



OTP BANK PLC.

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

**FOR THE NINE MONTH PERIOD
ENDED 30 SEPTEMBER 2021**

OTP BANK PLC.

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

	Note	30 September 2021	31 December 2020	30 September 2021
Cash, amounts due from banks and balances with the National Bank of Hungary		485,006	579,120	477,168
Placements with other banks, net of allowance for placement losses		2,638,094	1,535,884	1,353,930
Repo receivables		28,759	183,364	9,198
Financial assets at fair value through profit or loss	4.	242,268	160,483	219,047
Financial assets at fair value through other comprehensive income	5.	759,457	911,950	995,592
Securities at amortised cost	6.	2,800,613	2,007,692	1,901,336
Loans at amortised cost and mandatorily measured at fair value through profit or loss	7.	4,412,405	3,898,697	3,757,693
Investments in subsidiaries	8.	1,585,521	1,548,972	1,552,023
Property and equipment		77,910	77,974	72,908
Intangible assets		56,485	57,639	54,823
Right of use assets		17,670	13,479	14,054
Investments properties		4,157	1,936	2,322
Current tax assets		1,619	593	2
Derivative financial assets designated as hedge accounting relationships		13,994	6,817	23,653
Other assets		<u>239,112</u>	<u>169,794</u>	<u>162,567</u>
TOTAL ASSETS		<u>13,363,070</u>	<u>11,154,394</u>	<u>10,596,316</u>
Amounts due to banks and deposits from the National Bank of Hungary and other banks		1,378,325	766,977	806,584
Repo liabilities		293,041	109,612	184,324
Deposits from customers	9.	9,091,097	7,895,735	7,178,945
Leasing liabilities		18,143	14,106	14,690
Liabilities from issued securities	10.	27,505	28,435	37,127
Financial liabilities at fair value through profit or loss		22,175	25,902	25,651
Derivative financial liabilities designated as held for trading		150,705	99,987	154,808
Derivative financial liabilities designated as hedge accounting relationships		8,501	3,104	18,009
Deferred tax liabilities		3,303	3,062	3,450
Current tax liabilities		3,572	-	1,032
Other liabilities		433,033	224,897	219,462
Subordinated bonds and loans		<u>264,201</u>	<u>304,243</u>	<u>305,742</u>
TOTAL LIABILITIES		<u>11,693,601</u>	<u>9,476,060</u>	<u>8,949,824</u>
Share capital		28,000	28,000	28,000
Retained earnings and reserves		1,649,348	1,697,133	1,665,714
Treasury shares		<u>(7,879)</u>	<u>(46,799)</u>	<u>(47,222)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>1,669,469</u>	<u>1,678,334</u>	<u>1,646,492</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>13,363,070</u>	<u>11,154,394</u>	<u>10,596,316</u>

OTP BANK PLC.
SEPARATE CONDENSED STATEMENT OF PROFIT OR LOSS FOR THE NINE MONTH PERIOD
ENDED 30 SEPTEMBER 2021 (UNAUDITED)
(in HUF mn)

	Note	Nine month period ended 30 September 2021	Nine month period ended 30 September 2021	Year ended 31 December 2020
Interest income and similar to interest income total		283,905	236,019	321,296
Interest expenses total		<u>(80,967)</u>	<u>(73,281)</u>	<u>(99,630)</u>
NET INTEREST INCOME		<u>202,938</u>	<u>162,738</u>	<u>221,666</u>
Risk cost total		(36,599)	(53,699)	(63,126)
NET INTEREST INCOME AFTER RISK COST		<u>166,339</u>	<u>109,039</u>	<u>158,540</u>
Gains / (Losses) arising from derecognition of financial assets measured at amortised cost		(2,171)	(2,837)	(3,279)
Modification loss		(6,682)	-	(17,358)
Net profit from fees and commissions		182,408	158,302	219,031
Net operating income		84,443	45,095	60,272
Other administrative expenses		<u>(254,188)</u>	<u>(237,741)</u>	<u>(323,960)</u>
PROFIT BEFORE INCOME TAX		<u>170,149</u>	<u>71,858</u>	<u>93,246</u>
Income tax		<u>(18,273)</u>	<u>(1,423)</u>	<u>(772)</u>
NET PROFIT FOR THE YEAR		<u>151,876</u>	<u>70,435</u>	<u>92,474</u>
Earnings per share (in HUF)				
Basic		<u>548</u>	<u>142</u>	<u>333</u>
Diluted		<u>548</u>	<u>142</u>	<u>333</u>

OTP BANK PLC.
SEPARATE CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTH
PERIOD ENDED 30 SEPTEMBER 2021 (UNAUDITED)
(in HUF mn)

The comprehensive income items are as follows:

	Note	Nine month period ended 30 September 2021	Nine month period ended 30 September 2021	Year ended 31 December 2020
NET PROFIT FOR THE YEAR		<u>151,876</u>	<u>70,435</u>	<u>92,474</u>
Items that may be reclassified subsequently to profit or loss:				
Fair value adjustment of debt instruments at fair value through other comprehensive income		(15,908)	(24,228)	(14,459)
Deferred tax (9%) related to fair value adjustment of debt instruments at fair value through other comprehensive income		1,352	2,335	1,262
Gains / (Losses) on separated currency spread of financial instruments designated as hedging instrument		1,150	(2,388)	(1,526)
Deferred tax (9%) related to (losses) / gains on separated currency spread of financial instruments designated as hedging instrument		(104)	78	137
(Losses) / Gains on derivative financial instruments designated as cash flow hedge		(3,857)	(1,073)	(296)
Deferred tax (9%) related to gains on derivative financial instruments designated as cash flow hedge	33.	-	-	27
Items that will not be reclassified to profit or loss:				
Fair value adjustment of equity instruments at fair value through other comprehensive income		895	(2,934)	(3,275)
Deferred tax (9%) related to equity instruments at fair value through other comprehensive income	33.	<u>(228)</u>	<u>339</u>	<u>310</u>
Total		<u>(16,700)</u>	<u>(27,871)</u>	<u>(17,820)</u>
NET COMPREHENSIVE INCOME		<u>135,176</u>	<u>42,564</u>	<u>74,654</u>

OTP BANK PLC.
SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTH PERIOD ENDED 30
SEPTEMBER 2021 (UNAUDITED)
(in HUF mn)

	Note	Share Capital	Capital reserve	Retained earnings and other reserves	Treasury Shares	Total
Balance as at 1 January 2020		28,000	52	1,628,302	(2,636)	1,653,718
Net profit for the period		-	-	70,435	-	70,435
Other comprehensive income		-	-	<u>(27,871)</u>	-	<u>(27,871)</u>
Total comprehensive income		-	-	<u>42,564</u>	-	<u>42,564</u>
Share-based payment		-	-	2,385	-	2,385
Payments to ICES holders		-	-	(3,655)	-	(3,655)
Sale of treasury shares		-	-	-	37,728	38,871
Acquisition of treasury shares		-	-	-	(56,875)	(83,457)
Loss on treasury shares		-	-	(3,934)	-	(3,934)
Dividend for the year 2019		-	-	-	-	-
Other transaction with owners		-	-	<u>(5,204)</u>	<u>(19,147)</u>	<u>(49,790)</u>
Balance as at 30 September 2020		28,000	52	1,665,662	(21,783)	1,646,492
Balance as at 1 January 2021		28,000	52	1,697,081	(46,799)	1,678,334
Modification due to accounting error		-	-	458	-	458
Balance as at 1 January 2021		28,000	52	1,697,539	(46,799)	1,678,792
Net profit for the period		-	-	151,876	-	151,876
Other comprehensive income		-	-	<u>(16,700)</u>	-	<u>(16,700)</u>
Total comprehensive income		-	-	<u>135,176</u>	-	<u>135,176</u>
Share-based payment		-	-	2,537	-	2,537
Payments to ICES holders		-	-	(3,381)	-	(3,381)
Decrease due to termination of ICES bonds		-	-	(179,767)	-	(179,767)
Sale of treasury shares		-	-	-	50,852	50,852
Acquisition of treasury shares		-	-	-	(11,932)	(11,932)
Loss on sale of treasury shares		-	-	(2,808)	-	(2,808)
Dividend for the year 2020		-	-	-	-	-
Other transaction with owners		-	-	<u>(183,419)</u>	<u>38,920</u>	<u>(144,499)</u>
Balance as at 30 September 2021		<u>28,000</u>	<u>52</u>	<u>1,649,296</u>	<u>(7,879)</u>	<u>1,669,469</u>

OTP BANK PLC.
SEPARATE CONDENSED STATEMENT OF CASH FLOWS FOR THE NINE MONTH PERIOD
ENDED 30 SEPTEMBER 2021 (UNAUDITED)
(in HUF mn)

	Nine month period ended 30 September 2021	Nine month period ended 30 September 2020	Year ended 31 December 2020
Profit before income tax	170,149	71,858	93,246
Net accrued interest	(54,742)	(50,638)	(34,365)
Income tax paid	(1,421)	(724)	(1,449)
Depreciation and amortization	30,154	27,297	38,997
Loss allowance / (Release of loss allowance)	32,404	68,512	79,831
Share-based payment	2,537	2,385	3,394
Unrealised losses / (gains) on fair value adjustment of financial instruments at fair value through profit or loss	10,028	(1,038)	3,549
Unrealised (gains)/losses on fair value adjustment of derivative financial instruments	(13,242)	1,126	4,011
Interest expense from leasing liabilities	(164)	(195)	(257)
Foreign exchange loss	16,978	-	-
Proceeds from sale of tangible and intangible assets	(132)	-	-
Net change in assets and liabilities in operating activities	<u>305,468</u>	<u>40,763</u>	<u>150,062</u>
Net cash provided by operating activities	<u>498,017</u>	<u>159,346</u>	<u>337,019</u>
Net (used in) / provided by cash used in investing activities	<u>(597,771)</u>	<u>54,666</u>	<u>(10,909)</u>
Net cash used in financing activities	<u>(8,024)</u>	<u>(33,709)</u>	<u>(47,654)</u>
Net (decrease) / increase in cash and cash equivalents	<u>(107,778)</u>	<u>180,303</u>	<u>278,456</u>
Cash and cash equivalents at the beginning of the year	<u>503,087</u>	<u>224,631</u>	<u>224,631</u>
Cash and cash equivalents at the end of the year	<u>395,309</u>	<u>404,934</u>	<u>503,087</u>

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

1.1. General information

These interim condensed financial statements had been prepared in accordance with the prescriptions of IAS 34.

1.2. Accounting

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

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

The Bank followed the same accounting policies and methods of computation in the interim financial statements as compared with the most recent annual financial statements.

Comparative figures - Change in the classification and valuation policy of certain subsidized retail loans

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

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

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

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

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

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

1.2. Accounting [continued]

Comparative figures - Change in the classification and valuation policy of certain subsidized retail loans [continued]

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

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

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

1.2. Accounting [continued]

Comparative figures - Change in the classification and valuation policy of certain subsidized retail loans [continued]

Line item	30 September 2021	31 December 2020 Revised presentation	Reclassification of amounts related to derecognition of financial assets at amortised cost	31 December 2020	30 September 2020 Revised presentation	Reclassification of amounts related to derecognition of financial assets at amortised cost	Reclassification of amounts related to mandatorily measured at fair value through profit or loss	30 September 2020 As previously presented
Interest income calculated using the effective interest method	215,956	239,633	-	239,633	177,634	-	(10,170)	187,804
Income similar to interest income	67,949	81,663	-	81,663	58,385	-	10,162	48,223
Interest income	283,905	321,296	-	321,296	236,019	-	(8)	236,027
Interest expense	(80,967)	(99,630)	-	(99,630)	(73,281)	-	-	(73,281)
Loss allowance on loan losses	(23,404)	(55,444)	3,639	(59,083)	(41,777)	3,491	2,662	(47,930)
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	(8,948)	(405)	-	(405)	(2,224)	-	(2,224)	-
Further risk cost items	(4,247)	(7,277)	-	(7,277)	(4,616)	-	-	(9,698)
Risk cost total	(36,599)	(63,126)	3,639	(66,765)	(53,699)	3,491	438	(57,628)
NET INTEREST INCOME AFTER RISK COST	166,339	158,540	3,639	154,901	109,039	3,491	430	105,118
GAINS / (LOSSES) ARISING FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST	182,408	-3,279	(3,279)	-	155,465	(2,837)	-	158,302
(Losses) / Gains on financial instruments at fair value through profit or loss	(4,522)	-671	-	(671)	2,826	-	(430)	3,256
(Losses) and gains on securities, net	-	17,595	(360)	17,955	6,211	(654)	-	6,865
NET OPERATING INCOME	84,443	60,272	(360)	60,632	45,095	(654)	(430)	46,179

NOTE 2: SIGNIFICANT EVENTS DURING THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021**1) Capital increase in OTP Bank Romania****2) Purchase in Slovenia****3) Capital increase in OTP Bank Srbija**

See details about the event above in Note 7.

4) Discontinuance of international arbitration proceedings

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

5) Potential acquisition of Uzbek Ipoteka Bank

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

NOTE 3: SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**1) Termination of ICES bond**

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

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

OTP Bank purchased 14,496,476 pieces of OTP Banks shares at an average purchase price of HUF 18,118 per shares, pursuant to the swap agreement concluded between OTP Bank and OPUS as announced on 14 September 2021. The date of settlement was 29 October 2021.

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

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

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

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

NOTE 4:	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)	
	30 September 2021	31 December 2020
Held for trading securities:		
Government bonds	27,051	6,031
Other non-interest bearing securities	1,425	1,964
Hungarian government discounted Treasury Bills	1,909	1,233
Corporate shares and investments	595	426
Mortgage bonds	120	-
Hungarian government interest bearing Treasury Bills	-	-
Other securities	<u>3,441</u>	<u>2,075</u>
Subtotal	<u>34,541</u>	<u>11,729</u>
Securities mandatorily measured at fair value through profit or loss		
Shares in investment funds	25,312	23,818
Bonds	8,900	5,342
Shares	-	<u>2,776</u>
Subtotal	<u>34,212</u>	<u>31,936</u>
Held for trading derivative financial instruments:		
Foreign currency swaps	42,440	41,852
Interest rate swaps	35,142	34,256
CCIRS and mark-to-market CCIRS swaps	6,472	7,359
Other derivative transactions	<u>89,461</u>	<u>33,351</u>
Subtotal	<u>173,515</u>	<u>116,818</u>
Total	<u>242,268</u>	<u>160,483</u>
NOTE 5:	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in HUF mn)	
	30 September 2021	31 December 2020
Securities at fair value through other comprehensive income		
Government bonds	406,693	488,459
Mortgage bonds	260,246	332,667
Interest bearing treasury bills	9,693	9,957
Other securities	66,199	65,136
listed securities	<u>44,780</u>	<u>42,776</u>
in HUF	2,922	2,968
in foreign currency	41,858	39,808
-non-listed securities	<u>21,419</u>	<u>22,360</u>
in HUF	15,909	16,782
in foreign currency	5,510	5,578
Subtotal	<u>742,831</u>	<u>896,219</u>
Non-trading equity instruments		
-non-listed securities	<u>16,626</u>	<u>15,731</u>
in HUF	528	528
in foreign currency	16,098	15,203
	<u>16,626</u>	<u>15,731</u>
Securities at fair value through other comprehensive income total	<u>759,457</u>	<u>911,950</u>

NOTE 6: SECURITIES AT AMORTISED COST (in HUF mn) [continued]

	30 September 2021	31 December 2020
Government bonds	2,672,295	1,947,821
Other bonds	<u>134,952</u>	<u>63,159</u>
Subtotal	<u>2,807,247</u>	<u>2,010,980</u>
Loss allowance	<u>(6,634)</u>	<u>(3,288)</u>
Total	<u>2,800,613</u>	<u>2,007,692</u>

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

	30 September 2021	31 December 2020
Balance as at 1 January	3,288	1,443
Reclassification	1,281	-
Balance as at 1 January	4,569	1,443
Loss allowance	3,728	4,820
Release of loss allowance	(1,641)	(2,977)
FX movement	<u>(22)</u>	<u>2</u>
Closing balance	<u>6,634</u>	<u>3,288</u>

NOTE 7: LOANS (in HUF mn)

Loans mandatorily measured at fair value through profit or loss

	30 September 2021	31 December 2020
Within one year	30,729	25,732
Over one year	<u>600,954</u>	<u>455,205</u>
Loans measured at fair value through profit or loss total	<u>631,683</u>	<u>480,937</u>

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

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

	30 September 2021	31 December 2020
Within one year	1,963,685	1,793,352
Over one year	<u>1,955,827</u>	<u>1,748,078</u>
Loans at amortised cost gross total	<u>3,919,512</u>	<u>3,541,430</u>
Loss allowance on loan losses	<u>(138,790)</u>	<u>(123,670)</u>
Loans at amortised cost total	<u>3,780,722</u>	<u>3,417,760</u>

NOTE 7: LOANS (in HUF mn) [continued]

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

	30 September 2021		31 December 2020	
Retail loans	751,273	17%	662,675	16%
Retail consumer loans	663,032	15%	564,698	14%
Retail mortgage backed loans	88,241	2%	97,977	2%
Corporate loans	3,168,239	69%	2,878,755	72%
Loans to medium and large corporates	3,090,062	67%	2,790,742	70%
Municipality loans	78,177	2%	88,013	2%
Loans at amortised cost total	3,919,512	86%	3,541,430	88%
Loans at fair value total	631,683	14%	480,937	12%
Gross loans total	<u>4,551,195</u>	<u>100%</u>	<u>4,022,367</u>	<u>100%</u>

An analysis of the loan portfolio by currency is as follows:

	30 September 2021	31 December 2020
In HUF	64%	61%
In foreign currency	<u>36%</u>	<u>39%</u>
Total	<u>100%</u>	<u>100%</u>

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

	30 September 2021	31 December 2020
Balance as at 1 January	123,670	72,066
Reclassification	(1,281)	-
Balance as at 1 January	122,389	72,066
Loss allowance	131,588	213,618
Release of loss allowance	(107,756)	(156,383)
Use of loss allowance	(5,328)	(6,228)
Partial write-off	(1,774)	(2,797)
FX movement	<u>(329)</u>	<u>3,394</u>
Closing balance	<u>138,790</u>	<u>123,670</u>

NOTE 8: INVESTMENTS IN SUBSIDIARIES (in HUF mn)

	30 September 2021	31 December 2020
Investments in subsidiaries:		
Controlling interest	1,994,166	1,965,197
Other	<u>15,036</u>	<u>8,938</u>
Subtotal	<u>2,009,202</u>	<u>1,974,135</u>
Impairment loss	<u>(423,681)</u>	<u>(425,163)</u>
Total	<u>1,585,521</u>	<u>1,548,972</u>

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

	30 September 2021	31 December 2020
Balance as at 1 January	425,163	427,770
Impairment loss for the period	22,756	10,052
Reversal of impairment loss	(24,238)	(10)
Use of impairment loss	-	<u>(12,649)</u>
Closing balance	<u>423,681</u>	<u>425,163</u>

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

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

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

NOTE 9: DEPOSITS FROM CUSTOMERS (in HUF mn)

	30 September 2021	31 December 2020
Within one year:		
In HUF	7,319,808	6,412,897
In foreign currency	<u>1,725,824</u>	<u>1,438,255</u>
	<u>9,045,632</u>	<u>7,851,152</u>
Over one year:		
In HUF	45,465	44,583
	<u>45,465</u>	<u>44,583</u>
Subtotal	<u>9,091,097</u>	<u>7,895,735</u>

An analysis of deposits from customers by type is as follows:

	30 September 2021		31 December 2020	
Retail deposits	4,149,742	46%	3,840,950	49%
Household deposits	4,149,742	46%	3,840,950	49%
Corporate deposits	4,941,355	54%	4,054,785	51%
Deposits to medium and large corporates	4,079,866	45%	3,301,434	41%
Municipality deposits	<u>861,489</u>	<u>9%</u>	<u>753,351</u>	<u>10%</u>
Total	<u>9,091,097</u>	<u>100%</u>	<u>7,895,735</u>	<u>100%</u>

NOTE 10: LIABILITIES FROM ISSUED SECURITIES (in HUF mn)

	30 September 2021	31 December 2020
Within one year:		
In HUF	15,307	11,115
In foreign currency	-	<u>1,356</u>
	<u>15,307</u>	<u>12,471</u>
Over one year:		
In HUF	12,198	15,964
	<u>12,198</u>	<u>15,964</u>
Total	<u>27,505</u>	<u>28,435</u>

NOTE 11: OFF BALANCE SHEET ITEMS (in HUF mn)

Contingent liabilities and commitments

	30 September 2021	31 December 2020
Loan commitments	1,661,850	1,441,060
Guarantees arising from banking activities	1,474,772	1,419,543
<i>from this: Payment undertaking liabilities (related to issue of mortgage bonds) of OTP Mortgage Bank</i>	761,596	683,736
Factoring loan commitments	365,934	305,269
Confirmed letters of credit	<u>20,233</u>	<u>5,039</u>
Contingent liabilities and commitments total in accordance with IFRS 9	<u>3,522,789</u>	<u>3,170,911</u>
Legal disputes (disputed value)	3,291	4,720
Contingent liabilities related to payments from shares in venture capital fund	43,773	32,712
Other	<u>408</u>	<u>602</u>
Contingent liabilities and commitments total in accordance with IAS 37	<u>47,472</u>	<u>38,034</u>
Total	<u>3,570,261</u>	<u>3,208,945</u>

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

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

Provision due to legal disputes was HUF 296 million and HUF 199 million as at 30 September 2021 and 31 December 2020, respectively.

NOTE 12: DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn)

Fair value of derivative instruments

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

	30 September 2021					31 December 2020				
	Before netting		Netting	After netting		Before netting		Netting	After netting	
	Assets	Liabilities		Assets	Liabilities	Assets	Liabilities		Assets	Liabilities
Held for trading derivative financial instruments										
Interest rate derivatives										
Interest rate swaps	29,958	(28,474)	19,091	10,867	(9,383)	30,216	(28,474)	8,984	21,232	(19,490)
Cross currency interest rate swaps	4,639	(2,767)	-	4,639	(2,767)	7,315	(7,285)	-	7,315	(7,285)
OTC options	233	(234)	-	233	(234)	356	(356)	-	356	(356)
Forward rate agreement	=	=	=	=	=	=	=	=	=	=
Total interest rate derivatives (OTC derivatives)	<u>34,830</u>	<u>(31,475)</u>	<u>19,091</u>	<u>15,739</u>	<u>(12,384)</u>	<u>37,887</u>	<u>(36,115)</u>	<u>8,984</u>	<u>28,903</u>	<u>(27,131)</u>
<i>From this: Interest rate derivatives cleared by NBH</i>	<i>741</i>	<i>-</i>	<i>-</i>	<i>741</i>	<i>-</i>	<i>5</i>	<i>(72)</i>	<i>-</i>	<i>5</i>	<i>(72)</i>
Foreign exchange derivatives										
Foreign exchange swaps	33,783	(33,149)	-	33,783	(33,149)	39,644	(30,374)	-	39,644	(30,374)
Foreign exchange forward	4,980	(7,336)	-	4,980	(7,336)	6,990	(9,869)	-	6,990	(9,869)
OTC options	959	(426)	-	959	(426)	3,909	(3,836)	-	3,909	(3,836)
Foreign exchange spot conversion	<u>238</u>	<u>(237)</u>	=	<u>238</u>	<u>(237)</u>	<u>619</u>	<u>(704)</u>	=	<u>619</u>	<u>(704)</u>
Total foreign exchange derivatives (OTC derivatives)	<u>39,960</u>	<u>(41,148)</u>	=	<u>39,960</u>	<u>(41,148)</u>	<u>51,162</u>	<u>(44,783)</u>	=	<u>51,162</u>	<u>(44,783)</u>
<i>From this: Foreign exchange derivatives cleared by NBH</i>	<i>641</i>	<i>(355)</i>	<i>-</i>	<i>641</i>	<i>(355)</i>	<i>5,211</i>	<i>(1,852)</i>	<i>-</i>	<i>5,211</i>	<i>(1,852)</i>

NOTE 12: DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

Fair value of derivative instruments [continued]

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

	30 September 2021			31 December 2020						
	Before netting Assets	Liabilities	Netting	After netting Assets	Liabilities	Before netting Assets	Liabilities	Netting	After netting Assets	Liabilities
Equity stock and index derivatives										
Commodity Swaps	75,078	(72,539)	-	75,078	(72,539)	13,999	(12,901)	-	13,999	(12,901)
Equity swaps	<u>7,828</u>	<u>(121)</u>	=	<u>7,828</u>	<u>(121)</u>	<u>7,071</u>	<u>(560)</u>	=	<u>7,071</u>	<u>(560)</u>
OTC derivatives	<u>82,906</u>	<u>(72,660)</u>	=	<u>82,906</u>	<u>(72,660)</u>	<u>21,070</u>	<u>(13,461)</u>	=	<u>21,070</u>	<u>(13,461)</u>
Exchange traded futures and options	145	(2,184)	-	145	(2,184)	379	(1,262)	-	379	(1,262)
Total equity stock and index derivatives	<u>83,051</u>	<u>(74,844)</u>	=	<u>83,051</u>	<u>(74,844)</u>	<u>21,449</u>	<u>(14,723)</u>	=	<u>21,449</u>	<u>(14,723)</u>
Derivatives held for risk management not designated in hedges										
Interest rate swaps	26,233	(20,859)	1,958	24,275	(18,901)	25,760	(22,058)	12,736	13,024	(9,322)
Foreign exchange swaps	8,657	(3,428)	-	8,657	(3,428)	2,208	(3,953)	-	2,208	(3,953)
Foreign exchange spot conversion	-	-	-	-	-	-	-	-	-	-
Forward	-	-	-	-	-	28	(75)	-	28	(75)
Cross currency interest rate swaps	<u>1,833</u>	-	-	<u>1,833</u>	-	<u>44</u>	-	-	<u>44</u>	-
Total derivatives held for risk management not designated in hedges	<u>36,723</u>	<u>(24,287)</u>	<u>1,958</u>	<u>34,765</u>	<u>(22,329)</u>	<u>28,040</u>	<u>(26,086)</u>	<u>12,736</u>	<u>15,304</u>	<u>(13,350)</u>
<i>From this: Total derivatives cleared by NBH held for risk management</i>	<i>18,638</i>	<i>-</i>	<i>-</i>	<i>18,638</i>	<i>-</i>	<i>759</i>	<i>(6,269)</i>	<i>-</i>	<i>759</i>	<i>(6,269)</i>
Total Held for trading derivative financial instruments	<u>194,564</u>	<u>(171,754)</u>	<u>21,049</u>	<u>173,515</u>	<u>(150,705)</u>	<u>138,538</u>	<u>(121,707)</u>	<u>21,720</u>	<u>116,818</u>	<u>(99,987)</u>
Derivative financial instruments designated as hedge accounting relationships										
Derivatives designated in cash flow hedges										
Interest rate swaps	298	(2,232)	635	(337)	(1,597)	8,027	-	8,027	-	8,027
Total derivatives designated in cash flow hedges	<u>298</u>	<u>(2,232)</u>	<u>635</u>	<u>(337)</u>	<u>(1,597)</u>	<u>8,027</u>	=	<u>8,027</u>	=	<u>8,027</u>
Derivatives designated in fair value hedges										
Interest rate swaps	19,578	(10,485)	9,636	9,942	(849)	2,432	(7,061)	1,795	637	(5,266)
Cross currency interest rate swaps	4,389	(6,055)	-	4,389	(6,055)	6,180	(5,865)	-	6,180	(5,865)
Foreign exchange swaps	-	-	-	-	-	-	-	-	-	-
Total derivatives designated in fair value hedges	<u>23,967</u>	<u>(16,540)</u>	<u>9,636</u>	<u>14,331</u>	<u>(6,904)</u>	<u>8,612</u>	<u>(12,926)</u>	<u>1,795</u>	<u>6,817</u>	<u>(11,131)</u>
<i>From this: Total derivatives cleared by NBH held for hedging</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(1,691)</i>	<i>-</i>	<i>-</i>	<i>(1,691)</i>
Total derivatives held for risk management (OTC derivatives)	<u>24,265</u>	<u>(18,772)</u>	<u>10,271</u>	<u>13,994</u>	<u>(8,501)</u>	<u>16,639</u>	<u>(12,926)</u>	<u>9,822</u>	<u>6,817</u>	<u>(3,104)</u>

NOTE 12: DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

Positive fair values of derivative instruments designated as hedge accounting relationships are presented separately in the statement of financial position, while positive fair values of derivative instruments classified as held for trading are included in financial assets at fair value through profit or loss. Negative fair values of hedging derivative instruments are presented separately in the statement of financial position, negative fair values of derivatives held for trading are included in the negative fair value of derivative financial instruments classified as held for trading line.

NOTE 13: NET INTEREST INCOME (in HUF mn)

	30 September 2021	30 September 2020	31 December 2020
Interest income accounted for using the effective interest rate method from / on			
Loans at amortised cost	125,956	107,233	143,652
FVOCI securities	16,475	23,388	29,095
Securities at amortised cost	43,650	35,415	48,654
Placements with other banks	16,734	8,660	12,248
Financial liabilities	2,133	1,066	1,544
Amounts due from banks and balances with National Bank of Hungary	10,838	1,841	4,391
Repo receivables	<u>170</u>	<u>31</u>	<u>49</u>
Subtotal	<u>215,956</u>	<u>177,634</u>	<u>239,633</u>
Income similar to interest income			
Loans mandatorily measured at fair value through profit or loss	18,127	10,162	15,094
Swap and forward deals related to Placements with other banks	42,514	41,338	56,341
Swap and forward deals related to Loans at amortised cost	8,502	10,089	14,011
Swap and forward deals related to FVOCI securities	(1,199)	(3,209)	(3,789)
Investment properties	<u>5</u>	<u>5</u>	<u>6</u>
Subtotal	<u>67,949</u>	<u>58,385</u>	<u>81,663</u>
Interest income total	<u>283,905</u>	<u>236,019</u>	<u>321,296</u>
Interest expense due to / from / on			
Amounts due to banks and deposits from the National Bank of Hungary and other banks	53,278	50,465	67,747
Deposits from customers	17,715	13,584	19,598
Leasing liabilities	164	195	257
Liabilities from issued securities	270	326	414
Subordinated bonds and loans	5,996	6,162	8,327
Investment properties (depreciation)	57	38	49
Financial assets	1,578	1,215	1,622
Repo liabilities	<u>1,909</u>	<u>1,296</u>	<u>1,616</u>
Subtotal	<u>80,967</u>	<u>73,281</u>	<u>99,630</u>

NOTE 14: RELATED PARTY TRANSACTIONS (in HUF mn)

The Bank enters into transactions for services with a number of subsidiaries. Such transactions are conducted at rates which approximate market conditions.

Related party transactions can be detailed as follows:

Transactions related to OTP Mortgage Bank Ltd.:

	30 September 2021	30 September 2020
Fees and commissions received from OTP Mortgage Bank Ltd. relating to the loans	8,398	6,380

Transactions related to OTP Factoring Ltd.:

	30 September 2021	30 September 2020
The gross book value of the loans sold	2,602	5,775
Loss allowance loan losses on the loans sold	2,276	3,938
Loans sold to OTP Factoring Ltd. without recourse (including interest)	139	1,102
Loss on these transaction (recorded in the separate financial statements as loan and placement loss)	187	735

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