	0	0	15 075	15 075
Exposures secured by mortgages on immovable property	0	0	0	0	1 235 464	40 864	122 238	62	0	0	0	1 398 628	1 351 829
Exposures in default	0	0	0	0	0	0	0	13 712	2 097	0	0	15 809	15 809
Exposures associated with particularly high risk	0	0	0	0	0	0	0	0	1 196	0	0	1 196	1 196
Exposures in the form of covered bonds	0	0	0	0	0	0	0	0	0	0	0	0	0
Exposures to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0	0
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity exposures	0	0	0	0	0	0	0	1 867	0	0	0	1 867	1 867
Other exposures	251	0	0	0	0	0	0	18 425	0	0	0	18 676	18 676
Total	159 555	0	0	14	1 235 464	40 864	137 313	34 639	3 293	0	0	1 611 142	1 564 343

Note: „of which unrated” column contains the exposures which do not have external credit ratings

III.7. Capital requirement for operational risk

Capital requirement for operational risk of OTP Mortgage Bank was HUF 1 487 million at the end of 2020, which was determined by advanced measurement approaches.

Chart 136: Operational risk capital requirements on 31st December 2020:

Operational risk capital requirement's breakdown based on methods (in HUF million)	
Basic Indicator Approach	0
Standardised Approach	0
Alternative Standardised Approach	0
Advanced Measurement Approach	1 487
Total	1 487

III.8. Exposures in equities not included in the trading book on 31st December 2020

Chart 137: Exposures in equities not included in the trading book according to IFRS on 31st December 2020

Entity	Balance sheet value (in HUF million)	Listed (Exchanged-traded)
OTP Ingatlanpont Ltd.	1 867	No
OTP Pénzügyi Pont Ltd.	1 196	No

III.9. Exposure to interest rate risk on positions not included in the trading book

Asset-Liability Directorate of OTP Bank measures banking book interest rate risk exposure monthly, and also presents it as part of the consolidated exposure to the management with the same frequency.

The size and direction of the exposure is determined based on sensitivity analysis mainly.

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 were prepared by assuming only the adversing interest rate changes. The main assumptions were as follows:

- Floating-rate assets and liabilities were repriced to the modelled benchmark yields at the repricing dates assuming the unchanged margin compared to the last repricing.
- Fixed-rate assets and liabilities were repriced at the contractual maturity date.
- As for liabilities with discretionary repricing feature by the Bank were assumed to be repriced with two-weeks delay, assuming no change in the margin compared to the last repricing date.
- The assets and liabilities with interest rate lower than 0.3% assumed to be unchanged during the whole period.
- The sensitivity of interest income to changes in BUBOR is analyzed.

The simulation were prepared by assuming two scenarios:

- HUF base rate and BUBOR decreases gradually by 15 bps over the next year (scenario 1)
- HUF base rate and BUBOR decreases gradually by 60 bps over the next year (scenario 2)

The net interest income in a one year period beginning with January 1, 2021 would be increased by HUF 246 million (scenario 1) and increased by HUF 984 million (scenario 2) as a result of these simulation.

Chart 138: The effects of the parallel shifts of the yield-curves to the net interest income on a one-year period

Description (in HUF million)	Effects to the net interest income in one year period
HUF -0.1% parallel shift	272
HUF 0.1% parallel shift	-275
EUR -0.1% parallel shift	
USD 0.1% parallel shift	
Total	-275

III.10. Disclosure of encumbered and unencumbered assets

Chart 139: The encumbered and unencumbered assets in carrying and fair value amounts by broad categories of asset type

(in HUF million)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution	1 024 761		496 550	
Equity instruments	0		0	
Debt securities	78 187		17 739	17 739
Other assets	0		6 811	

Chart 140: Collateral received, by broad categories of product type

(in HUF million)	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	0	0
Equity instruments	0	0
Debt securities	0	0
Other collateral received	0	0
Own debt securities issued other than own covered bonds or ABSs	0	0

Chart 141: Encumbered assets/collateral received and associated liabilities

(in HUF million)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	742 381	1 032 220

Information on importance of encumbrance

OTP Mortgage Bank finances its assets mostly (by 72% on 31 December 2020) by issuing mortgage bonds. The collateral for these mortgage bonds is the mortgage portfolio granted from these funds. On 31 December 2020, the carrying amount of the encumbered loan portfolio was HUF 1 081 billion. The encumbered assets grew by 26,08% in 2020.

In 2020, OTP Mortgage Bank's receivables that can be accepted as collateral exceeded the issued mortgage bond portfolio by 39% on average (in respect of the carrying amounts).

III.11. Liquidity risk

The activity of mortgage banks founded and operating in Hungary is regulated by Act XXX of 1997 on Mortgage Banks and on Mortgage Bonds. OTP Mortgage Bank Ltd. is a specialized credit institution, its most important business activity is retail lending secured by mortgages on real estates located in Hungary. OTP Mortgage Bank is not authorized to collect deposits and it is permitted to engage in derivative transactions for reasons of liquidity and risk management operations only. OTP Mortgage Bank Ltd. defines the following goals in connection with liquidity risk management.

The primary goal is to guarantee the financial obligations at all times: the company has to be able to fulfill its obligations of payments due, in the proper currency, and to perform the necessary transactions to maintain the solvency position. The fulfilment of financial obligations compliant with regulatory requirements regarding liquidity is also essential. Besides securing solvency and complying with legal obligations the secondary purpose is to achieve these goals via the best option while taking profitability into account. The target of the risk management policy of OTP Mortgage Bank is risk-aware operation: it is significant to identify, evaluate and continuously monitor liquidity and other forms of financial risk and to share the information with the management of the company.

The Board of Directors of OTP Mortgage Bank Ltd. approved the report of the Treasury, Issuance and Refinancing Department on financial risks and risk management with resolution no. 9/2021 (2 March 2021).

Chart 142: OTP Mortgage Bank's liquidity coverage ratio

Description	31.12.2020
(in HUF million)	
Liquidity Buffer	17 017
Total Net Liquidity Outflow	875
Liquidity Coverage Ratio (%)	1 944%

Declaration on liquidity risk

The Board of Directors of OTP Mortgage Bank makes the below declaration, in accordance with Article 435 of regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR) and guideline no. 9/2017 (VIII.8.) of the National Bank of Hungary.

By its profile and business strategy OTP Mortgage Bank is a specialized credit institution engaged in retail mortgage lending and is regulated by Act XXX of 1997 on Mortgage Banks and on Mortgage Bonds. The Board of Directors believes that the liquidity risk management arrangements of the company are sufficient with regard to the profile and business strategy of the company.

Definition of liquidity risk management policy and regulation of practices regarding evaluation and management of liquidity risk are laid down in OTP Mortgage Bank Ltd's Regulation on liquidity and interest rate risk. It is approved by the Board of Directors of the company and is reviewed at least annually. Being the subsidiary of OTP Bank Plc. OTP Mortgage Bank is a member of OTP Group. OTP Bank has a group-level regulation on interest- and liquidity risk management. According to this liquidity exposure is monitored and managed on a consolidated basis as well.

The department responsible for liquidity risk management within the company is the Treasury, Issuance and Refinancing Department.

The department prepares a quarterly report on the liquidity exposure of the company, the related money and capital market transactions and limit measures for the Management Committee and the Board of Directors. The internal auditor monitors the liquidity risk management operation of the company within its annual program in accordance with the guideline no. 12/2015. (VIII. 24.) of the National Bank of Hungary on the evaluation, management and control of liquidity risk.

OTP Mortgage Bank complied with requirements defined by the regulatory framework and met limits with regard to liquidity risk defined by internal regulations, the Board of Directors believes that the liquidity risk exposure of

the company complies with the profile of a specialized credit institution and the liquidity risk management policy of the company.

III.12. Geographical distribution of the activity, return on assets ratio

Chart 143: Geographical distribution of the activity, return on assets ratio

Description (in HUF million)	Hungary year 2020
Turnover	72,427
Profit or loss before tax	-5,365
Tax on profit or loss	3,295
Public subsidies received	0
Number of employees on a full time basis	37
Return on assets	-0.37%

IV. OTP Building Society

Information required to be disclosed regarding OTP Building Society Ltd. ("OTP Building Society") is not presented in this chapter separately only in the OTP Group Chapter, if it is the same as OTP Group level publications.

IV.1. Corporate Governance

Chart 144: The number of board memberships of OTP Building Society's board members in other companies

Members of the Board of Directors	Number of board memberships (according to CRR Art. 435. paragraph (2))		Member of Supervisory Board	Number of board memberships (according to CRR Art. 435. paragraph (2))	
	outside OTP Group	in OTP Group*		outside OTP Group	in OTP Group*
Antal György KOVÁCS	-	5	Beáta SUKOVICH	-	-
Attila KOVÁCS	-	2	Dr. Júlia ERŐS	1	-
Csaba NAGY	-	3	Dr. Tamás GUDRA	2	-
Anna FLOROVA MITKOVA	-	4	József WINDHEIM	-	2
Árpád SRANKÓ	-	2	*with the exception of directorships held at OTP Building Society		
András BECSEI	1	1			

The number of directorships includes the membership of Board of Directors and the Supervisory Board as well

Chart 145: Board members' education data

Board of Directors		Supervisory Board	
Antal György KOVÁCS		Beáta SUKOVICH	
University of Economics, Budapest	MSc in Economics (1985)	University of Miskolc	MSc in Economics (2002) Economics, Law (2006)
Attila KOVÁCS		Dr. Júlia ERŐS	
University of Economics, Budapest	MSc in Economics (2001)	Eötvös Loránd University, Budapest	MSc in Law (2001)
Csaba NAGY		Dr. Tamás GUDRA	
College of Finance and Accounting, Hungary	BSc in Economics (1993)	College of Commerce, Catering and Tourism	BSc in Economics (1993) Chartered accountant (1997)
Anna FLOROVA MITKOVA		Ministry of Finance, Budapest	
G.V. Plehanov University of Economics, Moscow	MSc in Economics (1989)	University of Pécs	MSc in Law (2010)
University of Economics, Postgraduate Department, Budapest	MSc in Economics with bank management specialization (1996)	József WINDHEIM	
Árpád SRANKÓ		Janus Pannonius University	
University of Economics, Budapest	MSc in Economics (2004)		MSc in Economics (1983) Economics, Law (1996)
András BECSEI			
University of Economics, Budapest	MSc in Economics (2001)		

IV.2. Regulatory capital and capital requirements

IV.2.1. Capital adequacy of OTP Building Society

The capital requirement calculation of OTP Building Society is based on IFRS and audited data on 31st December 2020.

OTP Building Society applied standardized capital calculation method regarding credit and market risk and advanced measurement approach (AMA) regarding the operational risk. OTP Building Society regulatory capital requirement was HUF 2 606 million as of end of December 2020 and the amount of regulatory capital was HUF 32 231 million. The capital adequacy ratio calculated in line with Article 92 of CRR stood at 98,97%.

Chart 146: OTP Building Society's overview of RWAs

(in HUF million)	RWAs		Minimum capital requirements	
	31.12.2020		31.12.2020	
Credit risk (excluding CCR)	28 008		2 241	
Of which the standardised approach	28 008		2 241	
CCR	0		0	
Of which mark to market	0		0	
Of which CVA	0		0	
Market risk	0		0	
Of which the standardised approach	0		0	
Operational risk	4 558		365	
Of which basic indicator approach	0		0	
Of which standardised approach	0		0	
Of which advances measurement approach	4 558		365	
Total	32 566		2 606	

Note: the credit risk RWA is calculated according to Article 473a of regulation (EU) no 575/2013, including the effect of transitional arrangements for mitigating the impact of the application of IFRS9

Chart 147: Credit risk exposure and CRM effects on 31st December 2020

(in HUF million)	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWA density
Exposures to central governments or central banks	320 938	0	320 938	0	0	0,00%
Exposures to regional governments or local authorities	0	0	0	0	0	0,00%
Exposures to public sector entities	1	0	1	0	0	0,00%
Exposures to multilateral development banks	0	0	0	0	0	0,00%
Exposures to international organisation	0	0	0	0	0	0,00%
Exposures to institutions	25 982	0	25 982	0	0	0,00%
Exposures to corporates	1 035	67	1 035	33	1 048	98,13%
Retail exposures	55	64	55	32	65	74,71%
Exposures secured by mortgages on immovable property	29 542	0	29 542	0	22 162	75,02%
Exposures in default	337	0	337	0	411	121,96%
Exposures associated with particularly high risk	0	0	0	0	0	0,00%
Exposures in the form of covered bonds	96 924	0	96 924	0	3 139	3,24%
Exposures to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0,00%
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	0	0	0	0	0	0,00%
Equity exposures	0	0	0	0	0	0,00%
Other items	1 277	10	1 277	10	1 183	91,92%
Total	476 091	141	476 091	75	28 008	5,88%

IV.2.2. Information about disclosure requirements related to the regulatory capital in line with Commission Implementing Regulation (EU) no. 1423/2013

Chart 148: Mapping of financial statement categories with regulatory categories

Description (in HUF million)	Carrying values of items					
	Carrying values as reported in published financial statements	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Cash, amounts due from banks and balances with the National Banks	239	239	0	0	0	0
Placements with other banks, net of allowance for placement losses	25 743	25 743	0	0	0	0
Repo receivables	0	0	0	0	0	0
Financial assets at fair value through profit or loss	0	0	0	0	0	0
Financial assets at fair value through other comprehensive income	38 574	38 574	0	0	0	39
Loans	30 869	30 869	0	0	0	0
Securities at amortised cost	378 741	378 741	0	0	0	0
Investment properties	0	0	0	0	0	0
Investments in subsidiaries	0	0	0	0	0	0
Intangible assets	114	113	0	0	0	1
Property and equipment	10	10	0	0	0	0
Right-of-use assets	104	104	0	0	0	0
Derivative financial assets designated as hedge accounting relationships	0	0	0	0	0	0
Deferred tax assets	0	0	0	0	0	0
Current tax receivables	95	95	0	0	0	0
Other assets	660	660	0	0	0	0
Total assets	475 149	475 148	0	0	0	40
Amounts due to banks, the National Governments, deposits from the National Banks and other banks	0	0	0	0	0	0
Deposits from customers	430 538	0	0	0	0	430 538
Repo liabilities	0	0	0	0	0	0
Liabilities from issued securities	0	0	0	0	0	0
Subordinated bonds and loans	0	0	0	0	0	0
Financial liabilities at fair value through profit or loss	0	0	0	0	0	0
Held for trading derivative financial liabilities	0	0	0	0	0	0
Derivative financial liabilities designated as hedge accounting relationships	0	0	0	0	0	0
Deferred tax liabilities	1 225	0	0	0	0	1 225
Leasing liabilities	107	0	0	0	0	107
Other liabilities	7 419	0	0	0	0	7 419
Total liabilities	439 289	0	0	0	0	439 289

Chart 149: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

Description (in HUF million)	Total	Items subject to			
		Credit risk framework	CCR framework	Securitisation framework	Market risk framework
Assets carrying value amount under the scope of regulatory consolidation (as per template EU L11)	475 149	475 148	0	0	0
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU L11)	439 289	0	0	0	0
Total net amount under the regulatory scope of consolidation	35 860	0	0	0	0
Off-balance sheet amounts	141	75	0	0	0
Non deducted from regulatory capital, capital requirement increase elements	0	0	0	0	0
Differences because the transitional arrangements related to IFRS 9 or analogous ECLs*	943	943	0	0	0
Exposure amounts considered for regulatory purposes	476 166	476 166	0	0	0

* Calculated according to article 473a of 575/2013 regulation.

Due to the COVID 19 pandemia, in order to strengthen the banking system, Hungarian National Bank requests banks to make sure that dividends are neither approved, nor paid until the 30.09.2021. In this document the regulatory capital is presented in line with the request of Hungarian National Bank and dividend payment is not taken into account in the regulatory capital.

Chart 150: OTP Building Society's regulatory capital

Total regulatory capital (in HUF million)	31 December 2020	Cross reference to raws of own funds disclosure template
Paid in capital	2 000	(1)
General reserve	4 801	(2)
Retained earnings	12 946	(2)
Accumulated other comprehensive income and other reserves	8 340	(3)
Balance sheet profit or loss	3 241	(2)
Intangible assets (-)	-1	(8)
Prudential filters	-39	(7)
Deferred tax assets	0	(10)
Other transitional adjustments (1)	943	(26)
Common Equity Tier 1 capital	32 231	(29)
Total Tier 1 capital	32 231	(45)
Total Tier 2 capital	0	(58)
Total regulatory capital	32 231	(59)

(1) Transitional arrangements for mitigating the impact of the application of IFRS9 on own funds according to Article 473a of regulation (EU) no 575/2013.

Chart 151: Breakdown of regulatory capital including transitional arrangements for mitigating the impact of the application of IFRS9 on own funds in accordance with Article 473a of regulation (EU) no 575/2013

Common Equity Tier 1 capital: instruments and reserves (in HUF million)	(A) 31 December 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
1 Capital instruments and the related share premium accounts	2 000	26 (1), 27, 28, 29, EBA list 26 (3)	
of which: share	2 000	EBA list 26 (3)	
2 Retained earnings (1)	20 988	26 (1) (c)	
3 Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	8 340	26 (1)	
3a Funds for general banking risk	0	26 (1) (f)	
4 Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	0	486 (2)	
5 Minority interests (amount allowed in consolidated CET1)	0	84, 479, 480	
5a Independently reviewed interim profits net of any foreseeable charge or dividend	0	26 (2)	
6 Common Equity Tier 1 (CET1) capital before regulatory adjustments	31 328		
Common Equity Tier 1 (CET1) capital: regulatory adjustments (in HUF million)	(A) 31 December 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
7 Additional value adjustments (negative amount)	-39	34, 105	
8 Intangible assets (net of related tax liability) (negative amount)	-1	36 (1) (b), 37, 472 (4)	
10 Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	0	36 (1) (c), 38, 472 (5)	
11 Fair value reserves related to gains or losses on cash flow hedges		33 (1) (a)	
12 Negative amounts resulting from the calculation of expected loss amounts		36 (1) (d), 40, 159, 472 (6)	
13 Any increase in equity that results from securitised assets (negative amount)		32 (1)	
14 Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33 (1) (b)	
15 Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41, 472 (7)	
16 Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		36 (1) (f), 42, 472 (8)	
17 Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36 (1) (g), 44, 472 (9)	
18 Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (1)- (3), 79, 472 (10)	
19 Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1)-(3), 79, 470, 472 (11)	

Common Equity Tier 1 (CET1) capital: regulatory adjustments (in HUF million)	(A) 31 December 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
20a Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)	
20b of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89-91	
		36 (1) (k) (ii)	
20c of which: securitisation positions (negative amount)		243 (1) (b)	
		244 (1) (b)	
		258	
20d of which: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)	
21 Deferred tax assets arising from temporary difference (amount above 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
22 Amount exceeding the 15% threshold (negative amount)		48 (1)	
23 of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b), 470, 472 (11)	
24 of which: deferred tax assets arising from temporary difference		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
25a Losses for the current financial year (negative amount)		36 (1) (a), 472 (3)	
25b Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)	
26 Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment (2)	943		
27 Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)		36 (1) (j)	
28 Total regulatory adjustments to Common Equity Tier 1 (CET1)	903		
29 Common Equity Tier 1 (CET1) capital	32 231		

Additional Tier 1 (AT1) capital: instruments (in HUF million)	(A) 31 December 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
30 Capital instruments and the related share premium accounts		51, 52	
31 of which: classified as equity under applicable accounting standards			
32 of which: classified as liabilities under applicable accounting standards			
33 Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1		486 (3)	
34 Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties		85, 86, 480	
35 of which: instruments issued by subsidiaries subject to phase-out		486 (3)	
36 Additional Tier 1 (AT1) capital before regulatory adjustments	0		

	(A)	(B)	(C)
Additional Tier 1 (AT1) capital: regulatory adjustments (in HUF million)	31 December 2020	REGULATION (EU) No 575/2013 ARTICLE REFERENCE	AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
37 Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52 (1) (b), 56 (a), 57, 475 (2)	
38 Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56 (b), 58, 475 (3)	
39 Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (c), 59, 60, 79, 475 (4)	
40 Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (d), 59, 79, 475 (4)	
42 Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56 (e)	
43 Total regulatory adjustments to Additional Tier 1 (AT1) capital	0		
44 Additional Tier 1 (AT1) capital	0		
45 Tier 1 capital (T1 = CET1 + AT1)	32 231		
	(A)	(B)	(C)
Tier 2 (T2) capital: instruments and provisions (in HUF million)	31 December 2020	REGULATION (EU) No 575/2013 ARTICLE REFERENCE	AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
46 Capital instruments and the related share premium accounts		62, 63	
47 Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		486 (4)	
48 Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party		87, 88, 480	
49 of which: instruments issued by subsidiaries subject to phase-out		486 (4)	
50 Credit risk adjustments		62 (c) & (d)	
51 Tier 2 (T2) capital before regulatory adjustment	0		

	(A)	(B)	(C)
Tier 2 (T2) capital: regulatory adjustments (in HUF million)	31 December 2020	REGULATION (EU) No 575/2013 ARTICLE REFERENCE	AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
52 Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63 (b) (i), 66 (a), 67, 477 (2)	
53 Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)		66 (b), 68, 477 (3)	
54 Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		66 (c), 69, 70, 79, 477 (4)	
55 Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)		66 (d), 69, 79, 477 (4)	
57 Total regulatory adjustments to Tier 2 (T2) capital	0		
58 Tier 2 (T2) capital	0		
59 Total capital (TC = T1 + T2)	32 231		
60 Total risk weighted assets	32 566		

	(A)	(B)	(C)
Capital ratios and buffers (in HUF million)	31 December 2020	REGULATION (EU) No 575/2013 ARTICLE REFERENCE	AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
61 Common Equity Tier 1 (as a percentage of total risk exposure amount)	98,97%	92 (2) (a), 465	
62 Tier 1 (as a percentage of total risk exposure amount)	98,97%	92 (2) (b), 465	
63 Total capital (as a percentage of total risk exposure amount)	98,97%	92 (2) (c)	
64 Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of total risk exposure amount)	7,000%	CRD 128, 129, 130, 131 and 133	
65 of which: capital conservation buffer requirement	2,500%		
66 of which: countercyclical buffer requirement			
67 of which: systemic risk buffer requirement (3)			
67a of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer		CRD 131	
68 Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	90,97%	CRD 128	

Amounts below the thresholds for deduction (before risk-weighting) (in HUF million)	(A) 31 December 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
72 Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	
73 Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36 (1) (i), 45, 48, 470, 472 (11)	
75 Deferred tax assets arising from temporary difference (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)		36 (1) (c), 38, 48, 470, 472 (5)	

Applicable caps on the inclusion of provisions in Tier 2 (in HUF million)	(A) 31 December 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
76 Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		62	
77 Cap on inclusion of credit risk adjustments in T2 under standardised approach		62	
78 Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)		62	
79 Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		62	

Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022) (in HUF million)	(A) 31 December 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
80 Current cap on CET1 instruments subject to phase-out arrangements		484 (3), 486 (2) & (5)	
81 Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484 (3), 486 (2) & (5)	
82 Current cap on AT1 instruments subject to phase-out arrangements		484 (4), 486 (3) & (5)	
83 Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) & (5)	
84 Current cap on T2 instruments subject to phase-out arrangements		484 (5), 486 (4) & (5)	
85 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484 (5), 486 (4) & (5)	

- (1) Profit for financial year 2020 is included in retained earnings.
- (2) Transitional arrangements for mitigating the impact of the application of IFRS9 on own funds according to Article 473a of regulation (EU) no 575/2013.
- (3) Capital buffer is not implemented
- (4) Not relevant capital buffer

Chart 152: The effect of the transitional arrangements for mitigating the impact of the introduction of IFRS9 on own funds in accordance with Article 473a of regulation (EU) no 575/2013

IFRS 9 effect		31.12.2020
(in HUF million)		
Regulatory capital		
1	Common Equity Tier 1 (CET1) capital	32 231
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	31 288
3	Tier 1 capital	32 231
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	31 288
5	Total capital	32 231
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	31 288
Total risk weighted assets		
7	Total risk weighted assets	32 566
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	31 623
Capital ratios		
9	Common Equity Tier 1 (as a percentage of total risk exposure amount)	98,97%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	98,94%
11	Tier 1 (as a percentage of total risk exposure amount)	98,97%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	98,94%
13	Total capital (as a percentage of total risk exposure amount)	98,97%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	98,94%
Leverage ratio		
15	Total exposure	476 166
16	Leverage ratio	6,77%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,57%

IV.3. Trading book market and counterparty risks (capital requirements)

Chart 153: Trading book positions capital requirement

Description (in HUF million)	RWAs	Capital requirements
Interest rate risk (general and specific)	0	0
Equity risk (general and specific)	0	0
Foreign exchange risk	0	0
Commodity risk	0	0
Options	0	0
Simplified approach	0	0
Delta-plus method	0	0
Scenario approach	0	0
Securitisation (specific risks)	0	0
Total	0	0

IV.4. Leverage

Chart 154: Net exposure value to leverage ratio

	(in HUF million)	Applicable Amount
1	Total assets as per published financial statements	475 149
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	0
4	Adjustments for derivative financial instruments	0
5	Adjustment for securities financing transactions (SFTs)	0
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	75
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	0
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	0
7	Other adjustments	942
8	Leverage ratio total exposure measure	476 166

Chart 155: Leverage ratio

	(in HUF million)	CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	476 131
2	(Asset amounts deducted in determining Tier 1 capital)	-40
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)*	476 091
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	0
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	0
EU-5a	Exposure determined under Original Exposure Method	0
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	Total derivatives exposures (sum of lines 4 to 10)	0
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	0
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	Counterparty credit risk exposure for SFT assets	0
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	0
15	Agent transaction exposures	0
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	0
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	0

Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	141
18	(Adjustments for conversion to credit equivalent amounts)	-66
19	Other off-balance sheet exposures (sum of lines 17 and 18)	75
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)		
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
Capital and total exposure measure		
20	Tier 1 capital	32 231
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	476 166
Leverage ratio		
22	Leverage ratio	6,77%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Fully phased in
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	0

Note: the exposures are calculated according to Article 473a of regulation (EU) no 575/2013, including the effect of transitional arrangements for mitigating the impact of the application of IFRS9.

There was no significant move in the value of leverage ratio in 2020.

IV.5. Credit risk adjustments

IV.5.1. Methods of valuations and provisions

The financial reports of the OTP Building Society are based on IFRS regulation. Measurement and provision allocation of assets, investments and off-balance sheet liabilities are realized according to frameworks of relevant IFRS/IAS standards.

In its regulations entitled “International Financing Reporting Standards (IFRS) valuation requirements” OTP Building Society provides detailed regulations pertaining to the measurement and provision recognition of outstanding debts, investments and off-balance sheet liabilities.

The recognized provision level reflects to the foreseeable risks and potential losses. The amount of the recognized impairment is the difference between the book value of the outstanding debt and the expected amount of the recovered debt. OTP Building Society recognizes risk provision for off-balance sheet (pending, future) liabilities on the basis of their assessment. If the measurement process reveals that the amount of the risk provision exceeds the amount required on the basis of the assessment, the excess amount of the risk provision is released.

At initial recognition the financial assets must be tested based on the business model and the contracted cash flow characteristics, based on which it can be determined according to which measurement method, specified in the IFRS9 standard, the given asset is to be managed and valued. The assets can be allocated to the following three categories:

- Assets measured at amortized cost
- Assets valued at fair value through other comprehensive income (FVOCI) – IFRS13,
- Assets valued at fair value through profit and loss (FVPL) – IFRS13.

According to the requirements of the IFRS9 standard, upon the initial recognition and on the reporting dates (last calendar day of the reporting month) the assets measured at amortized cost and the assets valued at fair value through other comprehensive income must be allocated to three stages by their credit risk or POCI category:

- Stage 1 category contains the performing deals.
- Those deals, which are performing, but compared to the initial recognition it shows significant increase in credit risk, must be categorized to Stage 2.
- Stage 3 contains the non-performing (credit-impaired) deals.
- Purchased or originated credit impaired assets are financial assets that are impaired already upon the initial recognition. These assets must be classified as POCI.

In case of the Stage 1 deals 12-month credit losses must be calculated by the expectations of the default probability, for Stage 2 and Stage 3 deals lifetime expected losses must be calculated as impairment.

Depending on the item, assessment based on the following aspects:

- client and counterparty rating – financial situation, stability and income generation capability of the client or counterparty affected by the financial and investment service, and any changes in these factors;
- the repayment schedule (overdue days) – patterns of delay on principal and interest payment related to the amortization of the outstanding debt, regular fulfillment of the payment obligation;
- status of restructuring risk contract;
- sovereign risk and changes in the sovereign risk associated with the client (both political risk and transfer risk);
- value, marketability and availability of the securities pledged as collateral and any changes in them;
- marketability of the item (market demand and supply, achievable market prices, share in the issuer’s equity in proportion to the size of the investment),

- future payment obligation, which qualifies as a loss originating from the item,
- significant increase in credit risk compared to the initial recognition.

Probable future losses on the item are determined on a case-by-case basis, in consideration of the above aspects as applicable. If this amount is lower than the amount recognized on the item earlier, it has to be supplemented by the amount of the difference by recognizing a further amount of impairment, or if it is higher, it has to be reduced by the release of the existing amount of impairment.

Delinquent deal: the client doesn't perform his/her payment obligations.

According to the CRR a default shall be considered to have occurred with regard to a particular obligor when either or both of the following events have taken place:

- the institution considers that the obligor is unlikely to pay its credit obligations to the institution, the parent undertaking or any of its subsidiaries in full, without recourse by the institution to actions such as realising security
- the obligor is past due more than 90 days on any material credit obligation to the institution, the parent undertaking or any of its subsidiaries.

If the debts are past due more than 90 days and it derives from non-lending type contracts do not qualify as default event. These exposures are not considered to be impaired.

A credit risk exposure shall be considered as restructured:

- considering the current or future financial difficulties of the client the institution
- provides a concession/allowance in respect of the contract originating the exposure (and this would not be done if the client would not have financial difficulties)

The calculation of credit losses may be carried out on an individual or collective basis.

Portfolio (collective) assessment

The collective assessment based on the following parameters: probability of defaults, cure rate, loss given default. The condition of applying collective assessment is that the assets should be allocable to groups representing similar credit risk based on major credit risk characteristics and their capability to fulfill contractual obligations. The most important variables of the assessment procedure are payment delay, deal/client rating, the restructuring information and the default status.

Upon estimating the future cash flows related to the group(s) of financial assets, the historic credit loss data of the assets representing similar credit risk, the macroeconomic factors and information on the future of financial instruments must be taken into account.

The OTP Building Society shall measure expected credit losses of a financial asset 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.

Individual assessment

Receivables that are of significant amount on a stand-alone basis with objective evidence of impairment or that the risk management functional area subjected to individual assessment based on monitoring information must be measured individually:

- The cash flows expected from the financial instruments must be defined, which has to be based on at least two scenarios.
- Valuation and revaluation of collaterals is crucial, discounting the cash-flows from the sale of collaterals is an important part of individual assessment.
- The defined cash flows must be discounted to the present value.

- The impairment of the financial instrument is taking into account the riskiness of cash flows and individual collateralization.
- The individual cash-flow estimation also has to be forward looking, which has to contain the information about the macroeconomic environment and the future of the financial instruments.
- If there is a significant change in the credit risk of a financial asset, the impairment calculation must be reviewed taking into account the new information and risks.

Changes in impairment of loan portfolio are presented in in the following notes of the financial statement:

- changes of impairment regarding “Securities at amortised cost” in Note 9.
- changes of impairment regarding “Loans” in Note 7.

Chart 156: Changes in the stock of general and specific credit risk adjustments

(in HUF million)	Accumulated specific / general credit risk adjustment
Opening balance	612
Increases due to amounts set aside for estimated loan losses during the period	54
Decreases due to amounts reversed for estimated loan losses during the period	0
Decreases due to amounts taken against accumulated credit risk adjustments	0
Transfers between credit risk adjustments	712
Impact of exchange rate differences	0
Cured from default or non-impaired	0
Other adjustments	0
Closing balance	1 378
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	0
Specific credit risk adjustments directly recorded to the statement of profit or loss	0

Chart 157: Changes of non-performing loan exposures

	(in HUF million)	Gross carrying value defaulted exposures
1	Opening balance - 31.12.2019	343
2	Loans and debt securities that have defaulted since the last reporting period	163
3	Returned to non-defaulted status	40
4	Amounts written-off	0
5	Other changes*	-21
6	Closing balance - 31.12.2020 (6 = 1 + 2 - 3 - 4 + 5)	446

* Contains the IFRS 9 transitional difference

IV.5.2. Exposures to credit risk

The presented RWAs and exposures in this chapter are calculated according to Article 473a of regulation (EU) no 575/2013, including the impact of transitional arrangements for mitigating the impact of the application of IFRS9.

Chart 158: Net exposures broken down by net exposure classes (before credit risk mitigation)

Exposures (in HUF million)	31.12.2020	2020 Average
Exposures to central governments or central banks	320 938	309 122
Exposures to regional governments or local authorities	0	109
Exposures to public sector entities	1	1
Exposures to multilateral development banks	0	0
Exposures to international organisation	0	0
Exposures to institutions	25 982	17 968
Exposures to corporates	1 068	964
Retail exposures	87	134
Exposures secured by mortgages on immovable property	29 542	30 380
Exposures in default	337	352
Exposures associated with particularly high risk	0	0
Exposures in the form of covered bonds	96 924	99 073
Exposures to institutions and corporates with a short-term credit assessment	0	0
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	0	0
Equity exposures	0	0
Other items	1 287	949
Total	476 166	459 052

Chart 159: Exposures broken down by geographical areas (by the country of obligors) on 31st December 2020

(in HUF million)	Exposures to central governments or central banks	Exposures to regional governments or local authorities	Exposures to public sector entities	Exposures to multilateral development banks	Exposures to international organisation	Exposures to institutions	Exposures to corporates	Retail exposures	Exposures secured by mortgages on immovable property	Exposures in default	Exposures associated with particularly high risk	Exposures in the form of covered bonds	Exposures to institutions and corporates with a short-term credit assessment	Exposures in the form of units or shares in collective investment undertakings ('CIUs')	Equity exposures	Other items	Total
Total	320 938	0	1	0	0	25 982	1 068	87	29 542	337	0	96 924	0	0	0	1 287	476 166
Hungary	320 938	0	1	0	0	25 982	1 068	87	29 542	337	0	96 924	0	0	0	1 287	476 166

Chart 160: Exposure classes broken down by counterparty type on 31st December 2020

(in HUF million)	Exposures to central governments or central banks	Exposures to regional governments or local authorities	Exposures to public sector entities	Exposures to multilateral development banks	Exposures to international organisation	Exposures to institutions	Exposures to corporates	Retail exposures	Exposures secured by mortgages on immovable property	Exposures in default	Exposures associated with particularly high risk	Exposures in the form of covered bonds	Exposures to institutions and corporates with a short-term credit assessment	Exposures in the form of units or shares in collective investment undertakings ('CIUs')	Equity exposures	Other items	Total
Total	320 938	0	1	0	0	25 982	1 068	87	29 542	337	0	96 924	0	0	0	1 287	476 166
Governments	320 938	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	320 938
Municipal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Public sector entities	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Multilateral development banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Institutions	0	0	0	0	0	25 982	0	0	0	0	0	96 924	0	0	0	0	122 906
Corporate	0	0	0	0	0	0	960	0	17	0	0	0	0	0	0	0	977
Corporate SME	0	0	0	0	0	0	88	0	0	0	0	0	0	0	0	0	88
Retail	0	0	0	0	0	0	20	87	29 525	337	0	0	0	0	0	0	29 969
Retail SME	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1 287	1 287

* Other, non-credit risk items; collective, investment funds; part of intangible assets to be accounted for in RWA; IFRS 9 transition effect

Chart 161: Exposure classes broken down by residual maturity on 31st December 2020

(in HUF million)	On demand	≤ 1 year	> 1 year ≤ 5 year	> 5 year	No stated maturity	Total
Total	0	36 310	184 625	253 830	1 401	476 166
Exposures to central governments or central banks	0	3 679	109 229	207 933	97	320 938
Exposures to regional governments or local authorities	0	0	0	0	0	0
Exposures to public sector entities	0	0	0	0	1	1
Exposures to multilateral development banks	0	0	0	0	0	0
Exposures to international organisation	0	0	0	0	0	0
Exposures to institutions	0	25 982	0	0	0	25 982
Exposures to corporates	0	110	493	445	20	1 068
Retail exposures	0	3	40	48	-4	87
Exposures secured by mortgages on immovable property	0	1 438	10 528	17 576	0	29 542
Exposures in default	0	5	63	269	0	337
Exposures associated with particularly high risk	0	0	0	0	0	0
Exposures in the form of covered bonds	0	5 093	64 272	27 559	0	96 924
Exposures to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	0	0	0	0	0	0
Equity exposures	0	0	0	0	0	0
Other items	0	0	0	0	1 287	1 287

Chart 162: Credit quality of forbore exposures

(in HUF million)	Gross carrying amount/nominal amount of exposures with forbearance measures			Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forbore exposures		
	Performing forbore	Non-performing forbore		On performing forbore exposures	On non-performing forbore exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures	
		Of which defaulted	Of which impaired					
Loans and advances	20	0	0	0	-1	0	19	0
<i>Central banks</i>	0	0	0	0	0	0	0	0
<i>General governments</i>	0	0	0	0	0	0	0	0
<i>Credit institutions</i>	0	0	0	0	0	0	0	0
<i>Other financial corporations</i>	0	0	0	0	0	0	0	0
<i>Non-financial corporations</i>	0	0	0	0	0	0	0	0
<i>Households</i>	20	0	0	0	-1	0	19	0
Debt securities	0	0	0	0	0	0	0	0
Loan commitments given	0	0	0	0	0	0	0	0
Total	20	0	0	0	-1	0	19	0

Chart 163: Credit quality of performing and non-performing exposures by past due days

(in HUF million)	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted	
Loans and advances	56 728	56 647	82	446	360	44	17	4	21	0	0	446
<i>Central banks</i>	0	0	0	0	0	0	0	0	0	0	0	0
<i>General governments</i>	0	0	0	0	0	0	0	0	0	0	0	0
<i>Credit institutions</i>	25 743	25 743	0	0	0	0	0	0	0	0	0	0
<i>Other financial corporations</i>	1	1	0	0	0	0	0	0	0	0	0	0
<i>Non-financial corporations</i>	990	972	18	0	0	0	0	0	0	0	0	0
<i>Of which SMEs</i>	87	87	0	0	0	0	0	0	0	0	0	0
<i>Households</i>	29 994	29 931	63	446	360	44	17	4	21	0	0	446
Debt securities	418 048	418 048	0	0	0	0	0	0	0	0	0	0
<i>Central banks</i>	0	0	0	0	0	0	0	0	0	0	0	0
<i>General governments</i>	320 903	320 903	0	0	0	0	0	0	0	0	0	0
<i>Credit institutions</i>	97 144	97 144	0	0	0	0	0	0	0	0	0	0
<i>Other financial corporations</i>	0	0	0	0	0	0	0	0	0	0	0	0
<i>Non-financial corporations</i>	0	0	0	0	0	0	0	0	0	0	0	0
Off-balance-sheet exposures	132			0								0
<i>Central banks</i>	0			0								0
<i>General governments</i>	0			0								0
<i>Credit institutions</i>	0			0								0
<i>Other financial corporations</i>	0			0								0
<i>Non-financial corporations</i>	67			0								0
<i>Households</i>	65			0								0
Total	474 908	474 694	82	446	360	44	17	4	21	0	0	446

Chart 164: Performing and non-performing exposures and related provisions

(in HUF million)	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Collateral and financial guarantees received		
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Accumulated partial write-off	On performing exposures	On non-performing exposures
	Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3				
Loans and advances	56 728	47 737	8 991	446	0	446	-537	-68	-470	-109	0	-109	0	29 233	336
Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Credit institutions	25 743	25 743	0	0	0	0	0	0	0	0	0	0	0	0	0
Other financial corporations	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-financial corporations	990	920	171	0	0	0	-39	-3	-36	0	0	0	0	4	0
Of which SMEs	87	81	6	0	0	0	-2	0	-1	0	0	0	0	0	0
Households	29 994	21 174	8 820	446	0	446	-409	-65	-434	-109	0	-109	0	29 229	336
Debt securities	418 048	418 048	0	0	0	0	-732	-732	0	0	0	0	0	0	0
Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	320 903	320 903	0	0	0	0	-512	-512	0	0	0	0	0	0	0
Credit institutions	97 144	97 144	0	0	0	0	-221	-221	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Off-balance-sheet exposures	132	132	0	0	0	0	-1	-1	0	0	0	0	0	0	0
Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-financial corporations	67	67	0	0	0	0	0	0	0	0	0	0	0	0	0
Households	65	65	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	474 908	465 916	8 991	446	0	446	-1 270	-800	-470	-109	0	-109	0	29 233	336

Chart 165: Collateral obtained by taking possession and execution processes

(in HUF million)	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)	0	0
Other than PP&E	0	0
Residential immovable property	0	0
Commercial immovable property	0	0
Movable property (auto, shipping, etc)	0	0
Equity and debt instruments	0	0
Other	0	0
Total	0	0

Chart 166: Credit quality of exposures by exposure class and instrument on 31st December 2020

(in HUF million)	Gross carrying values of		Specific/General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Exposures to central governments or central banks	0	321 399	-461	320 938
Exposures to regional governments or local authorities	0	0	0	0
Exposures to public sector entities	0	1	0	1
Exposures to multilateral development banks	0	0	0	0
Exposures to international organisation	0	0	0	0
Exposures to institutions	0	25 982	0	25 982
Exposures to corporates	0	1 088	-20	1 068
Retail exposures	446	94	-116	424
Exposures secured by mortgages on immovable property	0	30 038	-496	29 542
Exposures in default	0	0	0	0
Exposures associated with particularly high risk	0	0	0	0
Exposures in the form of covered bonds	0	97 134	-210	96 924
Exposures to institutions and corporates with a short-term credit assessment	0	0	0	0
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	0	0	0	0
Equity exposures	0	0	0	0
Other exposures	0	1 287	0	1 287
Total	446	477 023	-1 303	476 166

Chart 167: Credit quality of exposures by counterparty types on 31st December 2020

(in HUF million)	Gross carrying values of		Specific / General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Governments	0	321 399	-461	320 938
Municipal	0	0	0	0
Public sector entities	0	1	0	1
Multilateral development banks	0	0	0	0
Institutions	0	123 116	-210	122 906
Corporate	0	1 015	-38	977
Corporate SME	0	89	-1	88
Retail	446	30 116	-593	29 969
Retail SME	0	0	0	0
Equity	0	0	0	0
Other*	0	1 287	0	1 287
Total	446	477 023	-1 303	476 166

* Other, non-credit risk items; collective, investment funds; part of intangible assets to be accounted for in RWA; IFRS 9 transition effect

Chart 168: Credit quality of exposures by geography on 31st December 2020

(in HUF million)	Gross carrying values of		Specific / General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Total	446	477 023	-1 303	476 166
Hungary	446	477 023	-1 303	476 166

Chart 169: Overview of CRM techniques

(in HUF million)	Exposures unsecured - Carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans	476 232	0	0	0	0
Total debt securities	0	0	0	0	0
Total exposures	476 232	0	0	0	0
Of which defaulted	337	0	0	0	0

Note: the table is content the exposures secured by financial guarantees, collateral. The exposures secured by real estate are in th “exposures unsecured – carrying amount” column.

Chart 170: Credit quality of loans and advances subject to moratoria on loan repayments applied in the light of the COVID-19 crisis

(in HUF million)	Gross carrying amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk						Gross carrying amount	Inflows to non-performing exposures	
	Performing			Non performing			Performing			Non performing					
	Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days		Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days				
Loans and advances subject to moratorium	12 877	12 457	9	4 874	420	0	348	-413	-313	-1	-289	-99	0	-80	14
of which: Households	12 443	12 023	9	4 756	420	0	348	-384	-285	-1	-282	-99	0	-80	14
of which: Collateralised by residential immovable property	11 799	11 388	9	4 521	411	0	339	-368	-270	-1	-249	-98	0	-79	14
of which: Non-financial corporations	434	434	0	117	0	0	0	-28	-28	0	-27	0	0	0	0
of which: Small and Medium-sized Enterprises	49	49	0	5	0	0	0	-1	-1	0	-1	0	0	0	0
of which: Collateralised by commercial immovable property	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

The OTP Building Society applies that legislative moratoria on loan repayments which includes the suspend the payment (principal and interest) within a limited period of time with the purpose to offer solution for clients' short-term liquidity shortage which is caused by this extraordinary pandemic situation.

Chart 171: Volume of loans and advances subject to legislative and non-legislative moratoria by residual maturity of these moratoria

(in HUF million)	Number of obligors	Gross carrying amount	Residual maturity of moratoria						
			Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances for which moratorium was offered	4 838	12 877							
Loans and advances subject to moratorium (granted)	4 838	12 877	12 877	0	12 877	0	0	0	0
of which: Households		12 443	12 443	0	12 443	0	0	0	0
of which: Collateralised by residential immovable property		11 799	11 799	0	11 799	0	0	0	0
of which: Non-financial corporations		434	434	0	434	0	0	0	0
of which: Small and Medium-sized Enterprises		49	49	0	49	0	0	0	0
of which: Collateralised by commercial immovable property		0	0	0	0	0	0	0	0

The length of the applied moratoria is driven by the legislative conditions of the moratoria. The moratorium based payment facilities are revised how it is required by considering legal source.

Chart 172: Newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

(in HUF million)	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forbore	Public guarantees received	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	0	0	0	0
of which: Households	0			0
of which: Collateralised by residential immovable property	0			0
of which: Non-financial corporations	0	0	0	0
of which: Small and Medium-sized Enterprises	0			0
of which: Collateralised by commercial immovable property	0			0

The measure and the length of the moratorium related state guarantees depends of the concerning conditions of the given state subsidy.

IV.6. Use of External Credit Assessment Institutions

Chart 173: Exposures broken down by credit quality steps (CQS) of obligors

(in HUF million)	Risk weight											Total	Of which unrated
	0%	4%	10%	20%	35%	50%	75%	100%	150%	250%			
Exposures to central governments or central banks	320 938	0	0	0	0	0	0	0	0	0	0	320 938	320 938
Exposures to regional governments or local authorities	0	0	0	0	0	0	0	0	0	0	0	0	0
Exposures to public sector entities	1	0	0	0	0	0	0	0	0	0	0	1	1
Exposures to multilateral development banks	0	0	0	0	0	0	0	0	0	0	0	0	0
Exposures to international organisation	0	0	0	0	0	0	0	0	0	0	0	0	0
Exposures to institutions	25 982	0	0	0	0	0	0	0	0	0	0	25 982	25 982
Exposures to corporates	0	0	0	0	0	0	0	1 068	0	0	0	1 068	1 068
Retail exposures	0	0	0	0	0	0	87	0	0	0	0	87	87
Exposures secured by mortgages on immovable property	0	0	0	0	0	0	29 526	16	0	0	0	29 542	29 542
Exposures in default	0	0	0	0	0	0	0	188	149	0	0	337	337
Exposures associated with particularly high risk	0	0	0	0	0	0	0	0	0	0	0	0	0
Exposures in the form of covered bonds	90 645	0	0	0	0	0	6 279	0	0	0	0	96 924	96 924
Exposures to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0	0
Exposures in the form of units or shares in collective investment undertakings (CIUs)	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity exposures	0	0	0	0	0	0	0	0	0	0	0	0	0
Other exposures	104	0	0	0	0	0	0	1 183	0	0	0	1 287	1 287
Total	437 670	0	0	0	0	0	6 279	29 613	2 455	149	0	476 166	476 166

Note: „Of which unrated” column contains the exposures which do not have external credit ratings

IV.7. Capital requirement for operational risk

Capital requirement for operational risk of OTP Building Society amounted to HUF 365 million on 31st December 2020, which was determined by advanced measurement approaches.

Chart 174: Operational risk capital requirements on 31st December 2020

Operational risk capital requirement's breakdown based on methods (in HUF million)	
Basic Indicator Approach	0
Standardised Approach	0
Alternative Standardised Approach	0
Advanced Measurement Approach	365
Total	365

IV.8. Exposures in equities not included in the trading book on 31st December 2020

There is no exposures, which are in equities not included in the trading book.

IV.9. Exposure to interest rate risk on positions not included in the trading book

The interest rate exposure of LTP is negligible as it hedges its fixed rate deposits with fixed rate bonds and loans.

IV.10. Disclosure of encumbered and unencumbered assets

Chart 175: The encumbered and unencumbered assets in carrying and fair value amounts by broad categories of asset type

(in HUF million)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution	0		459 060	
Equity instruments	0		0	
Debt securities	0		408 021	
Other assets	0		2 428	

Chart 176: Collateral received, by broad categories of product type

(in HUF million)	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	0	0
Equity instruments	0	0
Debt securities	0	0
Other collateral received	0	0
Own debt securities issued other than own covered bonds or ABSs	0	0

Chart 177: Encumbered assets/collateral received and associated liabilities

(in HUF million)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	0	0

In addition to its equity capital, OTP Building Society's assets are wholly financed from customer deposits, therefore it does not have encumbered assets.

IV.11. Liquidity risk

The activity of home savings and loan associations founded and operating in Hungary are in Act CXIII of 1996 on Home Savings and Loan Associations. The principle function of OTP Building Society is to manage deposits and disburse loans pursuant to an agreement in the territory of Hungary. The OTP Building Society defines the following purposes connected with the liquidity risk management.

The primary purpose is to guarantee the performance of outstanding financial obligations: the company has to be able to comply the obligations of payment at the expiration date, with correct currency, and it has to perform the necessary transactions to maintain the solvency position at all times. Besides this the fulfilment of liquidity obligations specified in law is significant also. Besides securing solvency and complying with legal obligations the secondary purpose is to achieve these goals via the best way from the possible solutions from a profitability point of view. The purpose of risk management politics of OTP Building Society is the risk-aware operation: it is significant to identify, value and continuous monitor the liquidity and other kind of financial risks of commercial activities and to share the information of monitoring with the management of the company. The OTP Building Society is the subsidiary of the OTP Bank Plc. and the member of the OTP Group. The OTP Bank Plc. has a group-valid regulation about interest- and liquidity risk management. Based on this regulation the OTP Group is monitoring and managing the liquidity risk in Group level.

OTP Building Society Ltd's "Regulation on liquidity and interest rate risk" – approved by the Managing Committee - contains the relevant regulations in connection with the liquidity risk management policy, risk valuation and managing of liquidity risk. The department responsible for liquidity risk management within the company is the Finance and Accounting and Risk Management Department. The responsible department reporting directly to the management regarding the company's liquidity risk exposure, the related money and capital market transactions and limit measures.

The OTP Building Society Ltd's internal auditor controlling the operation of the company's liquidity risk management proceedings in accordance with the guideline no. 12/2015. (VIII. 24.) of the Central Bank of Hungary.

As the OTP Building Society Ltd complied with requirements of the internal regulations regarding to the liquidity limits, thus the Managing Committee declared that the adequacy if liquidity risk management arrangements of the company as it is in accordance with the company's profile and its' liquidity risk management policy.

Chart 178: OTP Building Society's liquidity coverage ratio

Description	31.12.2020
(in HUF million)	
Liquidity Buffer	326 671
Total Net Liquidity Outflow	47 864
Liquidity Coverage Ratio (%)	682%

IV.12. Regional distribution of the activity, return on assets ratio

Chart 179: Regional distribution of the activity, return on assets ratio

Description	Hungary
(in HUF million)	year 2020
Turnover	5,958
Profit or loss before tax	3,325
Tax on profit or loss	693
Public subsidies received	0
Number of employees on a full time basis	9
Return on assets	0.75%

V. Merkantil Bank

V.1. Corporate Governance

Chart 180: The number of board memberships of Merkantil Bank's board members in other companies

Members of the Board of Directors	Number of board memberships (according to CRR Art. 435. paragraph (2))		Members of the Supervisory Board	Number of board memberships (according to CRR Art. 435. paragraph (2))	
	outside OTP Group	in OTP Group*		outside OTP Group	in OTP Group*
dr. László UTASSY	-	2	dr. Ferenc ECSEDI	-	3
Péter KÖNTÖS	-	1	Ágota SELYMESI	-	1
Tibor CSONKA	-	3	Zsuzsanna SZABÓ	-	-
Ibolya dr. RAJMONNÉ VERES	-	1	dr. Tamás SUCHMAN	-	1
dr. Bálint CSERE	-	2	dr. Ilona TÖRÖK	-	2
Csaba ELEK	-	-			

*with the exception of directorships held at Merkantil Bank

*with the exception of directorships held at Merkantil Bank

The number of directorships includes the membership of Board of Directors and the Supervisory Board as well

Chart 181: Board members' education data

Board of Directors		Supervisory Board	
dr. László UTASSY		dr. Ferenc ECSEDI	
ELTE University, Faculty of law, Budapest	MA in Law (1978)	University of Horticulture	MSc in Food Engineering (1970)
	Legal advisor (1980)	University of Economics, Budapest	MSc in Economics (1980)
Péter KÖNTÖS			University doctor (economics) (1989)
University of Economics, Budapest	MSc in Economics (1979)	University of Horticulture and Food Industry	University doctor (food science) (1988)
Post-graduate School of Economics	Complex Company Planning Analyst (1985)	University of Szeged, Faculty of Law and Political Sciences	MA in Law (2000)
Tibor CSONKA		Corvinus University of Budapest	MBA (2008)
Szent István University, Gödöllő	MSc in Agricultural Economics (2002)	Ágota SELYMESI	
dr. Ibolya RAJMONNÉ VERES	BSc in Economics (2001)	College of Finance and Accounting, Budapest	BSc in Finance (1973)
College of Szolnok		Ministry of Finance, Budapest	Tax adviser (1989)
University of Economics, Budapest	Economist in Project Management (2004)		Chartered accountant (1995)
dr. Bálint CSERE		Penta Unió Education Centre	International tax adviser (2004)
ELTE University, Faculty of Law, Budapest	MA in Law (2000)	Zsuzsanna SZABÓ	
Csaba ELEK		University of Economics, Budapest	MSc in Economics (1978)
College of Finance and Accounting, Budapest	BSc in Finance (1986)	dr. Tamás SUCHMAN	
		Janus Pannonius University, Faculty of Law, Pécs	MA in Law (1981)
		Budapest Technical University	Urbanist (1986)
		dr. Ilona TÖRÖK	
		Janus Pannonius University Faculty of Law, Pécs	MA in Law (1999)

V.2. Regulatory capital and capital requirements

V.2.1. Capital adequacy of Merkantil Bank

The capital requirement calculation of Merkantil Bank on 31st December 2020 is based on IFRS and audited data.

Merkantil Bank applied standardized capital calculation method regarding credit and market risk and advanced measurement approach (AMA) regarding the operational risk. Merkantil Bank's regulatory capital requirement was HUF 24 743 million at the end of December 2020, the amount of regulatory capital was HUF 54 201 million. The capital adequacy ratio calculated in line with article 92 of CRR stood at 17.52%.

Chart 182: Merkantil Bank's overview of RWAs

(in HUF million)	RWAs	Minimum capital requirements
	31.12.2020	31.12.2020
Credit risk (excluding CCR)	290 625	23 250
Of which the standardised approach	290 625	23 250
CCR	0	0
Of which mark to market	0	0
Of which CVA	0	0
Market risk	916	73
Of which the standardised approach	916	73
Operational risk	17 744	1 420
Of which basic indicator approach	0	0
Of which advances measurement approach	17 744	1 420
Total	309 285	24 743

Note: the credit risk RWA is calculated according to Article 473a of regulation (EU) no 575/2013, including the effect of transitional arrangements for mitigating the impact of the application of IFRS9

Chart 183: Credit risk exposure and CRM effects on 31st December 2020

(in HUF million)	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
Central governments or central banks	114 872	0	114 872	0	0	0.00%
Regional government or local authorities	93	0	93	0	19	20.00%
Public sector entities	162	0	162	0	151	93.02%
Multilateral development banks	0	0	0	0	0	
International organisations	0	0	0	0	0	
Institutions	96 550	0	96 550	0	1 729	1.79%
Corporates	186 094	25 761	186 094	4 840	146 842	76.91%
Retail	199 831	0	199 831	0	128 587	64.35%
Secured by mortgages on immovable property	0	0	0	0	0	
Exposures in default	2 797	0	2 797	0	3 195	114.24%
Higher-risk categories	0	0	0	0	0	
Covered bonds	0	0	0	0	0	
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	
Collective investments undertakings	0	0	0	0	0	
Equity	6 375	0	6 375	0	8 590	134.75%
Other items	1 341	494	1 341	247	1 511	95.13%
Total	608 114	26 255	608 114	5 087	290 625	47.39%

V.2.2. Information about disclosure requirements related to the regulatory capital in line with Commission Implementing Regulation (EU) No. 1423/2013

Chart 184: Differences between accounting (IFRS) and regulatory (CRR) scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

Description	Carrying values as reported in published financial statements	Carrying values of items				Not subject to capital requirements or subject to deduction from capital
		Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	
(in HUF million)						
Cash, amounts due from banks and balances with the National Banks	2 259	2 259	0	0	0	0
Placements with other banks, net of allowance for placement losses	28 197	28 197	0	0	0	0
Financial assets at fair value through profit or loss	1 574	0	0	0	1 574	0
Securities available-for-sale	10	10	0	0	0	0
Loans, net of allowance for loan losses	77 183	77 183	0	0	0	0
Finance lease receivables	310 563	310 563	0	0	0	0
Associates and other investments	6 375	6 375	0	0	0	0
Securities held-to-maturity	177 593	177 593	0	0	0	0
Property and equipment	503	503	0	0	0	0
Intangible assets	1 177	0	0	0	0	1 177
Right-of-use assets	277	277	0	0	0	0
Investment properties	102	102	0	0	0	0
Deferred tax	209	209	0	0	0	0
Other assets	4 427	4 427	0	0	0	0
TOTAL ASSETS	610 449	607 698	0	0	1 574	1 177
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	535 984	0	0	0	0	535 984
Deposits from customers	9 639	0	0	0	0	9 639
Fair value adjustment of derivative financial instruments held for trade	505	0	0	0	0	505
Fair value adjustment of derivative financial instruments for not held-for-trade	209	0	0	0	0	209
Other liabilities	7 148	0	0	0	0	7 148
Subordinated bonds and loans	5 001	0	0	0	0	5 001
TOTAL LIABILITIES	558 486	0	0	0	0	558 486

Chart 185: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

Description	Total	Items subject to			
		Credit risk framework	CCR framework	Securitisation framework	Market risk framework
(in HUF million)					
Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	610 449	607 698	0	0	1 574
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	558 486	0	0	0	0
Total net amount under the regulatory scope of	51 963	0	0	0	0
Off-balance-sheet amounts	26 252	5 087	0	0	0
Differences because the transitional arrangements related to IFRS 9 or analogous ECLs*	416	416	0	0	0
Exposure amounts considered for regulatory purposes	614 775	613 201	0	0	1 574

*Calculated according to article 473a of 575/2013 regulation.

Chart 186: Merkantil Bank's regulatory capital

Total regulatory capital (in HUF million)	31.12.2020	Cross reference to rows of transitional own funds disclosure template
Share capital	2 000	(1)
Retained earnings	39 837	(2)
Accumulated other comprehensive income and other reserves	4 313	(3)
Balance sheet profit or loss	5 813	(2)
Intangible assets (-)	-1 177	(8)
Prudential filters	0	(7)
Deferred tax assets	0	(10)
Other transitional adjustments (1)	415	(26)
Common Equity Tier 1 capital	51 201	(29)
Total Tier 1 capital	51 201	(45)
<i>Subordinated debt</i>	5 000	
Of which: eligible in regulatory capital	3 000	
Total Tier 2 capital	3 000	(58)
Of which: general provision	0	
Total regulatory capital	54 201	(59)

(1) Transitional arrangements for mitigating the impact of the application of IFRS9 on own funds according to article 473a of 575/2013 EU regulation.

Chart 187: Breakdown of regulatory capital including transitional arrangements for mitigating the impact of the application of IFRS9 on own funds in accordance with Article 473a of regulation (EU) no 575/2013

Common Equity Tier 1 capital: instruments and reserves (in HUF million)	(A) 31.12.2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
1 Capital instruments and the related share premium accounts	2 000	26 (1), 27, 28, 29, EBA list 26 (3)	
of which: share	2 000	EBA list 26 (3)	
2 Retained earnings (1)	45 650	26 (1) (c)	
3 Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	4 313	26 (1)	
3a Funds for general banking risk		26 (1) (f)	
4 Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		486 (2)	
5 Minority interests (amount allowed in consolidated CET1)		84, 479, 480	
5a Independently reviewed interim profits net of any foreseeable charge or dividend		26 (2)	
6 Common Equity Tier 1 (CET1) capital before regulatory adjustments	51 963		
Common Equity Tier 1 (CET1) capital: regulatory adjustments (in HUF million)	(A) 31.12.2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
7 Additional value adjustments (negative amount)		34, 105	
8 Intangible assets (net of related tax liability) (negative amount)	-1 177	36 (1) (b), 37, 472 (4)	
10 Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 472 (5)	
11 Fair value reserves related to gains or losses on cash flow hedges		33 (a)	
12 Negative amounts resulting from the calculation of expected loss amounts		36 (1) (d), 40, 159, 472 (6)	
13 Any increase in equity that results from securitised assets (negative amount)		32 (1)	
14 Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33 (1) (b)	
15 Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41, 472 (7)	
16 Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		36 (1) (f), 42, 472 (8)	
17 Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36 (1) (g), 44, 472 (9)	
18 Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)	
19 Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1)-(3), 79, 470, 472 (11)	

Common Equity Tier 1 (CET1) capital: regulatory adjustments (continuation) (in HUF million)	(A) 31.12.2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
20a Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)	
20b of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89-91	
		36 (1) (k) (ii)	
20c of which: securitisation positions (negative amount)		243 (1) (b)	
		244 (1) (b)	
		258	
20d of which: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)	
21 Deferred tax assets arising from temporary difference (amount above 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
22 Amount exceeding the 15% threshold (negative amount)		48 (1)	
23 of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b), 470, 472 (11)	
25 of which: deferred tax assets arising from temporary difference		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
25a Losses for the current financial year (negative amount)		36 (1) (a), 472 (3)	
25b Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)	
26 Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment (2)	415		
27 Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)		36 (1) (j)	
28 Total regulatory adjustments to Common Equity Tier 1 (CET1)	-762		
29 Common Equity Tier 1 (CET1) capital	51 201		

Additional Tier 1 (AT1) capital: instruments (in HUF million)	(A) 31.12.2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
30 Capital instruments and the related share premium accounts		51, 52	
31 of which: classified as equity under applicable accounting standards			
32 of which: classified as liabilities under applicable accounting standards			
33 Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1		486 (3)	
34 Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties		85, 86, 480	
35 of which: instruments issued by subsidiaries subject to phase-out		486 (3)	
36 Additional Tier 1 (AT1) capital before regulatory adjustments	0		

Additional Tier 1 (AT1) capital: regulatory adjustments (in HUF million)	(A) 31.12.2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
37 Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52 (1) (b), 56 (a), 57, 475 (2)	
38 Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56 (b), 58, 475 (3)	
39 Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (c), 59, 60, 79, 475 (4)	
40 Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (d), 59, 79, 475 (4)	
42 Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56 (e)	
43 Total regulatory adjustments to Additional Tier 1 (AT1) capital	0		
44 Additional Tier 1 (AT1) capital	0		
45 Tier 1 capital (T1 = CET1 + AT1)	51 201		
Tier 2 (T2) capital: instruments and provisions (in HUF million)	(A) 31.12.2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
46 Capital instruments and the related share premium accounts	3 000 62, 63		
47 Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		486 (4)	
48 Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party		87, 88, 480	
49 of which: instruments issued by subsidiaries subject to phase-out		486 (4)	
50 Credit risk adjustments		62 (c) & (d)	
51 Tier 2 (T2) capital before regulatory adjustment	3 000		

Tier 2 (T2) capital: regulatory adjustments (in HUF million)	(A) 31.12.2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
52 Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63 (b) (i), 66 (a), 67, 477 (2)	
53 Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)		66 (b), 68, 477 (3)	
54 Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		66 (c), 69, 70, 79, 477 (4)	
55 Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)		66 (d), 69, 79, 477 (4)	
57 Total regulatory adjustments to Tier 2 (T2) capital	0		
58 Tier 2 (T2) capital	3 000		
59 Total capital (TC = T1 + T2)	54 201		
60 Total risk weighted assets	309 285		

Capital ratios and buffers (in HUF million)	(A) 31.12.2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
61 Common Equity Tier 1 (as a percentage of total risk exposure amount)	16.55%	92 (2) (a), 465	
62 Tier 1 (as a percentage of total risk exposure amount)	16.55%	92 (2) (b), 465	
63 Total capital (as a percentage of total risk exposure amount)	17.52%	92 (2) (c)	
64 Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of total risk exposure amount)	6.375%	CRD 128, 129, 130	
65 of which: capital conservation buffer requirement	2.500%		
66 of which: countercyclical buffer requirement (3)			
67 of which: systemic risk buffer requirement (3)			
67a of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer (4)		CRD 131	
68 Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	8.55%	CRD 128	

Amounts below the thresholds for deduction (before risk-weighting) (in HUF million)	(A) 31.12.2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
72 Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36 (1) (h), 45, 46, 472 (10) 10 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	
73 Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	1 477	36 (1) (i), 45, 48, 470, 472 (11)	
75 Deferred tax assets arising from temporary difference (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)		36 (1) (c), 38, 48, 470, 472 (5)	

Applicable caps on the inclusion of provisions in Tier 2 (in HUF million)	(A) 31.12.2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
76 Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		62	
77 Cap on inclusion of credit risk adjustments in T2 under standardised approach		62	
78 Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)		62	
79 Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		62	

Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022) (in HUF million)	(A) 31.12.2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
80 Current cap on CET1 instruments subject to phase-out arrangements		484 (3), 486 (2) & (5)	
81 Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484 (3), 486 (2) & (5)	
82 Current cap on AT1 instruments subject to phase-out arrangements		484 (4), 486 (3) & (5)	
83 Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) & (5)	
84 Current cap on T2 instruments subject to phase-out arrangements		484 (5), 486 (4) & (5)	
85 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484 (5), 486 (4) & (5)	

(1) Profit for financial year 2020 and dividend for financial year 2020 are included in retained earnings.

(2) Transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds according to 2017/2395 EU regulation.

(3) Capital buffer is not implemented

(4) Not relevant capital buffer

Chart 188: The effect of the transitional arrangements for mitigating the impact of the application of IFRS9 on own funds in accordance with Article 473a of regulation (EU) no 575/2013

IFRS 9 effect		31.12.2020
(in HUF million)		
Regulatory capital		
1	Common Equity Tier 1 (CET1) capital	51 201
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	50 786
3	Tier 1 capital	51 201
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	50 786
5	Total capital	54 201
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	53 786
Total risk weighted assets		
7	Total risk weighted assets	309 285
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	308 911
Capital ratios		
9	Common Equity Tier 1 (as a percentage of total risk exposure amount)	16.55%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.44%
11	Tier 1 (as a percentage of total risk exposure amount)	16.55%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.44%
13	Total capital (as a percentage of total risk exposure amount)	17.52%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17.41%
Leverage ratio		
15	Total exposure	616 348
16	Leverage ratio	8.31%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8.24%

V.3. Trading book market and counterparty risks (capital requirements)

Chart 189: Trading book positions capital requirement

Description (in HUF million)	RWAs	Capital requirements
Interest rate risk (general and specific)	916	73
Equity risk (general and specific)	0	0
Foreign exchange risk	0	0
Commodity risk	0	0
Options	0	0
Simplified approach	0	0
Delta-plus method	0	0
Scenario approach	0	0
Securitisation (specific risks)	0	0
Total	916	73

Chart 190: Analysis of CCR exposure by approach

Description (in HUF million)	Notional	Replacement cost/current market value	Potential future credit exposure	EEPE (Effective Expected Positive)	Multiplier	EAD post CRM	RWAs
Mark to market		1 496	493			1 989	0
Original exposure	0					0	0
Standardised approach		0			0	0	0
IMM (for derivatives and SFTs)				0	0	0	0
<i>Of which securities financing transactions</i>				0	0	0	0
<i>Of which derivatives and long settlement transactions</i>				0	0	0	0
<i>Of which from contractual cross-product netting</i>				0	0	0	0
Financial collateral simple method (for SFTs)						0	0
Financial collateral comprehensive method (for SFTs)						0	0
VaR for SFTs						0	0
Total							0

Chart 191: CVA capital charge

Description (in HUF million)	Exposure value	RWAs
Total portfolios subject to the advanced method	0	0
VaR component (including the 3 x multiplier)		0
SVaR component (including the 3 x multiplier)		0
All portfolios subject to the standardised method	0	0
Based on the original exposure method	0	0
Total subject to the CVA capital charge	0	0

Chart 192: CCR exposures by regulatory portfolio and risk

Exposure classes (in HUF million)	Risk weight											Total	Of which unrated	
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Egyéb			
Central governments or central banks	281	0	0	0	0	0	0	0	0	0	0	0	281	0
Regional government or local authorities	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Public sector entities	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Multilateral development banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0
International organisations	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Institutions	1 708	0	0	0	0	0	0	0	0	0	0	0	1 708	0
Corporates	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Retail	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other items	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	1 989	0	0	0	0	0	0	0	0	0	0	0	1 989	0

V.4. Leverage

Chart 193: Net exposure value to leverage ratio

	in HUF million	Applicable Amount
1	Total assets as per published financial statements	610 449
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	0
4	Adjustments for derivative financial instruments	1 989
5	Adjustment for securities financing transactions (SFTs)	0
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	5 087
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	0
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	0
7	Other adjustments	-1 177
8	Leverage ratio total exposure measure	616 348

Chart 194: Leverage ratio

	in HUF million	CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	610 449
2	(Asset amounts deducted in determining Tier 1 capital)	-1 177
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	609 272
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	1 496
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	493
EU-5a	Exposure determined under Original Exposure Method	0
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	Total derivatives exposures (sum of lines 4 to 10)	1 989
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	0
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	Counterparty credit risk exposure for SFT assets	0
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	0
15	Agent transaction exposures	0
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	0
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	0
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	26 255
18	(Adjustments for conversion to credit equivalent amounts)	-21 168
19	Other off-balance sheet exposures (sum of lines 17 and 18)	5 087
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)		
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
Capital and total exposure measure		
20	Tier 1 capital	51 201
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	616 348
Leverage ratio		
22	Leverage ratio	8.31%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	0
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	0

Note: the exposures are calculated according to Article 473a of regulation (EU) no 575/2013, including the impact of transitional arrangements for mitigating the impact of the application of IFRS9.

There was no notable move in the value of leverage ratio in 2020.

V.5. Credit risk adjustments

V.5.1. Methods of valuations and provisions

The financial reports of the Merkantil Bank are based on IFRS regulation. Measurement and provision allocation of assets, investments and off-balance sheet liabilities are realized according to frameworks of relevant IFRS/IAS standards.

In its regulations entitled “International Financing Reporting Standards (IFRS) valuation requirements” Merkantil Bank provides detailed regulations pertaining to the measurement and provision recognition of outstanding debts, investments and off-balance sheet liabilities.

The recognized provision level reflects to the foreseeable risks and potential losses. The amount of the recognized impairment is the difference between the book value of the outstanding debt and the expected amount of the recovered debt. Merkantil Bank recognizes risk provision for off-balance sheet (pending, future) liabilities on the basis of their assessment. If the measurement process reveals that the amount of the risk provision exceeds the amount required on the basis of the assessment, the excess amount of the risk provision is released.

At initial recognition the financial assets must be tested based on the business model and the contracted cash flow characteristics, based on which it can be determined according to which measurement method, specified in the IFRS9 standard, the given asset is to be managed and valued. The assets can be allocated to the following three categories:

- Assets measured at amortized cost
- Assets valued at fair value through other comprehensive income (FVOCI) – IFRS13,
- Assets valued at fair value through profit and loss (FVPL) – IFRS13.

According to the requirements of the IFRS9 standard, upon the initial recognition and on the reporting dates (last calendar day of the reporting month) the assets measured at amortized cost and the assets valued at fair value through other comprehensive income must be allocated to three stages by their credit risk or POCI category:

- Stage 1 category contains the performing deals.
- Those deals, which are performing, but compared to the initial recognition it shows significant increase in credit risk, must be categorized to Stage 2.
- Stage 3 contains the non-performing (credit-impaired) deals.
- Purchased or originated credit impaired assets are financial assets that are impaired already upon the initial recognition. These assets must be classified as POCI.

In case of the Stage 1 deals 12-month credit losses must be calculated by the expectations of the default probability, for Stage 2 and Stage 3 deals lifetime expected losses must be calculated as impairment.

Depending on the item, assessment based on the following aspects:

- client and counterparty rating – financial situation, stability and income generation capability of the client or counterparty affected by the financial and investment service, and any changes in these factors;
- the repayment schedule (overdue days) – patterns of delay on principal and interest payment related to the amortization of the outstanding debt, regular fulfillment of the payment obligation;
- status of restructuring risk contract;
- sovereign risk and changes in the sovereign risk associated with the client (both political risk and transfer risk);
- value, marketability and availability of the securities pledged as collateral and any changes in them;
- marketability of the item (market demand and supply, achievable market prices, share in the issuer’s equity in proportion to the size of the investment),

- future payment obligation, which qualifies as a loss originating from the item,
- significant increase in credit risk compared to the initial recognition.

Probable future losses on the item are determined on a case-by-case basis, in consideration of the above aspects as applicable. If this amount is lower than the amount recognized on the item earlier, it has to be supplemented by the amount of the difference by recognizing a further amount of impairment, or if it is higher, it has to be reduced by the release of the existing amount of impairment.

Delinquent deal: the client doesn't perform his/her payment obligations.

According to the CRR a default shall be considered to have occurred with regard to a particular obligor when either or both of the following events have taken place:

- the institution considers that the obligor is unlikely to pay its credit obligations to the institution, the parent undertaking or any of its subsidiaries in full, without recourse by the institution to actions such as realising security
- the obligor is past due more than 90 days on any material credit obligation to the institution, the parent undertaking or any of its subsidiaries.

If the debts are past due more than 90 days and it derives from non-lending type contracts do not qualify as default event. These exposures are not considered to be impaired.

A credit risk exposure shall be considered as restructured:

- considering the current or future financial difficulties of the client the institution
- provides a concession/allowance in respect of the contract originating the exposure (and this would not be done if the client would not have financial difficulties)

The calculation of credit losses may be carried out on an individual or collective basis.

Portfolio (collective) assessment

The collective assessment based on the following parameters: probability of defaults, cure rate, loss given default. The condition of applying collective assessment is that the assets should be allocable to groups representing similar credit risk based on major credit risk characteristics and their capability to fulfill contractual obligations. The most important variables of the assessment procedure are payment delay, deal/client rating, the restructuring information and the default status.

Upon estimating the future cash flows related to the group(s) of financial assets, the historic credit loss data of the assets representing similar credit risk, the macroeconomic factors and information on the future of financial instruments must be taken into account.

The Merkntil Bank shall measure expected credit losses of a financial asset 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.

Individual assessment

Receivables that are of insignificant amount on a stand-alone basis with objective evidence of impairment or that the risk management functional area subjected to individual assessment based on monitoring information must be measured individually:

- The cash flows expected from the financial instruments must be defined, which has to be based on at least two scenarios.
- Valuation and revaluation of collaterals is crucial, discounting the cash-flows from the sale of collaterals is an important part of individual assessment.
- The defined cash flows must be discounted to the present value.

- The impairment of the financial instrument is taking into account the riskiness of cash flows and individual collateralization.
- The individual cash-flow estimation also has to be forward looking, which has to contain the information about the macroeconomic environment and the future of the financial instruments.
- If there is a significant change in the credit risk of a financial asset, the impairment calculation must be reviewed taking into account the new information and risks.

Chart 195: Changes in the stock of general and specific credit risk adjustments

(in HUF million)	Accumulated specific / general credit risk adjustment
Opening balance	10 173
Increases due to amounts set aside for estimated loan losses during the period	4 905
Decreases due to amounts reversed for estimated loan losses during the period	-3 358
Decreases due to amounts taken against accumulated credit risk adjustments	0
Transfers between credit risk adjustments	0
Impact of exchange rate differences	0
Business combinations, including acquisitions and disposals of subsidiaries	0
Other adjustments	-352
Derecognition of financial instruments (sale)	-153
Derecognition of financial instruments (write-offs)	-199
Closing balance	11 368
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	0
Specific credit risk adjustments directly recorded to the statement of profit or loss	0

Chart 196: Changes of non-performing loan exposures

(in HUF million)	Description	Gross carrying value defaulted exposures
Opening balance - 31.12.2019		13 270
Loans and debt securities that have defaulted since the last reporting period		2 253
Returned to non-defaulted status		-3 637
Amounts written-off		-367
Other changes*		-1 031
Closing balance - 31.12.2020		10 489

* Contains the IFRS 9 transitional difference

V.5.2. Exposures to credit risk

The presented RWAs and exposures in this chapter are calculated according to 2017/2395 EU regulation, including the effect of transitional arrangements for mitigating the impact of the application of IFRS9 and the correction in accordance with the Article 1. (7) paragraph b) point.

Chart 197: Net exposures broken down by net exposure classes (before credit risk mitigation)

Exposures (in HUF million)	31.12.2020	2020 Average
Exposures to central governments or central banks	114 872	88 249
Exposures to regional governments or local authorities	93	106
Exposures to public sector entities	162	189
Exposures to multilateral development banks	0	0
Exposures to institutions	96 550	85 927
Exposures to corporates	190 934	174 645
Retail exposures	199 831	191 565
Exposures secured by mortgages on immovable property	0	6
Exposures in default	2 797	4 323
Exposures associated with particularly high risk	0	0
Exposures in the form of covered bonds	0	0
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	0	0
Equity exposures	6 375	6 396
Other items	1 589	1 491
Total	613 201	552 891

Chart 198: Exposures broken down by geographical areas (by the country of obligors) on 31st December 2020

(in HUF million)	Exposures to central governments or central banks	Exposures to regional governments or local authorities	Exposures to public sector entities	Exposures to multilateral development banks	Exposures to institutions	Exposures to corporates	Retail exposures	Exposures secured by mortgages on immovable property	Exposures in default	Exposures associated with particularly high risk	Exposures in the form of covered bonds	Exposures in the form of units or shares in collective investment undertakings ('CIUs')	Equity exposures	Other items	Total
Total	114 872	93	162	0	96 550	190 934	199 831	0	2 797	0	0	0	6 375	1 589	613 201
Hungary	114 872	93	162	0	96 550	188 436	199 831	0	2 797	0	0	0	6 375	1 589	610 703
Bulgaria	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Croatia	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Romania	0	0	0	0	0	2 498	0	0	0	0	0	0	0	0	2 498

Chart 199: Exposure classes broken down by counterparty type on 31st December 2020

(in HUF million)	Exposures to central governments or central banks	Exposures to regional governments or local authorities	Exposures to public sector entities	Exposures to multilateral development banks	Exposures to institutions	Exposures to corporates	Retail exposures	Exposures secured by mortgages on immovable property	Exposures in default	Exposures associated with particularly high risk	Exposures in the form of covered bonds	Exposures in the form of units or shares in collective investment undertakings (CIUs)	Equity exposures	Other items	Total
Total	114 872	93	162	0	96 550	190 934	199 831	0	2 797	0	0	0	6 375	1 589	613 201
Governments	114 872	0	0	0	0	0	0	0	0	0	0	0	0	0	114 872
Municipal	0	93	0	0	0	0	0	0	0	0	0	0	0	0	93
Public sector entities	0	0	162	0	0	0	0	0	0	0	0	0	0	0	162
Institutions	0	0	0	0	96 550	0	0	0	0	0	0	0	0	0	96 550
Corporate	0	0	0	0	0	190 934	0	0	1 591	0	0	0	0	0	192 525
Corporate SME	0	0	0	0	0	104 586	0	0	0	0	0	0	0	0	104 586
Retail	0	0	0	0	0	0	199 831	0	1 206	0	0	0	0	0	201 036
Retail SME	0	0	0	0	0	0	119 198	0	0	0	0	0	0	0	119 198
Equity	0	0	0	0	0	0	0	0	0	0	0	0	6 375	0	6 375
Other*	0	0	0	0	0	0	0	0	0	0	0	0	0	1 589	1 589

* Other, non-credit risk items; collective, investment funds; high risk items

Chart 200: Exposure classes broken down by residual maturity on 31st December 2020

(in HUF million)	On demand	< = 1 year	> 1 year < = 5 year	> 5 year	No stated maturity	Total
Total	0	44 798	270 101	47 586	250 715	613 201
Central governments or central banks	0	0	0	0	114 872	114 872
Regional governments or local authorities	0	2	18	8	65	93
Public sector entities	0	14	134	0	14	162
Institutions	0	1	0	0	96 549	96 550
Corporates	0	31 055	113 999	15 153	30 726	190 934
Retail	0	12 751	154 552	32 294	234	199 831
Secured by mortgages on immovable property	0	0	0	0	0	0
Exposures in default	0	975	1 398	132	292	2 797
Items associated with particularly high risk	0	0	0	0	0	0
Covered bonds	0	0	0	0	0	0
Equity exposures	0	0	0	0	6 375	6 375
Other exposures	0	0	0	0	1 589	1 589

Chart 1: Credit quality of forbore exposures

(in HUF million)	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forbore exposures	
	Performing forbore	Non-performing forbore		On performing forbore exposures	On non-performing forbore exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures	
		Of which defaulted	Of which impaired					
Loans and advances	242	3 272	3 272	3 272	-9	-2 897	262	0
Central banks	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0
Non-financial corporations	209	183	183	183	-6	-148	203	0
Households	32	3 089	3 089	3 089	-3	-2 750	59	0
Debt securities	0	0	0	0	0	0	0	0
Loan commitments given	0	0	0	0	0	0	0	0
Total	242	3 272	3 272	3 272	-9	-2 897	262	0

Chart 2: Credit quality of performing and non-performing exposures by past due days

(in HUF million)	Gross carrying amount/nominal amount											Of which defaulted
	Performing exposures			Non-performing exposures								
	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years		
Loans and advances	416 492	415 136	1 356	10 489	3 977	171	68	477	2 745	1 676	1 376	10 489
Central banks	0	0	0	0	0	0	0	0	0	0	0	0
General governments	4 181	4 181	0	0	0	0	0	0	0	0	0	0
Credit institutions	28 238	28 238	0	0	0	0	0	0	0	0	0	0
Other financial corporations	4 002	3 993	9	2	0	0	0	0	2	0	0	2
Non-financial corporations	256 278	255 585	693	3 352	2 396	105	51	281	274	89	155	3 352
Of which SMEs	232 982	232 289	693	3 350	2 396	105	51	281	274	89	153	3 350
Households	123 793	123 139	654	7 135	1 581	66	17	195	2 469	1 587	1 221	7 135
Debt securities	177 924	177 924	0	0	0	0	0	0	0	0	0	0
Central banks	0	0	0	0	0	0	0	0	0	0	0	0
General governments	112 786	112 786	0	0	0	0	0	0	0	0	0	0
Credit institutions	65 138	65 138	0	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0	0	0	0	0	0
Off-balance-sheet exposures	25 856											
Central banks	0											
General governments	0											
Credit institutions	0											
Other financial corporations	1 489											
Non-financial corporations	24 268											
Households	99											
Total	620 272	593 060	1 356	10 489	3 977	171	68	477	2 745	1 676	1 376	10 489

Chart 3: Performing and non-performing exposures and related provisions

(in HUF million)	Gross carrying amount/nominal amount				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				Accumulated partial write-off	Collateral and financial guarantees received					
	Performing exposures		Non-performing exposures		Performing exposures – accumulated impairment and provisions		Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			On performing exposures	a nemteljesítő kitételegek után				
	Of which stage 1	Of which stage 2	Of which stage 2	Of which stage 3	Of which stage 1	Of which stage 2	Of which stage 2	Of which stage 3							
Loans and advances	416 492	360 875	55 618	10 489	0	10 489	-3 055	-736	-2 319	-7 982	0	-7 982	0	385 240	2 507
Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	4 181	4 171	10	0	0	0	-4	-4	0	0	0	0	0	4 177	0
Credit institutions	28 238	28 238	0	0	0	0	-41	-41	0	0	0	0	0	0	0
Other financial corporations	4 002	3 982	20	2	0	2	-71	-70	-1	-1	0	-1	0	3 931	0
Non-financial corporations	256 278	218 049	38 229	3 352	0	3 352	-1 771	-400	-1 371	-1 518	0	-1 518	0	254 507	1 833
Of which SMEs	232 982	195 955	37 027	3 350	0	3 350	-1 467	-351	-1 115	-1 517	0	-1 517	0	231 515	1 833
Households	123 793	106 434	17 359	7 135	0	7 135	-1 168	-221	-948	-6 462	0	-6 462	0	122 624	673
Debt securities	177 924	177 924	0	0	0	0	0	0	0	0	0	0	0	0	0
Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	112 786	112 786	0	0	0	0	0	0	0	0	0	0	0	0	0
Credit institutions	65 138	65 138	0	0	0	0	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Off-balance-sheet exposures	25 856	25 147	709	0	0	0	0	-81	-17	0	0	0	0	0	0
Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other financial corporations	1 489	1 489	0	0	0	0	0	-29	0	0	0	0	0	0	0
Non-financial corporations	24 268	23 559	709	0	0	0	0	-52	-17	0	0	0	0	0	0
Households	99	99	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	620 272	563 945	56 327	10 489	0	10 489	-3 055	-818	-2 336	-7 982	0	-7 982	0	385 240	2 507

Chart 201: Collateral obtained by taking possession and execution processes

(in HUF million)	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)	0	0
Other than PP&E	163	-16
Residential immovable property	0	0
Commercial immovable property	0	0
Movable property (auto, shipping, etc)	163	-16
Equity and debt instruments	0	0
Other	0	0
Total	163	-16

Chart 202: Credit Quality of exposures by exposure class and instrument 31st December 2020

(in HUF million)	Gross carrying values of		Specific/General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Exposures to central governments or central banks	0	114 872	0	114 872
Exposures to regional governments or local authorities	0	93	0	93
Exposures to public sector entities	0	162	0	162
Exposures to multilateral development banks	0	0	0	0
Exposures to institutions	0	96 550	0	96 550
Exposures to corporates	0	192 101	1 167	190 934
Retail exposures	2	201 676	1 848	199 831
Exposures secured by mortgages on immovable property	0	0	0	0
Exposures in default	10 487	292	7 981	2 797
Exposures associated with particularly high risk	0	0	0	0
Exposures in the form of covered bonds	0	0	0	0
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	0	0	0	0
Equity exposures	0	6 375	0	6 375
Other items	0	1 589	0	1 589
Total	10 489	613 708	10 996	613 201

Chart 203: Credit quality of exposures by counterparty types on 31st December 2020

(in HUF million)	Gross carrying values of		Specific/General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Governments	0	114 872	0	114 872
Municipal	0	93	0	93
Public sector entities	0	162	0	162
Institutions	0	96 550	0	96 550
Corporate	2 277	192 127	1 879	192 525
Corporate SME	2 276	103 809	1 499	104 586
Retail	8 212	201 942	9 117	201 036
Retail SME	1 389	119 732	1 924	119 198
Equity	0	6 375	0	6 375
Other*	0	1 589	0	1 589
Total	10 489	613 708	10 996	613 201

* Other, non-credit risk items; collective, investment funds; high risk items

Chart 204: Credit quality of exposures by geography on 31st December 2020

(in HUF million)	Gross carrying values of		Specific/General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Total	10 489	613 708	10 996	613 201
Hungary	10 489	611 210	10 996	610 703
Bulgaria	0	0	0	0
Croatia	0	0	0	0
Romania	0	2 498	0	2 498

Chart 205: Overview of CRM techniques

(in HUF million)	Exposures unsecured - Carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans	31 880	366 862	366 862	0	0
Total debt securities				0	0
Total exposures	31 880	366 862	366 862	0	0
Of which defaulted	4 490	5 999	5 999	0	0

Note: the table contains exposures secured by financial collaterals and guarantees.

Chart 206: Credit quality of loans and advances subject to moratoria on loan repayments applied in the light of the COVID-19 crisis

(in HUF million)	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
	Performing			Non performing				Performing			Non performing				
	Of which: exposures with forbearance measures	Of which: instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: unlikely to pay that are not past-due or past-due <= 90 days			
Loans and advances subject to moratorium	111 805	108 893	155	23 411	2 912	905	2 780	-2 659	-1 110	-5	-944	-1 549	-695	-1 456	45
of which: Households	41 565	40 296	11	7 890	1 269	858	1 196	-1 446	-537	-1	-466	-909	-463	-867	17
of which: Collateralised by residential immovable property	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
of which: Non-financial corporations	70 126	68 483	144	15 503	1 643	47	1 583	-1 212	-572	-4	-478	-641	-33	-589	29
of which: Small and Medium-sized Enterprises	68 869	67 226	144	15 416	1 643	47	1 583	-1 206	-568	-4	-476	-641	-33	-589	29
of which: Collateralised by commercial immovable property	15	15	0	0	0	0	0	0	0	0	0	0	0	0	0

The Merkantil Bank applies that legislative moratoria on loan repayments which includes the suspend the payment (principal and interest) within a limited period of time with the purpose to offer solution for clients' short-term liquidity shortage which is caused by this extraordinary pandemic situation.

Chart 207: Volume of loans and advances subject to legislative and non-legislative moratoria by residual maturity of these moratoria

(in HUF million)	Number of obligors	Gross carrying amount						
		Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
				<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances for which moratorium was offered	69 846	237 732						
Loans and advances subject to moratorium (granted)	28 810	111 805	111 805	0	111 805	0	0	0
of which: Households		41 565	41 565	0	41 565	0	0	0
of which: Collateralised by residential immovable property		0	0	0	0	0	0	0
of which: Non-financial corporations		70 126	70 126	0	70 126	0	0	0
of which: Small and Medium-sized Enterprises		68 869	68 869	0	68 869	0	0	0
of which: Collateralised by commercial immovable property		15	15	0	15	0	0	0

The length of the applied moratoria is driven by the legislative conditions of the moratoria. The moratorium based payment facilities are revised how it is required by considering legal source.

Chart 208: Newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

(in HUF million)	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	Public guarantees received	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	0	0	0	0
of which: Households	0			0
of which: Collateralised by residential immovable property	0			0
of which: Non-financial corporations	0	0	0	0
of which: Small and Medium-sized Enterprises	0			0
of which: Collateralised by commercial immovable property	0			0

The Merkantil Group did not provide loans under the state guarantee related to the moratorium.

V.6. Use of External Credit Assessment Institutions

Chart 209: Exposures broken down by credit quality steps (CQS) of obligors

(in HUF million)	Risk weight							Total	Of which unrated
	0%	20%	50%	75%	100%	150%	250%		
Exposures to central governments or central banks	114 872	0	0	0	0	0	0	114 872	0
Exposures to regional governments or local authorities	0	93	0	0	0	0	0	93	0
Exposures to public sector entities	0	14	0	0	148	0	0	162	0
Exposures to multilateral development banks	0	0	0	0	0	0	0	0	0
Exposures to institutions	94 820	1	0	0	1 729	0	0	96 550	0
Exposures to corporates	19 190	0	0	0	171 744	0	0	190 934	0
Retail exposures	0	0	0	199 831	0	0	0	199 831	0
Exposures secured by mortgages on immovable property	0	0	0	0	0	0	0	0	0
Exposures in default	0	0	0	0	2 000	797	0	2 797	0
Exposures associated with particularly high risk	0	0	0	0	0	0	0	0	0
Exposures in the form of covered bonds	0	0	0	0	0	0	0	0	0
Exposures in the form of units or shares in collective investment undertakings (CIUs)	0	0	0	0	0	0	0	0	0
Equity exposures	0	0	0	0	4 898	0	1 477	6 375	0
Other items	77	0	0	0	1 511	0	0	1 589	0
Total	228 958	108	0	199 831	182 030	797	1 477	613 201	0

V.7. Capital requirement for operational risk

Capital requirements for operational risk of Merkantil Bank amounted to HUF 1 419 million on 31st December 2020, which was determined by advanced measurement approach.

Chart 210: Operational risk capital requirements on 31st December 2020:

Operational risk capital requirement's breakdown based on methods (in HUF million)	
Standardised Approach	0
Alternative Standardised Approach	0
Advanced Measurement Approach	1 419
Total	1 419

V.8. Exposures in equities not included in the trading book on 31st December 2020

Chart 211: Exposures in equities not included in the trading book according to IFRS on 31st December 2020

Number	Entity	Balance sheet value (in HUF million)	Listed (Exchanged-traded)
1	DSK Leasing AD	209	No
2	Garantiqa Credit Guarantee Closed Co. Ltd.	10	No
3	Merkantil Lease Service LLC	625	No
4	OTP Property Leasing Ltd.	50	No
5	NIMO 2002 Ltd.	1 477	No
6	OTP Bank Romania S.A.	0	No
7	OTP Leasing d.d.	116	No
8	OTP Leasing Romania IFN S.A.	597	No
9	OTP Travel Ltd.	2 614	No
10	SPLC Property Management Ltd.	182	No
11	OTP Lizing d.o.o.	505	No

V.9. Exposure to interest rate risk on positions not included in the trading book

Asset-Liability Directorate of OTP Bank measures banking book interest rate risk exposure monthly, and also presents it as part of the consolidated exposure to the management with the same frequency.

The size and direction of the exposure is determined based on sensitivity analysis mainly.

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 were prepared by assuming only the adversing interest rate changes. The main assumptions were as follows:

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

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

- HUF base rate and BUBOR decreases gradually by 15 bps over the next year (scenario 1)
- HUF base rate and BUBOR decreases gradually by 60 bps over the next year (scenario 2)

The net interest income in a one year period after January 1, 2021 would be decreased by HUF 31 million (scenario 1) and HUF 127 million (scenario 2) as a result of these simulation.

Furthermore, the effects of an instant 10 bp parallel shift of the HUF, EUR and CHF yield-curves on net interest income over a one-year period was analyzed. The results can be summarized as follows (HUF million):

Chart 212: The effects of an instant 10 bp parallel shift of the HUF, EUR and CHF 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

Description (in HUF million)	Effects to the net interest income (1Year period)
HUF -0.1% parallel shift	-37
EUR -0.1% parallel shift	-4
CHF -0.1% parallel shift	0
Total	-41

V.10. Disclosure of encumbered and unencumbered assets

Chart 213: The encumbered and unencumbered assets in carrying and fair value amounts by broad categories of asset type

(in HUF million)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution	169 226		441 223	
Equity instruments	0		0	0
Debt securities	162 706	134 027	14 888	11 633
Other assets	0		14 721	

Chart 214: Collateral received, by broad categories of product type

(in HUF million)	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	0	134 027
Equity instruments	0	0
Debt securities	0	134 027
Other collateral received	0	0
Own debt securities issued other than own covered bonds or ABSs	0	0

Chart 215: Encumbered assets/collateral received and associated liabilities

(in HUF million)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	195 428	169 226

The encumbrances of Merkantil Bank's assets and collaterals mostly arise in connection with loans granted by the MNB's Funding for Growth Scheme and the MNB's collateralised loans. The collaterals for these MNB loans are partly the customer loans themselves, refinanced by the MNB's funds and on the other hand mortgage bonds issued by OTP Mortgage Bank, and government bonds, which are in Merkantil Bank Ltd.'s books. The encumbrances caused by derivative deals largely arise from CIRS transactions, the market value of which may fluctuate depending on the foreign exchange rate.

In respect of the items recognized under other assets in the balance sheet, Merkantil Bank Ltd. does not consider its cash balance, intangible assets, tangible assets, or inventories subject to encumbrance.

V.11. Liquidity risk

The Merkantil Bank Ltd. was established in 1988 as a specialized credit institution, dealing with bill of exchange and factoring. In 1992 the bank started the vehicle financing business. During the privatisation in 1996 OTP Bank acquired 100% ownership of the company. For the time being it's most important financial activity is vehicle and equipment leasing. Majority of the liabilities are from the mother company, collection of deposits is limited. It is permitted to engage in derivative transactions only for reasons of liquidity and risk management operations and for hedging purposes. The Merkantil Bank Ltd. defines the following purposes connected with the liquidity risk management.

The primary purpose is to guarantee the performance of outstanding financial obligations: the company has to be able to comply the obligations of payment at the expiration date, with correct currency, and it has to perform the necessary transactions to maintain the solvency position at all times. Besides this the fulfilment of liquidity obligations specified in law is significant also. Besides securing solvency and complying with legal obligations the secondary purpose is to achieve these goals via the best way from the possible solutions from a profitability point of view. The purpose of risk management politics of Merkantil Bank is the risk-aware operation: it is significant to identify, value and continuous monitor the liquidity and other kind of financial risks of commercial activities and to share the information of monitoring with the management of the company. The Merkantil Bank is the subsidiary of the OTP Bank Plc. and the member of the OTP Group. The OTP Bank Plc. has a group-valid regulation about interest- and liquidity risk management. Based on this regulation the OTP Group is monitoring and managing the liquidity risk in Group level.

Merkantil Bank Ltd's "Regulation on liquidity" – approved by the Managing Committee - contains the relevant regulations in connection with the liquidity management policy. The department responsible for liquidity risk management within the company is the Treasury. The responsible department reporting directly to the management regarding the company's liquidity risk exposure, the related money and capital market transactions.

The Merkantil Bank Ltd's internal auditor controlling the operation of the company's liquidity risk management proceedings in accordance with the guideline no. 12/2015. (VIII. 24.) of the Central Bank of Hungary.

As the Merkantil Bank Ltd complied with requirements of the supervisory entity's liquidity measures and the internal regulations, thus the Managing Committee declared that the adequacy if liquidity risk management arrangements of the company as it is in accordance with the company's profile and its' liquidity management policy.

Chart 216: Merkantil's liquidity coverage ratio

Description	31.12.2020
(in HUF million)	
Liquidity Buffer	12 638
Total Net Liquidity Outflow	3 571
Liquidity Coverage Ratio (%)	354%

V.12. Regional distribution of the activity, return on assets ratio

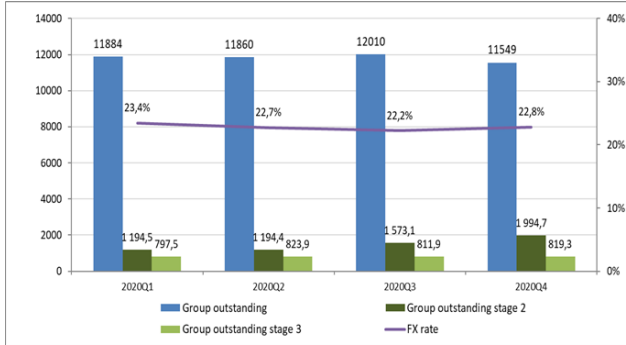
Chart 217: Regional distribution of the activity, return on assets ratio

Description	Hungary
(in HUF million)	year 2020
Turnover	22 155
Profit or loss before tax	6 291
Tax on profit or loss	1 261
Public subsidies received	0
Number of employees on a full time basis	260
Return on assets	1.1%

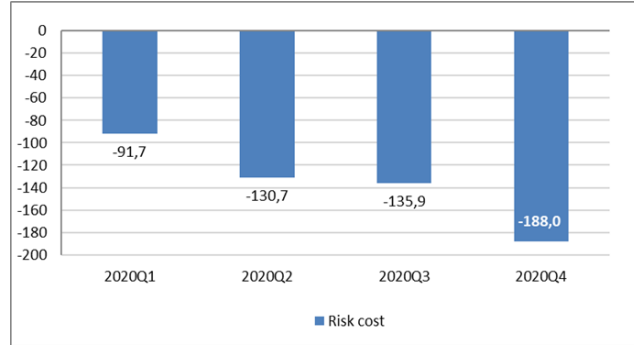
VI. Appendix

VI.1. OTP Group's risk profile

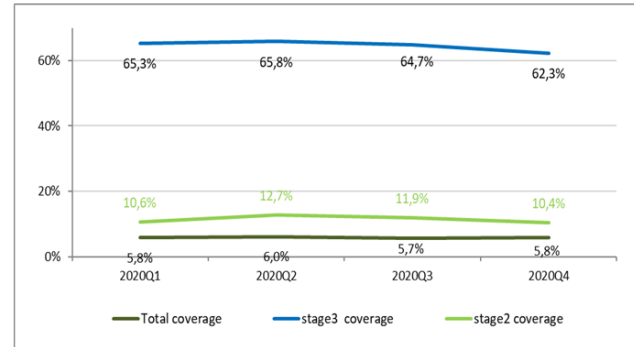
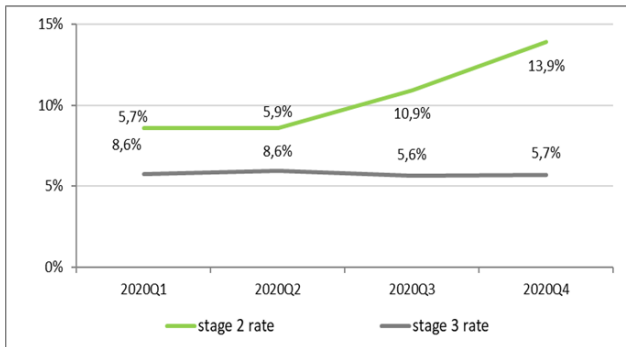
Closing volume (Bn HUF)



Cummulated risk cost (Bn HUF)



Coverage



VI.2. Declaration about the appropriatenes of risk management

Declarations

- 1) OTP Bank Plc. declares – regarding article 435. (1) e) of CRR – that the applied risk management system is adequate with regard to the OTP Group's profile and strategy.

This statement based on the declaration on OTP Bank Group's Risk Strategy regarding 2020-2022 made by the Board of Directors on 10th December 2019 (ref. IG 2019/220).

- 2) Based on the above information OTP Bank Plc. declares – relating to article 435. (1) f) of CRR – that OTP Group's risk profile is consistent with the risk appetite of the group determined by OTP Bank Group's Strategy for Risk Assumption.

The Board of Directors was informed about the quality of the Group's portfolio (2020Q3) on 08th December 2020.

VI.3. Declaration of the appropriateness of the liquidity risk management framework

The Declaration of the appropriateness of the liquidity risk management framework has been approved by Asset Liability Committee (Decision number: 2021/41/5.)

Declaration

The liquidity risk management framework applied by OTP Bank Ltd. explores the risk exposure derived from the risk profile of the institution in a fully comprehensive way. The internal regulation on liquidity risk management contains in detail the organizational units involved in the risk managements process and the tasks, responsibilities and authorities of these units. Considering the findings regulatory audits the liquidity risk management methodology and risk management strategy are revised and approved by the Asset Liability Committee (ALCO) on annual basis.

The responsible organizational unit prepares liquidity risk related standard reports for ALCO on a monthly basis. The report contains an ex post assessment on the changes of the risk profile and the evolution of liquidity reserves available to absorb potential liquidity shocks and the level of standard liquidity risk indicators.

The following table contains the key liquidity risk indicators and their limits as of the end of 2020:

Risk indicator	31.12.2020 fact	Limit
Foreign Currency Equilibrium Ratio (regulatory)	2,3%	maximum 15%
Foreign Exchange Funding Adequacy Ratio (regulatory)	186%	minimum 100%
Mortgage Financing Adequacy Ratio (regulatory)	30,5%	minimum 25%
Liquidity Coverage Ratio (regulatory)	201%	minimum 100%
Interbank Funding Ratio (regulatory)	5,3%	maximum 30%
Primary liquidity reserves (internal)	3 383 Mrd Ft	1 122 Mrd Ft
Operative liquidity reserves (internal)	3 250 Mrd Ft	1 390 Mrd Ft

The free liquidity reserves of the Bank exceed permanently and significantly both the standard regulatory requirements and the potential liquidity needs calculated by the internal model which considers the specific risk profile of the institution, thus the harmony between risk appetite and risk profile is ensured.