Do the right thing!

2020

Annual Report and Accounts

A bank mindenhez, ami számít.

UniCredit Bank

“I am very proud of everything that we have achieved at UniCredit, over the past few years, especially in 2020”.

Chief Executive Officer's message

Jean Pierre Mustier
CHIEF EXECUTIVE OFFICER
UNICREDIT S.P.A.

Dear Shareholders,

The year 2020 was a big shock for all of us. We faced new challenges with the benefit of a strong balance sheet, thanks to all the great work done by our teams. We were able to assist and support our clients and team members, while protecting them.

The needs of our clients changed even faster, so we accelerated the transformation of the Group already planned for in Team 23. All transformation requires courage and 2020 has been a year where our team members have shown extraordinary commitment. In UniCredit, we celebrated our branch heroes, who supported our customers throughout the lockdowns. We continue to collect their stories and those of other teams, across the Group, to discover how we have been, and are still, facing these unprecedented times. The health and safety of our team members and clients has always been and will remain our top priority.

Outside the Group, we also supported heroes in the medical sectors by supporting medical innovation, such as the CURA pod prototype, as well as offering zero interest rate loans and donating millions to hospitals and the healthcare services in several of our countries.

UniCredit in 2020: Do the right thing!

I am very proud of everything that we have achieved at UniCredit, over the past few years, especially in 2020. Thanks to our strong position, and our people, we were able to be part of the solution during a very challenging year.

Throughout the health emergency, we remained open for business and continued to serve customers in all our countries, while keeping them and our people safe. We did this by accelerating the switch to digital and remote banking. We made decisions quickly, based on data, to protect colleagues and clients. We rolled out new laptops and VPN access to give around 80,000 UniCredit employees the possibility of working remotely. We unlocked potential by giving our people the opportunity to work safely and effectively, while making sure they could continue to contribute.

While all this began as a response to the health crisis, the ongoing situation led to pronounced changes in our clients' mindset, behaviours and needs, as well as developments in our own. The Covid-19 pandemic created a need and an opportunity to accelerate our transformation.

We are now investing to make sure that these improvements are long-lasting. For example, we are rolling out training to help our people lead remote teams and manage hybrid working. We will also continue to support our employees with a new welfare and wellness offer: work-life balance will be increasingly important in the future.

At the same time, human interactions will remain key to our Group culture. Our strong working relationships are one of the reasons why UniCredit has been able to work remotely so effectively over the past few months. The workplace will continue to be an important element of our lives, and while things will certainly be different, the change may be less extreme than some might think.

In 2020, we made important contributions to our communities and the real economy. These include our Social Impact Banking, which started in Italy in 2017 and has since been extended to 10 other Group countries. As at the end of 2020, we had disbursed well over €225 million to support nearly 4,400 projects and microenterprises that make a social impact. We remain on track to meet our goal of providing €1 billion of social impact financing by 2023.

We also responded to the health and economic emergency with a wide range of volunteering initiatives and donations, including millions of euros donated by UniCredit employees and customers and the UniCredit Foundation. You can read about some of these activities later in this report and on our website.

Ethics & Respect

Do the right thing!

All this was possible thanks to our corporate culture, which is based on two values, Ethics and Respect, and our commitment to always **Do the Right Thing!** This guiding principle governs our interactions with all our stakeholders.

In 2020, we continued to lead most international peers on governance, such as pay practices and board structure. We are the only bank in Italy with an EE+ rating from Standard Ethics, recognised as a European excellence in terms of sustainability.

This is all thanks to our concrete ESG actions, such as the launch of our new coal policy, that commits UniCredit to ending all coal financing by 2028. We also ranked number one globally for sustainability-linked loans by Bloomberg* and were awarded Best Social Impact Bank in Europe by Capital Finance International. UniCredit will soon be launching other new initiatives, in line with our ESG strategy.

With our management leading by example, we will continue to build a sustainable future, where environmental, social and governance factors are essential for long-term growth. At UniCredit, sustainability is part of our DNA. We say what we do and do what we say, and we always favour long-term sustainable outcomes over short-term solutions. We will continue to support our clients, communities, partners and the industry at large, in becoming increasingly sustainable.

*as at 3Q 2020.

One Bank
One
UniCredit

Team 23: focused on our customers

Our strategy remains **"One Bank, One UniCredit"** and our mission is unchanged: UniCredit is a simple successful pan-European commercial bank, with a fully plugged in CIB, delivering a unique Western, Central and Eastern European network to our extensive and growing client franchise. We will continue to build on our existing competitive advantages.

In 2020, we continued to focus on the four strategic pillars we introduced to investors at our Capital Markets Day in 2019.

- Grow and strengthen client franchise
- Transform and maximise productivity
- Disciplined risk management & controls
- Capital and balance sheet management

As mentioned earlier, the Covid-19 pandemic accelerated the change in our clients' behaviours. We responded to this by speeding up our own digital transformation, so that we can continue to support their evolving needs. UniCredit is a multi-channel bank and we have made good progress in the areas of mobile banking, call centres, internet banking and paperless branches. Our goal is to transition towards a true omni-channel approach that will provide all UniCredit clients with the same customer experience, whichever channels they prefer to use.

We maintained a very strong capital level at all times, continuing our disciplined management of the business to sustain our liquidity levels, focused on high asset quality. It is this strength and discipline – together with the successful completion of our **Transform 2019** strategy – that allowed us to keep supporting our clients and communities when they needed us most.

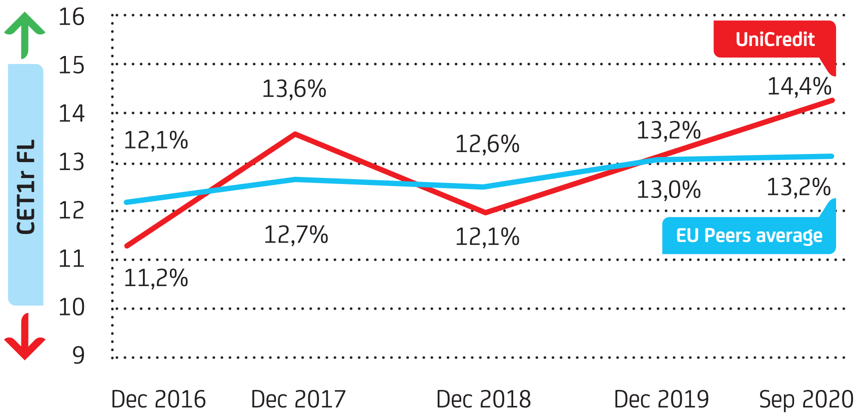
In 2020, we delivered an underlying net profit of €1.3bn, successfully navigating an extraordinary year from a position of strength. We delivered lower costs and provisions, with a stated cost of risk well within guidance, at 105bps. Our Non Core rundown is fully on track and we confirm the strength of our balance sheet, with very strong capital and liquidity positions. All this would not have been possible without your unwavering support and the steadfast commitment of UniCredit colleagues.

Looking to the future

As the world adjusts to the changes brought about and accelerated by the Covid-19 pandemic, there is a clear need for companies investing in a long-term vision that is shared with all their stakeholders. This includes the financial services industry: banks will continue to play a very important role in ensuring that local companies have access to adequate funding.

CET1r FL evolution

Common Equity Tier 1 ratio Fully Loaded evolution*



European Debt and Trade Finance Powerhouse

- **Most active player in EUR Bonds** since 2012 (no. 1 by number of deals)
- **No. 2 in EMEA** Bonds in EUR (by no of deals) in 2020 (no.1 in ITA, no. 1 in GER, no. 2 in AUT)
- **No. 1 Bookrunner EMEA** Corporate Loans in EUR (by no. of deals)
- **No. 4 Lead Bank Combined EMEA** Green and ESG-linked Loans and Bonds in EUR
- **In ECM:**
  – No. 1 all ECM transactions in Germany by no. of deals
  – No. 2 Equity-linked transactions in Italy

- **The Banker's Transaction Banking Awards 2020** – Best Bank for Supply Chain Finance
- **Euromoney Cash Management 2020 Survey** – Best Service Provider in Austria, Germany and Market Leader in Austria, Italy
- **Euromoney Trade Finance 2020 Survey** – Market Leader in Austria, Italy and Best Service in All Services in Western Europe, Austria, Italy
- **Global Finance's 2021 Treasury & Cash Management Awards** including CEE:
  – Best Bank for Liquidity Management in Central & Eastern Europe
  – Best Treasury & Cash Management Bank in Germany and Italy

*Source: Market Presentations and Reports. Peers' sample: Intesa Sanpaolo, Santander, BBVA, Deutsche Bank, Commerzbank, Société Générale, Credit Agricole SA, BNP Paribas, Erste, Raiffeisen, ING. Data: Year End figures; 2020 figures as of September 2020. Stated Common Equity Tier 1 ratio Fully Loaded where disclosed (for ING CET1r Transitional available only; Intesa San Paolo discloses Pro-forma CET1r FL, at 15.2% as of Sep20, at 14% excluding the mitigation of the impact of the FTA of IFRS9).

UniCredit has shown the importance of pan-European banks, combining strong global products and local excellence. Our long-term focus is on being One Bank. The Group will continue to leverage on technology to accelerate the digital and remote banking transformation, while focusing on sustainability: continuing to look beyond purely economic profit to consider social impact banking initiatives and other community support.

This is the last time that I will address you as the UniCredit CEO. I am very happy that Andrea Orcel is joining the Group as my successor. He will be supported by a fantastic team, loyal clients and supportive shareholders. My warmest regards go to all my outstanding colleagues, who have worked relentlessly to transform the bank. I am immensely proud of everything that we have achieved together.

UniCredit is a very strong bank and all our stakeholders can count on us. We will continue to **"Do the Right Thing!"** to support our clients, communities and our team members, in order to create value for our shareholders.

Thank you!

Jean Pierre Mustier
Chief Executive Officer UniCredit S.p.A.

Content

Financial highlights

UniCredit Group Hungary – IFRS consolidated

Profit figures

(HUF million)

	2020	2019
Operating result	33,794	55,846
Profit before taxes	34,520	56,517
Profit after taxes	**31,268**	**51,291**

Balance Sheet figures

(HUF million))

	2020	2019
Balance Sheet Total	**4,076,248**	**3,380,945**
Loans and Advances to customers (net)	1,696,812	1,497,535
Deposits from customers	2,641,238	2,099,276
Shareholder Funds	384,736	388,066

Indicators

	2020	2019
Return on Equity before taxes	8.93%	15.32%
Return on Equity after taxes	8.09%	13.90%
Return on Average Assets (ROA) before taxes	0.93%	1.76%
Return on Average Assets (ROA) after taxes	0.84%	1.59%
Cost Income Ratio*	55.10%	51.45%
Net fee income in percentage of Total Operating Income	33.83%	36.80%

Indicators prescribed by CBH (Central Bank of Hungary)

(HUF million)

	2020	2019
Regulatory Capital	364,916	343,310
Risk Weighted Assets	1,566,838	1,721,621
Total Capital Ratios	**23.29%**	**19.94%**

Other figures

	2020	2019
Headcount (FTE)	**1,770**	**1,744**
Number of locations	56	57
Number of branches	54	55

* Based on standard of Consolidated Financial Statement

Management report

Macroeconomic environment and the banking sector in 2020

International economic and financial environment

At the beginning of 2020, the world's health care systems and economies faced an unexpected challenge because of the coronavirus pandemic, which had started in China and was spreading globally extremely quickly. The impact of the Covid-19 pandemic on the world's economy was unprecedented and substantial. The depth of the global recession exceeded what was seen during the 2008–2009 financial crisis. The peculiarity of this crisis was that the modern world faced a global depression caused by a pandemic for the first time, the effect of which on economic operators fluctuated on an extremely wide scale.

In most developed countries, the second quarter of 2020 was the first period when the serious adverse economic effects of the coronavirus pandemic appeared in their entirety. The decrease in GDP was due to the restrictive measures taken by the governments in order to slow down the spread of the virus. Economic activity stopped overnight in several industries, which was a huge supply shock and resulted in a double-digit recession in most European countries and the US. Then, as expected, the deep dive of the second quarter was followed by a quick bounceback driven by a strong technical correction in the third quarter, related to the easing measures following the fading of the first wave of the pandemic. As a result of opening the economy, most European countries were able to recover about 90 per cent of what was lost in the lockdown. However, the growth proved to be short-lived, losing its momentum by the end of the summer, and the second wave of the virus forced the authorities to introduce additional restrictions. The impact of the tightening showed up in year-end results too, and the economies of several countries fell into recession again.

It was immediately clear to governments that the coronavirus pandemic and the related restrictions could cause enormous economic damage, and that prompt measures to protect the economy were necessary to mitigate them. When taking these measures, the fact that the current crisis started with a sudden supply shock could not be ignored: production stopped, plants and service providers closed overnight during springtime. It was questionable whether the traditional fiscal and monetary policy methods based on boosting demand would prove to be effective in managing the crisis. This realisation resulted in gigantic public rescue packages, resting on pillars such as 1) direct state subsidies aimed at protecting jobs provided to the economic operators in need; 2) liquidity-boosting state guarantee schemes and central bank credit programmes with favourable interest rates; 3) payment moratorium; 4) interest rate cut. Overall, the programmes announced in each country were similar, the differences were in the size of the rescue packages compared to GDP as well as the ratio of fiscal and monetary measures.

Hungarian macroeconomic developments

While in the Western countries first hit by the pandemic the negative effect of the coronavirus was already reflected in the macroeconomic indicators of the first quarter, the data were still favourable in Hungary at the beginning of 2020. The first infections were registered in Hungary at the beginning of March, and the general lockdown measures were introduced at the end of the month. Although the first wave of the pandemic in Hungary was considered to be mild in international comparison, the lockdown caused an enormous economic downturn. In the second quarter, which was the most affected by the pandemic, Hungarian economic performance dropped by approximately 15 per cent compared to the first quarter and 13.6 per cent compared to the same period of the previous year. Then a strong economic bounceback occurred during the summer, after the gradual easing of the restrictions. Recovery, however, was not complete. With the strengthening of the second wave of the pandemic during autumn, the authorities introduced restrictions again. Therefore, Hungarian GDP decreased by 5.0 per cent in 2020.

2020 was an extraordinary year not only because of the depth of the crisis and its root cause, but also because of the wide range of the effects exerted on each sector: while some industries were severely set back, others were left almost untouched.

Tourism and hospitality were amongst the industries seriously affected by the consequences of the pandemic, foreign arrivals practically stopped in the spring. Then, in parallel with the lifting of the restrictions, domestic tourism recovered quickly during the summer, and the number of guest nights came close to the levels seen in last August. However, this hardly compensated for the approximately 60 million foreign arrivals each year, about 70 per cent of which was lost last year. With the closing of the borders in September and the second wave of the virus, the popular autumn months were lost completely, resulting in serious damage to the industry.

Hungarian industrial production recovered very quickly after the easing of the restrictions, and by the end of the third quarter, it had largely made up for the output lost in the spring lockdown. While in the second quarter the large weight of the automobile industry was a serious disadvantage for the Hungarian economy, the industry improved much during the upturn and contributed to growth significantly. This is due to several factors: firstly, to the completion of the orders made before the restrictions; secondly, to the quick uptick in Chinese car demand, which benefitted German carmakers; and thirdly, to the fact that many people have switched to using cars instead of public transportation because of the pandemic.

Household consumption proved to be more resilient in the first wave of the pandemic than anticipated. An important factor may have

Management report (Continued)

been that households are more resilient than in previous crises, not least related to the dynamic growth of wages and savings in the last couple of years. Household indebtedness increased slightly, the growth of household credit was healthy and balanced. However, despite the reserves, private consumption, following a brief and quick recovery, has been characterised by increasingly sluggish dynamics since August, as households spent far less than their potential in the third quarter. An explanation of the careful consumer behaviour may be that according to surveys households are most afraid of a worsening labour market situation and thus losing their jobs. This is because with the expiry of the public wage subsidy programme in August, the unemployment rate and the number of jobseekers started to increase. The Hungarian fiscal rescue package used in crisis management focuses on boosting investments, while direct subsidies (wage subsidy, tax incentives etc.) are only temporary.

Low external inflation, the weakening of internal demand because of the decline in economic activity as well as the gradual realignment of the structure of consumption were all reflected in the downward trend of the inflation rate experienced since the autumn months, therefore, the growth rate of the price level had slowed down to 2.7 per cent by the last month of the year compared to December in the previous year. Despite disinflation, last year's average rise in prices was 3.3 per cent as the consumer price index temporarily jumped to 4 per cent in the summer because of the weak forint and one-off effects. The forint's exchange rate started to depreciate rapidly during spring, after the outbreak of the pandemic, and the EUR/HUF exchange rate reached 370. In response to this, the central bank decided to restructure monetary policy instruments, which was tantamount to a tightening: the interest rate corridor became symmetric and a one-week deposit was introduced as a crisis management tool, which enabled the central bank to adapt flexibly and in a timely manner to the rapidly changing financial and economic environment. In the summer, taking advantage of the favourable pandemic news and the strengthening of the domestic currency, and at the same time surprising the markets, the Monetary Council changed the base rate after four years, decreasing it from 0.9 to 0.6 per cent in two steps.

The performance of the Hungarian banking sector

The coronavirus pandemic, the economic recession and the government measures affected Hungarian banks' balance sheets and profitability significantly in 2020, both directly and indirectly. Although actual data indicate that the Hungarian banking sector reported HUF 212 billion in profit after tax (IFRS, non-consolidated) in 2020, which is an almost 60 percent decrease year-on-year, in general, it maintained its income-generating capacity and a strong capital and liquidity position.

The Central Bank of Hungary, utilising to the maximum extent possible the support it can provide, assumed an enormous part of the crisis management. Acting almost immediately, it was the first in the world to introduce a payment moratorium on loans, then at the beginning of April, it announced a liquidity boosting programme totalling HUF 3,000 billion to provide help to economic operators through the banking system and to support the government securities market. Credit growth was dynamic both in the retail and the corporate sector, because of the loan programmes and the missed principal and interest payments under the moratorium. Partly because of the extra liquidity pumped into the economy, and partly because of the low propensity to spend and invest, deposits also increased significantly, therefore, the banking sector's loan-to-deposit ratio remained stable and balanced.

Amongst the economic processes and crisis management steps, the factors most affecting the banking sector's profitability last year were the payment moratorium and the strong provisioning related to the changed economic environment. The recession in the second quarter, including mainly the decrease in banking transactions because of the decline in consumption and the freezing of foreign trade, affected fee and commission income and trading income negatively. However, this loss was successfully recovered in the third quarter. Financial institutions already started a major provisioning drive during the spring, getting ready for the changed macroeconomic situation, rising unemployment, losses caused by the payment moratorium as well as the expected rise in non-performing loans. Impairment exceeded HUF 280 billion in 2020.

UniCredit Bank Hungary Zrt.'s performance and consolidated profits in 2020

Despite the negative economic impacts caused by the coronavirus pandemic, UniCredit Bank Hungary Zrt. ended a successful business year in 2020. Similarly to previous years, business volumes expanded dynamically: net customer loans increased by 13.3 per cent, while deposits from customers increased by 25.8 per cent compared to 2019. As a result of the changes in the volume of customer holdings, the bank's net loan-to-deposit ratio closed 2020 at 64.2 per cent. Based on its consolidated balance sheet and profit & loss account prepared in accordance with the International Financial Reporting Standards (IFRS), the balance sheet total of UniCredit Bank Hungary Zrt. amounted to HUF 4,076 billion at the end of 2020, representing a 20.6 per cent growth year-on-year. Thus, UniCredit Bank Hungary and its affiliates reserved its significant market position in the banking industry, similarly to previous years.

Management report (CONTINUED)

The Hungarian banking group's profit after tax was HUF 31.3 billion in 2020, which is a significant drop (39 per cent) compared to last year. Net interest income, mainly because of higher volumes, exceeded last year's level (by 9.7 per cent), however, non-interest income fell short of the figure from 2019 because of the negative effects of the coronavirus pandemic. Operating costs exceeded last year's level, and net impairment was also significantly higher, mainly because of the adverse macroeconomic situation and the consequences of Covid-19.

The bank's performance indicators (relative to profit after tax) developed as follows:

ROA 2020=0.8%	ROE 2020=8.1%
ROA 2019=1.6%	ROE 2019=13.9%

The values of the return on asset and equity indicators decreased in 2020, mainly related to the negative effects of the coronavirus pandemic.

The bank is continuously monitoring the changes in the business and regulatory environments, as well as changes in its customers' needs, adjusting its business model and development strategy accordingly. As such, the bank continued to focus on digitalisation, regulatory compliance and sustainable growth in 2020.

At the end of 2020, UniCredit Bank Hungary Zrt. was serving its more than 330,000 customers through its nationwide branch network of 54 units as well as its digital solutions.

CSR report 2020

Despite the challenges, social responsibility was given a prominent role in the activities of UniCredit Bank Hungary Zrt. in 2020. The bank committed itself to responsible, ethical, and sustainable operation not only through measures that consider the environment and society via green banking, new business and a green loan product and investment. It also took several measures in the spirit of our core values Ethics and Respect to support employee well-being as well as paying attention to suppliers and business partners.

Within the frame of social responsibility, a new and new type of banking activity was launched in 2020, Social Impact Banking (SIB). Our business program aims to support businesses and organizations working to remedy burning social problems by trusting them, providing them with loan and supporting them with our financial and business knowledge, network, then measure and evaluate the results and the social impact of their activities. Simultaneously with our program, we also strengthen the financial and entrepreneurial knowledge of society and businesses.

SIB operates in 4 main areas:
- With Impact Financing we support projects that impact society, we measure, evaluate and monitor the positive effects.
- We help the operation and funding of SMEs with microcredit. Even new start-ups can apply for our new microcredit on favourable terms, with a maximum term of 5 years and a simplified loan approval process.
- Financial education and inclusion: we improve the financial awareness of young people through educational programs, and of those establishing start-up businesses via mentoring. We reach the target groups through cooperating partners.
- Volunteering: This is a key factor in Social Impact Banking activity, it means the commitment of our employees during our educational and business development activities. They facilitate the exchange of experience and strengthen their sensitivity to projects with social goals.

We implemented the financial education programs in the spirit of the SIB and expanded with new initiatives in 2020:
- For the sixth time, the bank's volunteers participated in Pénz7, the largest financial education program for schools in Hungary, and supported the work of teachers with real life examples.
- The "Future from an Idea" competition was supported by the bank, which enabled 750 high school students to deepen their knowledge of entrepreneurial culture and gained practical knowledge about how businesses work.
- A joint course with the Faculty of Finance and Accounting of the Budapest University of Economics continued, in which the best specialists of UniCredit Bank transferred their practical experience in connection with the work of various banking fields.
- To improve the business knowledge of the companies, we joined and included the UniCredit Group in the international business development program Finance4Social Change supported by the European Union. The program was coordinated by IFKA (Non-profit Foundation for the development of Industry) in 10 countries of the Danube region; as an expert, our bank supported the development of the business skills of the participating social enterprises.

UniCredit Bank aims to enable its customers to contribute to sustainability goals through their products. The Green personal loan offered to private persons provides a discounted interest rate for the installation of solar cell system. For clients who also want to make investments to offset the adverse effects of climate change, we offer the Amundi Climate-Conscious ESG Mutual Fund of Funds. Renewable energy financing is a good option for SMEs: UniCredit Bank has financed the construction of a number of solar, geothermal and biomass power plants and retrofit programs through loans to SMEs and key customers.

Several steps were taken to achieve greener banking operation, such as the introduction of refillable jugs to replace plastic water bottles, the expansion of bicycle storage in headquarters, the promotion of cycling, the launch of a car-sharing service, the introduction of electric cars in the fleet or the reduction of paper use. introduction of biometric signatures for customer contracts and transaction documents. Lighting modernization is ongoing at the bank branches, solar panels are installed on two of our own properties, and light pollution was been reduced with the shorter operation of the neon lighting in our headquarters.

Sustainability also plays an important role in corporate governance. We have designed our business processes in such a way that ESG considerations also apply to the management of reputational risks. Dedicated policies provide guidance for business on topics sensitive to environmental and social risks.

It is important for the bank that ethical operation be a common goal within the organization and that sustainability be reflected in both internal and external communication. In order to sensitize colleagues, two sustainability events were also implemented in 2020. The bank's Sustainability intranet page was launched, which could not have been created without the work of the volunteer team formed within the bank. The flow of information is also facilitated by sustainability newsletters. Two board members authenticate the topic within the bank as Sustainability ambassadors. In addition, there was no question of inserting sustainability message in our campaign celebrating the 30th anniversary of the bank including several long-term and successful customers.

The coronavirus epidemic posed serious challenges to the entire world. Even in an unprecedented situation, UniCredit Bank provided tangible assistance to the most vulnerable social groups. The bank gifted professional, high-performance disinfectants to 28 retirement homes across the country and helped with donations of money and food to homeless organizations. The pandemic also hit the financial resources of NGOs, so the bank supported several children's organizations. In the mobile application campaign involving customers, the bank improved the situation of Hungarian children in state-care through the UNICEF Hungary Lookout Program with a grant of twelve million forints, while with the help of the UniCredit Foundation a total of 40 thousand euros was provided by some organizations. Due to the lack of appropriate tools, digital education became almost inaccessible to many young people, so the bank used 32 iPhones to help a school network in Borsod county, while donating money to help children who are falling behind in education catch up via the support of several NGOs. The bank's staff also expressed their solidarity and from October to December they collected donations for several non-profit organizations working in the field of children's education, equal opportunities, and social inclusion.

During the epidemic, the health of our colleagues and clients was the bank's main priority. Operating bank branches in safe conditions and providing them with protective equipment was a priority. Digital channels were also strengthened to ensure seamless customer service, and UniCredit Bank, along with other banks, has launched an instant payment system. The bank helped subcontractors by paying bills faster.

In early March, within just one and a half weeks, 1200 of our employees switched to home office. Colleagues belonging to the most vulnerable risk groups due to their age or health status received special attention, while those working in the critical areas worked in shifts and received protective equipment. The bank also tried to make the daily lives of its employees easier during the difficult period. Those who were unable to take care of their child when schools were closed could take paid leave in addition to their holiday limit. Colleagues were able to use the Employee Assistance Program, which provides psychological, legal, and financial advisory support. The bank also took out high-value accident, sickness, and life insurance for all Covid-19 employees and passed on the tax relief granted by the government to companies to employees in the form of cafeteria. Due to the pandemic, no employees were dismissed, employees were kept by the bank with a 100% wage guarantee.

One of the foundations of our ethical operation is a culture of inclusion, diversity, and equal recognition of female leaders. To build this culture, we organized the 2020 Thematic Week for Inclusion and Diversity. The programs were enriched by presentations by external and internal speakers and a competition for staff on the topic. A program dedicated to female leaders was launched, including a survey of their situation, training, and targeted measures to recognize female leaders based on the situation assessment.

Report on the divisions

Corporate, Investment & Private Banking Division

As for the whole world economy, for UniCredit, too, 2020 was mostly about the Coronavirus and the response to it by both the government and the company. Nevertheless, 2020 was once again a year full of outstanding success for the Corporate, Investment Banking and Private Banking Division. However, the shrinking of client interest rates continued, accelerated by government implemented counter-Covid-19 tools such as NHP Hajrá! loans as well as new EXIM Compensation Program and new guarantee schemes. That, as well as the moratoria introduced by the government to aid Covid-19-struck economy, all led to a considerable growth in market size. UniCredit's revenues and loan volumes have also grown considerably, not losing sight of strict risk awareness and profitability. Year-on-year revenues have increased by +10.3%, loan volumes by +7.7%, market share ended at 11.16%. The Division remained the dominant segment of the bank in terms of both income and profit.

Our bank is one of the most successful corporate banks in Hungary not only because of its excellent profitability indicators. It is also manifested in recognitions received from prestigious forums and – as a most important measure – in the feedback received from our corporate customers. Based on the objective satisfaction survey conducted among our customers (NPS and CFI scores), as a recognition of its high service level, the bank managed to achieve an outstanding result among the corporate clientele in 2020. UniCredit Bank Hungary Zrt. received the title "Cash Management Market Leader in Hungary" and "Best Service" in Euromoney's Cash Management annual survey. Based on Euromoney's Trade Finance survey, UniCredit Bank has been awarded for 2020 as the Trade Finance Market Leader in Hungary as well as Best Service Provider in Hungary.

Key to success lies within our five fundamentals. It comes, on the one hand, from the expertise and experience of our colleagues and, on the other, from our up-to-date and full range of service proposition. Therefore, similar to previous years, we have highly focused on the quality of our service delivery to our clients and within this scope we have made several system enhancements to meet our clients' unique requests (UC Trader, Global Pricing Tool).

In Structured Finance, 2020 proved to be another eventful year of challenges and successes. Effects of the pandemic were quite different in each economic sector. Companies in hospitality, transportation and service sector suffered serious losses and struggled for survival, while other sectors like telecom and renewable energy continued their prosperity. In structured finance we tried to help and serve the needs of our customers operating in each sector by offering them customized structured finance solutions that were ideally matched to their situation. We also acted as banking coordinator and lending agent in several new high-profile transactions and we continued to be active in renewables, especially in geothermal and solar project financing that enabled us again to strengthen our leading position in the financing market. Despite the lack of direct contacts, thanks to our positive and flexible approach we managed to further strengthen the relationship with our customers among these extreme circumstances. Besides, we also succeeded in maintaining the excellent quality and profitability of our loan portfolio.

2020 brought again dynamic expansion to the Real Estate department regarding the loan portfolio and revenue as well. Despite the economic turbulence caused by Covid-19 pandemic, the quality of the portfolio is outstanding. We are proud that both our clients and the real estate industry recognized our efforts and UniCredit was awarded as the 'Best Bank', in the Portfolio 'Banking' and 'Financing' category.

In 2020 UniCredit has entered into an EIF InnovFin Covid-19 support package offered by the European Investment Fund (EIF) allowing the bank to provide working capital loans to SMEs and mid-caps guaranteed by the EIF at a rate of 80% (previously 50%). The new measures allow UniCredit to provide extensive support for SMEs and mid cap companies to manage the liquidity issues resulting from the Covid-19 emergency.

Similar to previous years, we continued focusing on financing companies active in agribusiness. We believe that there is a significant inherent growth potential in the industry to be exploited. Furthermore, agricultural and food industry investments in new technologies, digitalization and modernization are boosted by diverse EU and domestic grant schemes.

In 2020 the continued trend of low interest rates and the Covid-19 situation required heightened flexibility and adaptability from the GTB (Global Transaction Banking) Cash Management Department. Despite a low interest rate environment, the bank continued to increase its client base. This is clearly evidenced by the significant increase in payments and sight deposits. Handling of the pandemic situation required establishing several new processes and controlling methods. The successful launch of instant payment system on March 2, 2020 has also opened several new opportunities for our corporate customers.

As a result of our reliable and high-quality client service, additional acceptance locations were deployed. Our market share also continued to rise; by the end of the year, more than 6,500 terminals were operating in our network. Online retail sales volumes significantly increased further in 2020, thanks to the pandemic related actions. This also greatly boosted online card transactions, as demonstrated by our Bank's rising vPOS turnover figures. Based on customer feedback, we continuously improve the quality of our services and expand our product range. Digitalization of our processes played an important role in 2020: prospective merchants can already apply online for the card acceptance service through our webpage.

UniCredit Bank Hungary Zrt.'s Trade Finance department closed another successful year in 2020. Within the trade finance portfolio,

Report on the divisions (Continued)

the guarantee portfolio after the record 2019 year expanded further in 2020, the portfolio volume being beyond the HUF 410 billion level. Trade Finance realized a relevant growth also in the field of tailor-made, structured working capital solutions and in the field of financing under the EXIM Compensation Loan Program. The awards received at Euromoney's Trade Finance survey serve as prominent acknowledgements of UniCredit Bank Hungary Zrt.'s trade finance performance.

Commitment of the colleagues at Documentary and Guarantee Business ensured our continuous service and support towards our clients in the pandemic situation, which further strengthened our customer relationships.

As a member of Factors Chain International (FCI) and the Hungarian Factoring Association, UniCredit Bank had strong focus on the development of its factoring, purchase of receivables and supply chain finance services as well as on the flexible serving of the arising client needs in this field.

2020 was a challenging year for Global Securities Services (GSS) of UniCredit Bank Hungary Zrt., however, the business line reinforced its position, retained its role as market leader and expanded its client base even further. Following the year of 2019, GSS was named as Best Sub-custodian Bank by Global Finance Magazine in 2020. The award is assigned to financial institutions that reliably provide the best services, taking into consideration the opinion of customers. The department continues to develop its services to meet the unique needs of its institutional clients, to comply with the continually tightened legal requirements and to respond to the changes on the capital market. Digitalization and automation play a key role in daily operations as well as in forming the business line's strategy going forward. GSS pays special attention to keeping clients satisfied, to operating with a focus on customers and to comply with legislative requirements.

Following the Central Bank of Hungary's decision in 2015, HUF was introduced as a settlement currency in CLS. The bank became Hungarian market leader in "HUF nostro agent services in CLS" (Continuous Linked Settlement) as far as the number of mandates are concerned. In 2020 the bank has retained its leading position in this segment.

2020 has been a very successful year for Corporate Finance Advisory (CFA) as well. After the decline of M&A and Capital Markets transactions in H1 due to the pandemic, in H2 of 2020 CFA colleagues closed two landmark transactions. As Arranger CFA colleagues executed the HUF 70,83 billion bond issuance of Magyar Telekom Nyrt. in line with the Bond Funding for Growth Scheme. In terms of amount this issuance was the largest and in terms of yield the lowest that has been executed in line with the program of the National Bank of Hungary to date. As Global Coordinator and Joint Bookrunner we executed the Eurobond issuance of MOL Group in the amount of EUR 650 million.

Corporate Treasury Sales closed again a successful year in 2020, revenues were up 10 percent compared to 2019. Instead of personal client meetings due to the pandemic we communicated with our clients on the phone and on video, we managed to further increase the number of active client contacts to help them manage their financial risks. Similar to previous years, most of the traded volumes with our clients originated from FX currency deals, but in 2020 the share of Interest rate derivatives increased. We grew our commodity hedging business substantially (+30 percent turnover year-over-year).

Our bank's Risk Taking unit booked strong revenues during a rather volatile period in 2020. The key goals of our trading area are to maintain a wide-ranging presence on the interbank market and to take over market risk from our clients. We consider it a definite success that we were able to outperform the previous year's results in a way that our risk indicators typically remained well below the possibilities provided by the risk limits during the year. In 2020, interest rate and foreign exchange products continued to dominate our risk-taking activities. Our bank is one of the top three players in the interbank currency trading and is an active bond market participant also, thanks to which it participated in the EUR 2.5bn bond issuance of Hungary.

UniCredit Private Banking also closed a successful business year in 2020. As of the end of the year, Private Banking accumulated over HUF 350 billion in savings for more than 2000 private banking clients. These figures and the positive dynamics show that Private Banking proved to be resilient during the pandemic situation. The current business model strongly builds on two pillars: investment focus and relationship power. A sophisticated investment offer is in place, ranging from long term portfolio advisory and maintenance to satellite tactical investments. The main access to these products is through relationship managers, where relationship power is ensured by very low fluctuation levels. With the very proactive approach of relationship management, combined with the adequate investment offers, Private Banking managed to keep its clientele very active in investments, regardless of the very minimal opportunities for personal meetings. UniCredit's global investment strategy continued to play a leading role in long-term savings; our consultants advised the Bank's clients in their financial decisions in line with the strategy. Besides the main investment strategies, clients' attention turned more to the tactical opportunities, stimulated by the very volatile market environment. Lending activity was very low in 2020, due to pandemic-driven risk-related limitations. From developments point of view, Private Banking focuses on providing digital mobile app-based investments access for its clients in 2021.

In 2020, UniCredit Leasing Group, which is owned by UniCredit Bank Hungary Zrt., maintained its fourth position in the market having 7.5 percent market share. Despite this year's challenges, the Group increased its revenue by 10.4 percent and its loan volume by 4.2 percent. In regards the moratorium announced, as a consequence of coronavirus situation, we can state that one third of eligible customers actively participated in the moratorium, which is a good indication of the good portfolio quality. Another important effect of the coronavirus was the decrease in demand, which was characteristic of almost all business lines in this year. An exception is the financing of agricultural and construction machineries, where the group achieved a record in new business volume of nearly HUF 16 billion. The leasing segment was also successful in selling of the favourable NHP Hajrá! product with a new business volume in amount of HUF 13.4 billion and the EXIM Compensation Program was also successfully launched in the second half of the year. As a member of UniCredit Group, UniCredit Biztosításközvetítő Kft. sells insurance services primarily in relation to leased assets, to the banking clientele as well.

Report on the divisions (Continued)

Retail Division

In 2020, UniCredit Bank Hungary Zrt.'s Retail and Small Businesses Division continued to pay particular attention to flexibly adapting to market changes and to increasing the satisfaction of its customers in an economic environment characterised by constant challenges.

Our business policy is centred on the establishment of long-term cooperation with customers, and on offering products and services built on customer needs. In addition to customer acquisition, our Bank pays particular attention to customer retention and to increasing customer activity in digital channels. By continuously updating our product range, we strive to satisfy customer needs as fully as possible in the fields of daily banking transactions, savings, investments, and lending. The success of our efforts is confirmed by a steady annual increase in the number of retail customers whose income is regularly transferred to their UniCredit bank accounts, while a large number of small business customers also consider UniCredit Bank Hungary Zrt. to be their primary bank.

In line with the start of the instant payment system (IPS), we introduced the Mobil Aktív and Mobil Aktív Plusz account packages, which allow customers to make unlimited free domestic HUF transfers within the mobile application, helping the fastest and widest adoption of the IPS possible. At the end of the year, we started fully online account opening for retail customers. Using online accounts, customers are able to open retail bank accounts with our bank from the comfort and safety of their home.

In line with the Revised Payment Services Directive (PSD2) of the EU, on 9 December 2020, we introduced strong customer authentication for authenticating online purchases made using debit or credit cards. This Payment Services Directive determines that two authentication elements should be used for online card payments.

In accordance with its internal guidelines, the Division paid continuous attention to the improvement of service quality, the professional training and support of branch network personnel and to the development of sales, and as a result, it achieved a high degree of customer satisfaction. The satisfaction of UniCredit Bank Hungary Zrt.'s customers has been remarkably strong for years, the Bank fares similarly to its competitors in this regard, which was affected by the strict measures introduced in 2020 to slow down the coronavirus pandemic. According to surveys regarding the services provided in our branches, our customers have been satisfied, year after year, with the service quality, the advisors of the Bank, the financial advice tailored to customers' financial needs and with the consultations on the next steps to be taken. New customers expressed great satisfaction with the helpfulness of our advisors and the atmosphere in our branches. Based on surveys carried out amongst customers, their willingness to recommend our Bank is high and they are happy to recommend the Bank to their friends, family members and business partners.

As a result, the Division currently serves around 300,000 customers, including 36,000 small businesses. The Division held a loan portfolio of HUF 321 billion in 2020, representing a 3.7-per cent share of the retail lending market as at the end of 2020.

With regard to lending, one of the most important events in 2020 was the implementation of the tasks related to the payment moratorium. The automatic payment moratorium lasted until 31 December 2020. Less than 45 per cent of our retail customers asked for the delay of repayments, which is lower than the market average. Regarding lending, several restrictions were introduced during the moratorium, in line with the requirements of the MNB and the Group. At the same time, we were able to provide customers with several automated solutions in everyday administration that supported remote administration. The negative effects of the pandemic and the restrictions could also be seen in the number of people visiting branches as well as those applying for credit, however, despite the turbulent environment, we succeeded in achieving one of our major priorities, namely maintaining stable and prudent business activities, while also registering a 6.5-per cent growth in the loan portfolio.

With regard to small business customers, 28 per cent of the eligible customers applied for a payment moratorium at the end of the year, which is also a lower than the market average. The small business loan portfolio grew by 1.4 per cent, induced primarily by the increasing demand for working capital loans, while demand for investment loans and overdraft facilities decreased slightly. In 2020, our bank introduced the products of the new Széchenyi Card Programme (Széchenyi Card Overdraft Facility Plus, Széchenyi Investment Loan Plus, Széchenyi Liquidity Credit, Széchenyi Job Protection Loan) with a significant demand from customers. In parallel with the introduction of the new products, the selling of the earlier so-called Széchenyi Classic products was suspended.

To support transparency, the review of the small business account products and the simplification of the range of products continued too. Accordingly, we stopped selling some of our account packages and introduced new account packages instead to provide micro and small businesses with banking at favourable fees.

In 2020, the savings portfolio of the Retail and Small Businesses Division increased by almost HUF 114 billion, closing the year at HUF 1,138 billion. As a result of the pandemic, several customers reduced their savings in the first half of 2020, which, together with the customers who entered the payment moratorium, contributed to the 19-per cent expansion of sight deposits. With regard to savings, the most popular investments were still retail government securities, the Division sold about HUF 105 billion of these products during the year.

The Bank ended the year with a 4.6-per cent market share in terms of deposits and securities of individuals.

Mindful of the significant changes in customer needs and habits, we pay special attention to the development of customer-focused digital solutions, whereby we create value for our customers. This was especially important for communication with the customers in 2020 because of the new challenges caused by the coronavirus pandemic; a significant portion of customer relations moved to the digital banking channels requiring sign-in.

The unicreditbank.hu website had 1.7 million individual visitors in 2020. 9.5 per cent more inquiries were submitted in 2020 than in 2019. One of the reasons for this was that customers had access to online account opening offered by the Bank on our website.

Over 90 per cent of the clientele of the Retail and Small Business Division can still transact their finances via the Telephone Banking channel. Improvements in the standard of our services to customers played a significant role in achieving a customer call response ratio of over 82 per cent.

The bank continued to communicate to its customers the changes caused by the coronavirus pandemic using its digital channels until the end of the fourth quarter of 2020. In addition to the option of making the declaration related to the payment moratorium, the Bank introduced obligatory customer due diligence to its eBanking system, which also made any visit to the branch in this regard unnecessary. More than 240,000 customers were entitled to use the eBanking system.

The bank further developed its mobile banking application based on the Mobile 2.0 Strategy, treating customer focus and the development of the customers' financial awareness as priorities. The bank continued to popularise and communicate extensively the functions of this digital channel amongst its customers in the fourth quarter of 2020.

In the fourth quarter, the bank completed the business introduction of its renewed mobile banking service mBanking application, and the transitioning of customers from the earlier application to the mBanking service. It also enabled its customers to manage direct debits and submit new direct debit orders and SEPA (Single European Payments Area) transfers.

After they log in, optionally using biometric identification, customers can still use the application to activate their new or renewed debit cards, set up new standing transfer orders and manage existing ones, make convenient credit card repayments, check their reserved debit and credit card transactions and create new orders from payment orders specified and booked before, or authenticate their transactions using biometric identification on their mobile phones capable of fingerprint scanning. Customers using an activated mBanking application can still receive push notifications about their debit and credit card operations and incoming transactions. The application allows the Bank's customers to categorise their purchases with just a few taps, and replan their expenditures using the cost analysis function. The Bank's mToken service developed taking into account the PSD2 legislation allows customers to authenticate transactions initiated through the eBanking online platform after receiving push messages. The cardless cash withdrawal service (mCash) is still available in the mobile application, allowing cash withdrawals from UniCredit Bank Hungary Zrt.'s any Hungarian ATM without the use of a bank card. More than 115,000 of our customers used our mobile banking service at least once a month.

In order to allow customers to deposit cash at any time of the day regardless of the opening hours of the branch offices, the Bank continuously maintained the number of ATMs suitable for cash deposits. This convenience function was available at 83 ATMs at the end of 2019. Environmental protection is a key priority for our Bank, and an increasing number of customers are choosing e-statements instead of printed bank account statements. At the end of 2020, more than 70 per cent of our retail customers used this option.

Report on the divisions (Continued)

Human Resources

Strategy and participation

The aims of the three pillars of our HR strategy are the following: to be a great and inclusive place to work, to drive the personal development of employees as well as to improve the way of working and thereby to create a respectful and harmonious work environment.

The HR department supports the bank with solutions that are innovative, sustainable over the long term, focused on effective recruitment and selection processes, improving employee experience, encouraging equal opportunities, having in daily agenda the build-up of a strong succession pipeline and outstanding talent management, as well as providing competitive compensation package and excellent HR services for employees.

UniCredit Bank Hungary Zrt. believes that a diversified workforce encourages the plurality of perspectives, fosters innovation, and contributes to an engaging work environment.

UniCredit Bank Hungary Zrt. is therefore committed to building an organization that makes full use of the talents, skills, experience, and different cultural perspectives available in a pluralistic society in which individuals feel they are respected and valued and can achieve their potential. In addressing the need for diversity, UniCredit Bank Hungary Zrt. takes a multi-stakeholder approach that accounts for the differing needs of our customers, employees, and communities.

Therefore, we initiated Diversity & Inclusion projects and activities: D&I week and female career path research were organized at our bank.

Supporting business processes

The HR Business Partner Model enables thorough understanding and client-centered servicing of specific areas and activities in the bank in terms of attraction, acquisition, onboarding, assessment and development, engagement and retention, and offboarding.

HR Business Partners are our relationship managers and they are end-to-end responsible for achieving a good understanding of business needs (business acumen), for supporting the organization in change management activities (change agent) and for partnering the HR head and business leaders in taking decisions with a data-driven approach (data-driven champions).

Flexibility in the HR department also supports the allocation of resources consistent with short term priorities and market challenges such as high turnover in specific business areas.

Recruitment and selection

Since UniCredit Bank Hungary Zrt. continues to pay special attention to employees' mobility in the organization and to the utilization of their expertise on both national and international levels, the management considers internal applications by colleagues first for any vacancies or newly opened positions, prior to evaluating any external applications.

The selection of our employees is assisted by a wide range of tools supporting in-depth assessment; examples include competence-based and behavioral interviews, professional assignments, and tests as well as personality, motivation, and work attitude tests. During 2020, also due to the special pandemic circumstances we have digitally transformed the recruitment process, and piloted "new digital tools" such as video and online interview.

We decided to apply marketing strategy to our recruitment process, segmenting our candidates by Mass Market, Expert and Scarce profiles. Segmentation and a deep analysis of our internal processes supported us to pilot the new fast track process in detail, which allowed us to significantly decrease the time to hire.

In 2020, the bank hired 266 new full time employees, the annual turnover of the bank was 11,9 per cent versus 19 per cent of the average in the Hungarian market.

Apart from improving our recruiting process, several initiatives were launched to boost cooperation with universities, and to increase our sources aimed to create better working flexibility to attract colleagues on maternity leave.

Relationships with universities and investments in young students allowed us to have approximately 70 trainees working in our organization during the year.

Equal opportunity

Since Hungary joined the international Gender Balance Initiative, we adapted our Gender Balance Policy in 2013. The Policy is aimed at enforcing the principle of equal treatment in employee selection and promotion and the work-life balance. Changes implemented at the local level under the Policy continue to be monitored internationally. Reports of these indicators that are defined at the Group level, are regularly presented to the senior management as well. During 2019 our attention were focused on Same Role Pay Gap, that achieved a level lower by 4% at the end of the year.

Onboarding

Our digitalization drive included the introduction and development of a new onboarding application for our new hires that helps us engage new colleagues even before they join our organization. With the same technology, a digital onboarding tool was launched for expats to properly welcome and facilitate their start in Hungary.

Employee satisfaction and retention

Employee satisfaction surveys and the implementation of subsequent action plans are of key importance not only for UniCredit Group but for UniCredit Bank Hungary Zrt. as well. In 2020, the Group performed a People Survey.
The survey was characterized by a rather high participation rate as 77 per cent of employees expressed their opinion; and the engagement index was 71 per cent. The bank is currently tackling the development areas highlighted in the survey that are mainly related to well-organized work, challenging the way of working and delivering great customer experience with actual actions.
In 2020, the HR department also focused on introducing employee retention program for a certain group of employees.

Training and development, succession management

The HR department continuously strives to achieve learning and development (L&D) excellence by embedding learning in the corporate culture. On top of the regular focus on keeping the knowledge in the organization up-to-date, an L&D team was organized to support continuous high business demand. In 2020, extra efforts were put into crafting digital and online development opportunities as well as introducing few initiatives with the aim to help employees and leaders cope with and stay effective in the "new normal" environment.

With regular measuring of learning impact and communication, the L&D team managed to ensure high level of learning engagement and better utilization of investments.

Group and local talent management remained in the focus of UniCredit Group's human resource strategy. Its objective is to identify in the organization people with outstanding potential, skills, and professional knowledge, and ensure that their career plans be implemented on both the national and the international level. In 2020, additional focus was laid on improving the identification and the development of high potentials on developing effective succession action plans and creating new opportunities for boosting their capabilities and readiness.

Investing in leadership capabilities and boosting the skillset of managers remained one of the key pillars of the HR department. In the market where even in the pandemic situation the turnover rate has not flattened, one of the key strengths of a company in retention efforts is to have a strong managerial community. 2020 was the second year of our Conscious Leadership Program, which blends online and physical learning with innovative digital solutions (app act2manage & online coaching).

In addition to talent management and succession planning, knowledge sharing is one of the key values of UniCredit Bank Hungary Zrt. An increasing number of employees are given the chance of participating in international and national development programs ranging from project works of a few months to assignments spanning several years. In this respect, during 2020 fourteen of our talents got the opportunity to work on five real banking assignments with a respective sponsorship of B-1 leaders.

Equal opportunity

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Report on UniCredit Jelzálogbank Zrt.

A mortgage bank operating as a specialised credit institution, UniCredit Jelzálogbank Zrt. was established by Bayerische Vereinsbank AG on 8 June 1998, with a registered capital of HUF 3 billion. Since 22 December 2006, the sole shareholder of UniCredit Jelzálogbank Zrt. has been UniCredit Bank Hungary Zrt.

The main activity of UniCredit Jelzálogbank Zrt. is the issue of mortgage bonds and refinancing of commercial banks. Mortgage loans are primarily secured by first-ranked mortgages, independent liens or seceded liens registered on the financed property located in the territory of Hungary.

In order to improve efficiency, UniCredit Jelzálogbank Zrt. has gradually outsourced some of its support activities to UniCredit Bank Hungary Zrt since 2008.

Since 1 April 2009, the tasks of specific business areas of UniCredit Jelzálogbank Zrt. have also been performed by UniCredit Bank Hungary Zrt. as outsourced activities, under agency contracts. Accordingly, all administration related to financing of home buyers as well as to estate development and land financing is performed by UniCredit Bank Hungary Zrt. The issuing of mortgage bonds and unsecured bonds serving as the basis for the lending activity as well as the refinancing activity have remained the responsibility of UniCredit Jelzálogbank Zrt.

In line with its past practices, UniCredit Jelzálogbank Zrt. obtains typically medium- and long-term funding for its own and refinanced loan portfolios by issuing mortgage bonds and by money-market and long-term borrowing. The issuing of mortgage bonds and unsecured bonds typically takes place as part of an offering programme. In this context, UniCredit Jelzálogbank Zrt. raises long-term HUF and foreign currency funds from the capital market.

In the current business and market environment, the frequency and volume of mortgage bond issues depends primarily on the structure of the Bank's assets and liabilities, the composition of the collateral book, the maturity structure of mortgage bonds and the developments in the market yield environment and the regulatory environment. Mortgage bonds and unsecured bonds can be issued in a number of ways. The form of the issuance and the instruments to be issued are specified in the prevailing base prospectus. In the case of a private offering, mortgage bonds and unsecured bonds are sold to a specific group of investors. In a public offering, the terms of the mortgage bond and unsecured bond issue are laid down in the programme's base prospectus and in the final terms and conditions of each series.

In November 2017, UniCredit Jelzálogbank Zrt. signed a joint and several guarantee agreement with UniCredit Bank Hungary Zrt. regarding the payment obligations relating to the securities of the former.

In 2018, UniCredit Jelzálogbank Zrt. commissioned the rating of its mortgage bonds from international credit rating agency Moody's Investors Service. Since 9 December 2020, the mortgage bonds issued by UniCredit Jelzálogbank Zrt. have had a long-term credit rating of A2, which is in the investment category according to the rating agency's methodology.

Under its Mortgage Bond Purchase Programme announced in May 2020, focusing on the market of Hungarian-issued mortgage bonds and including primary- and secondary-market purchases, the Central Bank of Hungary purchased mortgage bonds with a total nominal value of HUF 20.4 billion at UniCredit Jelzálogbank Zrt.'s auctions under its primary programme and mortgage bonds for a total of HUF 15.1 billion in its secondary-market programme.

Based on its balance sheet drawn up according to the International Financial Reporting Standards (IFRS), UniCredit Jelzálogbank Zrt. closed the fiscal year 2020 with a balance sheet total of HUF 305.3 billion and profits after tax of HUF 1,354 million.

Do the right thing!

€500,000 FOR THE RED CROSS

During the Covid-19 pandemic, UniCredit made donations to the Red Cross in Italy, Bosnia & Herzegovina, and Croatia.

"Your generous contribution will help, through our work, the entire Italian population forced to face this moment of emergency linked to the spread of the new Coronavirus. Thanks to your donation, the Italian Red Cross continues to expand, investing in services, resources and training for volunteers and operators to be alongside those who need it most".

Francesco Rocca
President of the Italian Red Cross

SUPPORTING MEDICAL INNOVATION

UniCredit provided €250,000 to build the first CURA Pod prototype, an intensive care unit made from a shipping container. The first unit was transported to Turin where it was used to treat Covid-19 patients.

MAKING AN IMPACT ACROSS EUROPE

UniCredit Social Impact Banking has now disbursed €225.1 million of impact financing and microcredit loans. New projects in 2020 included **the launch of a dedicated offer in Italy to support female entrepreneurship and profit and non-profit businesses with a focus on women and the family, and** financing for new facilities to support young people with disabilities in Germany.

SUPPORTING SOCIAL ENTREPRENEURSHIP

By partnering with **Finance 4 Social Change**, UniCredit's Social Impact Banking initiative is supporting social entrepreneurship as a driver of sustainable development in eight different UniCredit countries, including: Austria, Bulgaria, Croatia, Germany, Hungary, Romania, Serbia and Slovakia.

MILLIONS DONATED TO EUROPEAN HOSPITALS

Thanks to donations from UniCredit employees and the UniCredit Foundation, €1.2 million was raised to help hospitals in Italy. On top of this, UniCredit and its local banks donated more than €2.5 million to hospitals and healthcare services in Bulgaria, Czech Republic, Italy, Serbia and Slovakia.

For our Communities

Thanks to UniCredit's strong position, we were able to support communities in all of our countries. Formal initiatives such as UniCredit's Social Impact Banking and the UniCredit Foundation were supplemented by a wide range of volunteering activities and donations, including millions of euros donated by UniCredit employees and customers.

SUPPORTING ARTISTS AND LIVE MUSIC

UniCredit's smart phone bank, buddybank, launched **Niente Di Strano**, a series of six music concerts to support the Italian music industry. The live-streamed events attacted over 3 million YouTube views.

€1m

DONATED TO 11 SOCIAL AND CULTURAL ORGANISATIONS IN GERMANY

SHARING INSIGHTS

In 2020, UniCredit launched several success initiatives to support clients. These include **STARTUP ACADEMY**, a managerial programme for 60 Italian startups, a series of events focused on the ESG aspects of corporate financing attended by over 1,100 clients from Italy, Germany, Austria and the CEE, and **ITALY TECH DAY 2020**, an annual event to showcase Italian innovation and support the startup industry.

SUPPORTING ECOMMERCE

UniCredit partnered with Google to develop **UniCredit Easy ECommerce** to help Italian companies access digital markets and boost their B2C e-commerce. Only 30% of Italian companies have an e-commerce website and just 10% currently sell online, creating a huge digital opportunity.

For our Clients

2020 was a challenging year for clients of all sizes. From billion euro funding programmes for multinational companies to mentoring new start-up businesses, UniCredit was committed to being part of the solution.

€10 MILLION OF NEW FINANCING FOR A 100-YEAR OLD PASTA MAKER

The loan was used to meet the working capital needs of Gragnano-based Pastificio Di Martino. It was also the first large loan issued in under Italy's guaranteed loans programme.

"Thanks to this deal, we can better absorb the shock to our production chain from the spread of Covid-19, meet our working capital needs and ensure the continuity of operations and the supply of our products".

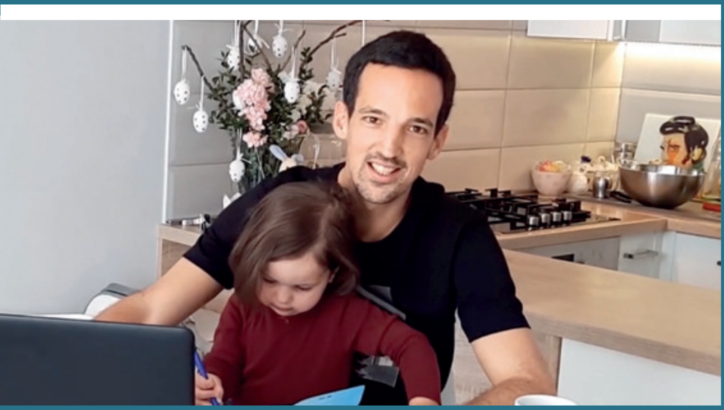
Giuseppe Di Martino
Owner of Pastificio Di Martino

ACCESSING CAPITAL MARKETS

UniCredit continued to help clients access capital markets including those of the Republic of Austria, the Free State of Bavaria, the German State of North Rhine Westphalia and the European Investment Bank. UniCredit also supported the Italian Ministry of Finance with record breaking BTP issuance to help the country fund it's pandemic response and was joint bookrunner on a €17 billion social bond for the EU.

STAYING ON TRACK WITH €600 MILLION

UniCredit supported Italy's state-owned railways operator - Ferrovie dello Stato - by raising €600 million of new funding. This included a €200 million ESG loan to fund new electric trains and upgrade on-board safety systems.



BEING THERE FOR FAMILIES

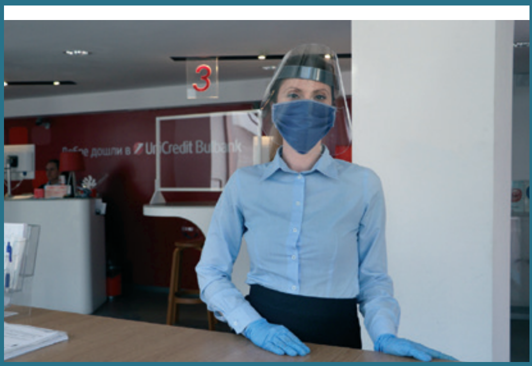
To ensure the bank understood individual and family needs stemming from the Covid-19 crisis and identify possible solutions, UniCredit formed a new Family Board. The 20 person team meets regularly and has made a series of recommendations, on flexibilities, psycho-physical wellbeing, homeschool/homework support.

NEW WAYS OF WORKING

In October, UniCredit and the UniCredit European Works Council signed a joint declaration on remote work. This will allow the Group to extend the opportunities offered by technological advancements and enable new ways of working to support a better work-life balance and greater efficiency.

For our Colleagues

Throughout 2020, we made decisions quickly to protect our colleagues. We distributed millions of items of PPE to our branches and offices, and with fast IT upgrades, we rolled out new laptops and remote access to around 80,000 UniCredit employees, allowing them to work safely and effectively.



SUPPORTING OUR BRANCH HEROES

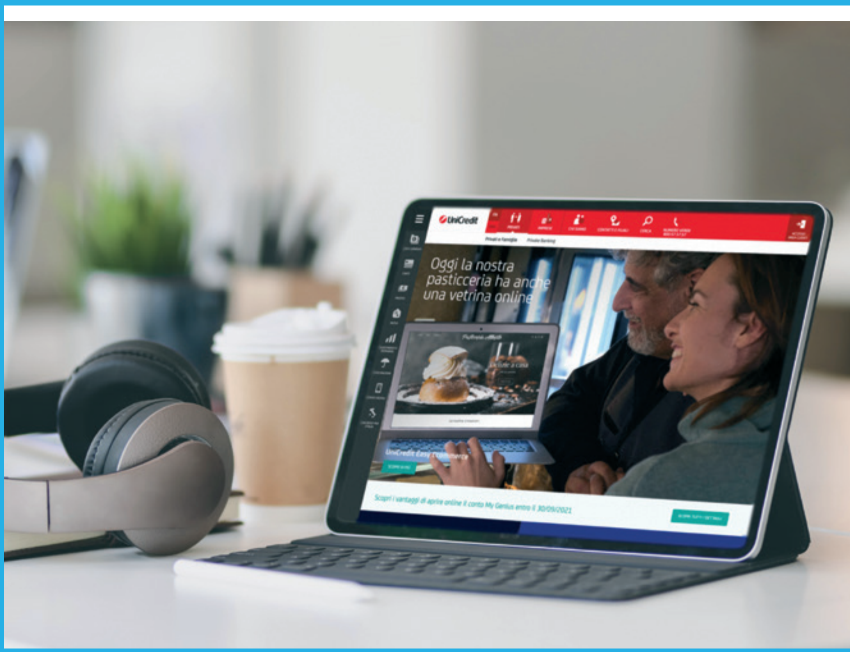
Thanks to our branch heroes, UniCredit remained open for business and continued to serve customers in all our countries, while keeping clients and our people safe. During the lockdown, UniCredit's CEO and other members of the Executive Management Committee made hundreds of video calls to branch colleagues across Italy, Austria, Germany and the CEE to recognise their extraordinary efforts.

TURNING IDEAS INTO ACTION

UniCredit's Millennial Board – comprised entirely of employees aged 22-32 – continued to implement some of the 1,200 ideas and suggestions made by their UniCredit colleagues. Successful initiatives in 2020 included starting planting more than 90,000 trees to establish the UniCredit Forest.

HELP FOR ENTREPRENEURS

The UniCredit Start Lab programme supports growth of 60 Italian innovative companies with its Startup Academy initiative, demonstrating the bank's willingness to support innovation and young entrepreneurs.



For the Real Economy

With over 16 million clients in 13 countries, we took decisive action to give families and businesses across Europe the support they need.

€34.8bn
MORATORIA LOANS

€20.8bn
STATE-GUARANTEED LOANS

GRANTING MORATORIA LOANS...QUICKLY!

As the pandemic hit Europe, pushing many countries into lockdown, we provided our clients with moratoria loans worth €34.8 billion and granted €20.8 billion of state guaranteed loans.
Given the circumstances, speed was important and 1,600 UniCredit employees worked over the weekend to process the first 100,000 applications.

Thanks to a partnership with SACE, the Italian credit export agency, UniCredit disbursed a lot of loans with most processed in just a few hours. Similar partnerships with the European Investment Bank and the European Investment Fund provided working capital support and new financing to SMEs and mid-cap companies in Italy, Austria, Germany and nine CEE countries.

AWARDED 'WORLD'S BEST BANK FOR SMES'

In October, **Global Finance** magazine recognised UniCredit in its World's Best Global Banks Awards. Based on performance over the past year and criteria including reputation and management excellence, UniCredit was awarded 'Best Bank for SMEs'.

SUPPORTING SUPPLIERS

To help companies with their working capital needs and inject liquidity into the economy, UniCredit started to pay over 20,000 suppliers on 'sight' of the invoice rather that in accordance with contractual payment terms. The initiative has been continued in 2021.

20,000
SUPPLIERS SUPPORTED WITH FASTER PAYMENTS

GIVING A BOOST TO BUSINESS

In June, UniCredit launched the Digital&Export Business School in partnership with SACE and Microsoft with the aim of providing an integrated path, lasting 6 months, which was concretely supportive for Made in Italy entrepreneurship. The entire course was designed to be full digital, and has allowed more than 3,200 registered and over 2,700 participants to converse with about 50 UniCredit, Microsoft, Sace experts but also journalists, sociologists, researchers, through 8 inspiring national events and 26 local live Coaching on specific issues carried out with over 19 local associations.

HELPING CUSTOMERS SUPPORT COMMUNITIES

In 2020, over €2,600,000 in donations
were funded by customers using UniCredit's Carta Etica payment card. UniCredit's Flexia Classic Etica credit card lets customers contribute to charitable projects at no added cost. For every €1,000 spent, UniCredit contributes €2 to the Carta Etica fund.

"The bank reacted quickly after the state of emergency was declared. We immediately applied to reschedule our debt, which helped us keep our company our staff, and preserve our partners.
I would like to express my gratitude".

Ivelin Bezhev
Manager, Santulita Limited
Customer of UniCredit Bulbank, Bulgaria

For the Environment

Our new sustainability targets, unveiled towards the end of 2019, were the focus of several sustainability-focused initiatives in 2020 and it was great to be recognised by a number of external organisations for our progress.

LEADING THE WAY ON GREEN FINANCE

As a leader in the sustainable finance sector, UniCredit participated to the placement of nearly €120 bn of sustainable bonds and loans in 97 deals. UniCredit was also recognised by Bloomberg as a leading provider of sustainability-linked loans. Moreover, with regard to green bonds, other major transactions included a €750 million bond for real estate firm CPI Property Group to fund new green projects, €750 million for Eurogrid to fund offshore wind farm projects and €500 million for Swisscom to finance energy efficiency projects.

#1* RANKING ON BLOOMBERG SUSTAINABILITY LINKED LOANS

*as at 3Q2021

A NEW GOAL FOR COAL

UniCredit's updated coal policy – which will see the bank fully exit coal sector financing by 2028 – was praised as best-in-class by Reclaim Finance, a non-profit organisation focused on reducing financing of fossil fuels by the world's largest financial institutions.

CAUSING A BUZZ AT OUR NEW AUSTRIAN HQ

It wasn't just employees that moved into UniCredit new Austrian headquarters. They were joined by over one million honeybees who will both pollinate nearby surroundings and make honey to be harvested by UniCredit employees. What a sweet result!

FUNDING THE FUTURE

Throughout 2020 we supported companies and projects that are supporting the transition to a lower carbon future. This included €700 million of new funding for a renewable energy portfolio, a €143 million funding package for one of Austria's largest wind farms and financing support to build Europe's largest battery factory.

20,000 TONNES OF CO_2 OFFSET BY UNICREDIT FOREST OVER THE NEXT DECADE

TAKING ACTION AT D&I WEEK 2020

More than 21,000 colleagues participated in 145 hours of workshops, coaching sessions and online discussions as part of UniCredit's second annual Diversity & Inclusion Week. With 100 events held in 15 markets, there was a chance for everyone to join in or listen to 270 external speakers.

For Diversity & Inclusion

UniCredit is committed to promoting a positive working environment that embraces our core values of Ethics and Respect.

GENDER-EQUALITY EFFORTS RECOGNISED BY BLOOMBERG

UniCredit was included in Bloomberg's 2020 Gender-Equality Index (GEI), which tracks the performance of public companies committed to disclosing their efforts to support gender equality through policy development, representation and transparency. The bank was included again in 2021, joining 380 companies across 44 countries and 11 sectors.

SUPPORTING FEMALE ENTREPRENEURS

In Italy, UniCredit unveiled a package of support for female entrepreneurs and companies that provide family-orientated services. The support includes discounted loans for entrepreneurs, social impact financing for companies providing welfare, health and educational services, and
a dedicated mentoring programme.

A GREAT PLACE FOR WOMEN TO WORK

UniCredit was named Italy's 'Best Employer for Women' by **Istituto Tedesco Qualità e Finanza (ITQF)** – a leading European market research institution – and its media partner **La Repubblica Affari&Finanza**. ITQF uses big data to review a company's online reputation and sentiment amongst women at work, with UniCredit receiving the top score in the banking sector.

TAKING ACTION ON DISABILITY LEADERSHIP

UniCredit joined **The Valuable 500**, a movement that aims to put disability on the global business leadership agenda by attracting the support of 500 national and multinational corporation.

Independent Auditor's report

Deloitte.

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Registered by the Capital Court of Registration
Company Registration Number: 01-09-071057

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholder of UniCredit Bank Hungary Zrt.

Opinion

The summary consolidated financial statements included on pages from 32 to 92 in the annual report for 2020 of UniCredit Bank Hungary Zrt. (the "Bank"), which comprise the summary consolidated statement of financial position as at December 31, 2020, the summary consolidated income statement, the summary consolidated statement of comprehensive income, the summary consolidated statement of changes in Shareholder's equity and summary consolidated statement of cash flows for the year then ended, and related notes ("summary consolidated financial statements") are derived from the consolidated financial statements of UniCredit Bank Hungary Zrt. 2020.

In our opinion the accompanying summary consolidated financial statements of UniCredit Bank Hungary Zrt. are consistent, in all material respects, with the underlying consolidated financial statements for 2020.

Summary consolidated financial statement

The summary consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards as adopted by the European Union. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of the Bank and the auditor's report thereon for 2020. The summary consolidated financial statements and the audited consolidated financial statements for 2020 do not reflect the effect of the events occurred subsequent to the date of our report on the consolidated financial statements.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated February 1, 2021. The auditor's report on the audited consolidated financial statements also contains the key audit matters identified during the audit of consolidated financial statements for 2020.

Responsibilities of Management and Those Charged with Governance for the Summary Consolidated Financial Statements

Management is responsible for the preparation of the summary consolidated financial statements in the annual report for 2020 in accordance with relevant information included in the audited consolidated financial statements.

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The Auditor's Responsibility for the Audit of the Summary Consolidated Financial Statements

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements for 2020 based on our procedures, which were conducted in accordance with National Standard on Auditing 810 "Engagements to Report on Summary Financial Statements".

Budapest, May 31, 2021

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Molnár Gábor
on behalf of Deloitte Auditing and Consulting Ltd.
and as a statutory registered auditor

Deloitte Auditing and Consulting Ltd.
1068 Budapest, Dózsa György út 84/C.
Registration number: 000083

Registration number of statutory registered auditor: 007239

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Financial statements

Consolidated statement of financial position (Balance Sheet) – 31 December 2020

Assets

	NOTE	2020 HUF MILLION	2019 HUF MILLION
Cash and unrestricted nostros with Central Bank	16	29,794	23,834
Financial assets held for trading	17	6,465	19,938
Trading derivative assets	17	70,819	65,250
Hedging derivative assets	18	49,585	57,189
Placements with, and loans and advances to banks	19	1,190,926	800,018
Loans and advances to customers	20	1,696,812	1,497,535
Investment securities	21	944,892	842,991
Equity investments	22	1,188	1,006
Investment properties	23	8,892	11,108
Property, plant and equipment	24	22,454	25,974
Intangible assets	25	17,475	13,569
Deferred tax assets	15	85	96
Other assets	26	32,936	22,437
Assets held for sale	27	3,925	–
Total assets		**4,076,248**	**3,380,945**

Liabilities

	NOTE	2020 HUF MILLION	2019 HUF MILLION
Deposits and loans from banks	28	670,354	599,344
Deposits from customers	29	2,641,238	2,099,276
Issued bonds	30	209,508	148,281
Financial liabilities held for trading		–	–
Trading derivative liabilities	17	76,688	71,011
Hedging derivative liabilites	18	24,636	29,509
Other provisions	35	3,142	4,096
Deferred tax liability	15	2,333	3,556
Other liabilities	31	63,439	37,596
Subordinated capital		–	–
Total Liabilities		**3,691,338**	**2,992,669**

Equity

	NOTE	2020 HUF MILLION	2019 HUF MILLION
Share capital	33	24,118	24,118
Capital reserve		3,900	3,900
Retained earnings		248,634	218,758
Statutory reserves	34	53,128	49,798
Other reserves		–	–
Valuation reserves		23,693	40,217
Net profit for the year		**31,263**	**51,275**
Total Equity attributable to the equity holder of the Bank		**384,736**	**388,066**
Minority interest		174	210
Total Equity		**384,910**	**388,276**

Total Liabilities and Equity	**4,076,248**	**3,380,945**

The accompanying notes (1-52) form an integral part of these financial statements.

Financial statements (Continued)

Consolidated Income Statement – 31 December 2020

	NOTE	2020 HUF MILLION	2019 HUF MILLION
Interest and similar income	7	93,791	87,583
Interest expense and similar charges	7	(25,943)	(25,715)
Net interest income	**7**	**67,848**	**61,868**
Fee and commission income	8	51,760	57,431
Fee and commission expense	8	(9,005)	(10,447)
Net fee and commission income	**8**	**42,755**	**46,984**
Dividend income	9	5	189
Net trading income	10	(774)	99
Net gain and loss on foreign exchange	10	15,084	14,929
Net gain and loss on other financial intruments	11	1,595	1,626
Operating income		**126,513**	**125,695**
Impairment and losses on credit products	46	(23,329)	(4,895)
Net financial activity result		**103,184**	**120,800**
Personnel expenses	12	(20,349)	(19,514)
General operating expenses	13	(44,635)	(43,320)
Other provision	35	374	(1,258)
Depreciation on property, plant and equipments	24	(2,008)	(1,709)
Amortization and impairment on intangible assets	25	(2,652)	(1,147)
Operating costs		**(69,270)**	**(66,948)**
Other expense/income	14	(120)	1,994
Other results		**(120)**	**1,994**
Gain / (losses) on disposal of fixed assets and other assets		220	30
Gain / (losses) on investment properties		506	641
Profit before tax		**34,520**	**56,517**
Income tax expense	15	(3,252)	(5,226)
Net profit for the year		**31,268**	**51,291**
Attributable to:			
Shareholder of the Group		31,263	51,275
Minority interests		5	16

The accompanying notes (1-52) form an integral part of these financial statements.

Consolidated statement of comprehensive income – 31 December 2020

(HUF million)

	NOTE	2020	2019
Net profit for the year		**31,268**	**51,291**
Other comprehensive results that will be subsequently reclassified to profit or loss:			
IFRS 9 transition		–	–
Movement in fair value reserve of financial instruments measured at fair value through other comprehensive income		(12,966)	9,676
Deferred income tax on movement of fair value reserve of financial instruments measured at fair value through other comprehensive income	15	1,167	(880)
Net movement in fair value reserves		**(11,800)**	**8,796**
Movement in cash flow hedge reserves		(4,733)	5,244
Income tax on movement in cash flow hedge reserves	15	426	(472)
Net change in cash flow hedge reserves		**(4,307)**	**4,772**
Other comprehensive results that will not be subsequently reclassified to profit or loss:			
Asset revaluation surplus		(459)	1,685
Deferred income tax on asset revaluation surplus	15	41	(152)
Net movement in asset revaluation surplus		(418)	1,533
Other comprehensive income for the year, net of tax		**(16,525)**	**15,101**
Total comprehensive income for the year		**14,743**	**66,392**

The accompanying notes (1-52) form an integral part of these financial statements.

Consolidated statement of changes in Shareholder's equity – 31 December 2020

(HUF million)

	ORDINARY SHARES	CAPITAL RESERVE	RETAINED EARNINGS	STATUTORY RESERVES	VALUATION RESERVES			NET PROFIT	TOTAL	NON-CONTROLLING INTEREST	TOTAL EQUITY
					Fair value Reserve	Hedging Reserve	Asset revaluation surplus				
Balance as at 1 January 2019	**24,118**	**3,900**	**195,845**	**44,640**	**10,804**	**14,312**	**–**	**56,071**	**349,690**	**360**	**350,050**
Net profit for the previous year	–	–	56,071	–	–	–	–	(56,071)	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**8,796**	**4,772**	**1,533**	**51,275**	**66,376**	**16**	**66,392**
Dividend to equity holder	–	–	(28,000)	–	–	–	–	–	(28,000)	–	(28,000)
Change of non-controlling interest	–	–	–	–	–	–	–	–	–	(166)	(166)
Business combination	–	–	–	–	–	–	–	–	–	–	–
"Appropriations Transfer to retained earnings"	–	–	(5,158)	5,158	–	–	–	–	–	–	–
Balance as at 31 December 2019	**24,118**	**3,900**	**218,758**	**49,798**	**19,600**	**19,084**	**1,533**	**51,275**	**388,066**	**210**	**388,276**
Balance as at 1 January 2019	24,118	**3,900**	**218,758**	**49,798**	**19,600**	**19,084**	**1,533**	**51,275**	**388,066**	**210**	**388,276**
Net profit for the previous year	–	–	51,275	–	–	–	–	(51,275)	–	–	–
Total comprehensive income for the year	–	–	(69)	–	(11,800)	(4,307)	(418)	31,263	14,670,	5,	14,675
Dividend to equity holder	–	–	(18,000)	–	–	–	–	–	(18,000)	–	(18,000)
Change of non-controlling interest	–	–	–	–	–	–	–	–	–	(41)	(41)
Business combination	–	–	–	–	–	–	–	–	–	–	–
"Appropriations Transfer to retained earnings"	–	–	(3,330)	3,330	–	–	–	–	–	–	–
Balance as at 31 December 2020	**24,118**	**3,900**	**248,634**	**53,128**	**7,800**	**14,777**	**1,116**	**31,263**	**384,736**	**174,**	**384,910**

The accompanying notes (1-52) form an integral part of these financial statements.

Consolidated statement of cash-flows – 31 December 2020

Cash flows from operating activities

(HUF million)

	NOTE	2020	2019
Profit before tax		**34,520**	**56,517**
Items not involving movement of cash:			
Depreciation and amortisation	24, 25	4,659	2,856,
Scrapped and transferred fixed assets		(73)	–
Profit on disposal of property, plant and equipment		(9)	2,677
Net loss/gain from cashflow hedging assets		(2,002)	(7,844)
Net impairment and losses in credit products		19,704	1,885
Unrealised changes in fair value of financial assets held for trading and investment securities		–	–
Foreign exchange loss on subordinated loans		–	–
Foreign exchange loss/(gain) on investment properties		–	–
Fair value change of fixed assets (real estates)		20	(1,374)
Fair value change of investment properties		–	(288)
Business combination		(5)	(16)
Income tax paid	15	(3,252)	(5,226)
Cash flows from operating profits before changes in operating assets and liabilities		**53,562**	**49,187**
Change in financial assets held for trading		7,904	(8,462)
Change in current tax assets		11	26
Change in other assets		(14,424)	(2,877)
Change in asset held for sale		–	–
Change in current tax liabilities		(1,226)	1,973
Change in deferred tax liabilities		1,634	(1,504)
Change in other liabilities		2,035	(666)
Change in loans and advances to customers		(212,277)	(94,315)
Change in deposits with other banks		(392,048)	(155,055)
Change in deposits from customers		541,962	206,100
Change in deposits from other banks		71,010	54,836
Change in subordinated loans		–	–
Change in financial liabilities held for trading		5,677	13,810
Net cash flow from operating activities		**10,258**	**13,866**

Cash-flows from investing activities

(HUF million)

	NOTE	2020	2019
Proceeds on sale of property, plant and equipment		18	24
Addition of property, plant and equipment		1,028	(6,208)
Addition of intangible assets		(6,558)	(3,920)
Change in equity investments		(182)	(321)
Change in available-for-sale financial assets		258,900	34,824
Change in held-to-maturity investments		(374,473)	(53,564)
Change in investment properties		2,216	–
Change in minority interest		(36)	(150)
Net cash flow used in investing activities		**(119,087)**	**(29,315)**

Cash-flows from financing activities

(HUF million)

	NOTE	2020	2019
Change in issued bonds		61,227	(2,266)
Dividend paid		–	(28,000)
Net cash flow from financing activities		**61,227**	**(30,266)**
Net Increase in cash		**(5,960)**	**3,472**
Cash and cash equivalents at the beginning of the year	16	23,834	20,362
Cash and cash equivalents at the end of the year	**16**	**29,794**	**23,834**

The accompanying notes (1-52) form an integral part of these financial statements.

Notes to the financial statements

1. General

UniCredit Bank Hungary Zrt. ("UniCredit" or "Bank") is registered as a joint-stock company under Hungarian law and is licensed to conduct universal banking activities in Hungary. The address of the registered head office is H-1054 Budapest, Szabadság tér 5-6. The Bank is a wholly owned subsidiary of UniCredit S.p.A.

Transactions with members of the UniCredit Group include credit relationships, where the related parties are borrowers, guarantors or depositors. Such transactions are conducted under substantially the same terms and conditions as applied to third parties, unless otherwise stated.

The statutory auditor of UniCredit is Deloitte Auditing and Consulting Ltd ("Deloitte"), the responsible registered auditor is Gábor Molnar (registration number: 007239).

The responsible chief accountant is András Tornay-Csomor, IFRS chartered accountant.

The consolidated financial statements were approved by the Supervisory Board on the 1st of February 2021.

2. Basis of preparation

a.) Statement of compliance

The consolidated financial statements have been prepared with taking advantage of the opportunity provided by the Hungarian Accounting act in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), as adopted by the EU.

b.) Basis of measurement

The consolidated financial statements are presented in Hungarian Forints ("HUF"), the currency of the primary economic environment in which the Group operates ("functional currency"). The accounting records of the Group are also maintained in this currency. Except as indicated, financial information presented in Hungarian Forints has been rounded to the nearest million.

The consolidated financial statements consolidate the accounts of the following entities: UniCredit Bank Hungary Zrt., UniCredit Jelzálogbank Zrt. ("Mortgage Bank"), UniCredit Leasing Hungary Zrt., UniCredit Biztosításközvetítő Kft., UniCredit Operatív Lízing Kft. as subsidiaries and Europa Investment Fund as a special purpose vehicle (together the "Group").

3. Significant accounting policies

The consolidated financial statements have been prepared on a fair value basis for derivative financial instruments, trading financial assets and liabilities and financial assets at fair value through other comprehensive income, except those for which a reliable measurement of fair value is not available. The latter items are stated at either amortised or historical cost. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost.

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a.) Consolidation principles

All entities directly or indirectly controlled by the Bank have been consolidated into the consolidated financial statements. These consolidated financial statements are based on the stand-alone reporting packages of the consolidated subsidiaries, which have also been prepared in accordance with IFRS.

Investments in associated companies, which are neither indirectly nor directly controlled by the Bank, but over which it can exercise significant influence, are accounted for using the equity method.

Notes to the financial statements (Continued)

Investments in shares in companies, which are not consolidated are classified as available for sale investments and recognised at their fair values, when that fair value is reliably measurable. Changes in fair values are thus directly recognised in consolidated other comprehensive income. In cases where the fair value cannot be reliably determined, shares are carried at cost. When there is objective evidence that a financial asset is impaired, a loss is recorded in the consolidated statement of profit or loss. As soon as the circumstances which led to the impairment cease to exist, the recovery in the fair value of the impaired available-for-sale equity security is recognised directly in equity.

b.) Consolidation procedures

When a subsidiary or associated company is acquired, the acquirer determines the related goodwill, which is recognised in the statement of financial position. Subsequently, goodwill is measured at cost less accumulated impairment losses.

Intra-group balances, income and expenses arising from intra-group transactions are eliminated in the consolidated financial statements.

c.) Comparatives

Certain items previously reported in the prior years' financial statements are restated and reclassified to provide consistency for presentation purposes, if applicable.

Due to the first adoption of IAS 16 revaluation model from 31 December 2019 results in limited comparability as the comparative numbers are based on IAS 16 cost model.

d.) Cash and cash equivalents

Cash and cash equivalents include nostros with the Central Bank ("MNB") and are carried at cost in the statement of financial position.

The amount of cash in the statement of cash flows is equal to the cash on hand from statement of financial position item Cash and unrestricted nostros with the Central Bank (see Note 15).

e.) Financial instruments

i) Classification

Financial assets

IIFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

The Group has determined the business model on a level that reflects how classes of financial assets are managed to achieve a particular business objective. However, the determination is not dependent on management's intentions for an individual instrument, this condition is therefore not an instrument-by-instrument approach and assessment is made on a higher level of aggregation. However, the Group has more than one business model for managing its financial instruments.

The following business models were identified for IFRS 9 classification and measurement purposes:

- Held to Collect ("HTC"): Financial instrument is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and are managed to realise cash flows by collecting contractual payments over the life of the instrument. There is no need to hold all of those instruments until maturity. Sale is permitted if the Group sells financial assets when there is an increase in the assets' credit risk, because the credit quality of financial assets is relevant to the Group's ability to collect contractual cash flows. In addition, sales may be consistent with the objective of this business model if the sales are made due to an increase in the credit risk of the concentration or close to the maturity of the financial assets.

- Both Held to Collect and for Sale ("HTCS"): the objective is achieved by both collecting contractual cash flows and selling financial assets. The objective of the business model beside of the collecting for the contractual cash flows is to realise profit from the growth of the fair value of the instruments, and to minimise the losses arising from the increase of the fair value changes of the instruments in mid- or long-term. Compared to a HTC business model, this business model will typically involve greater frequency and value of sales.

- Held to Benefit from Changes in Fair Value ("OTHER"): mainly trading securities, with the objective of realising cash flows through the sale of the assets. This business model is a residual category.

The business model assessment reflects the expectations of the Group, not just its intension but its ability to manage its financial assets. Consequently, this assessment is not performed on the basis of scenarios that the entity does not reasonably expect to occur, such as so-called

Notes to the financial statements (Continued)

'worst case' or 'stress case' scenarios. Therefore if the Group plans to sell a certain portfolio or financial assets in a 'stress case' scenario, it does not affect the business model assessment, if the Group does not reasonably expect it to occur.

In the assessment of the SPPI criteria's the Group analyses whether the contractual cash flows of loan commitments and other debt assets contain solely payments of principal and interest, so the principal based on contract and the related interest payments are consistent with the base contract. In the base contracts the time value of money and credit risk are the most important elements of interest.

Accordingly, the three principal classification categories for financial assets are the following:

Financial assets at amortised cost:
The Group measures at amortised cost those financial assets which were classified under HTC business model, furthermore the contractual terms give rise to cash flows that are solely payment of principal and interest on the principal amount outstanding.
Such assets comprise mainly loans and advances to customers and other banks, furthermore debt securities and accounts receivables.

Financial assets at fair value through other comprehensive income ("FVOCI"):
The Group measures at fair value through other comprehensive income those financial assets which were classified under HTCS business model, furthermore the contractual terms give rise to cash flows that are solely payment of principal and interest on the principal amount outstanding.

The Group classifies those securities which comply with the above terms, furthermore those equity instruments under IFRS 9 which have been designated irrevocably as FVOCI at transition by the Group. There are such investments in Fundamenta Lakáskassza and Garantiqa. As the reliable measurement of fair value is not available for these investments, the historical cost is the best estimate for fair value.

Financial assets at fair value through profit and loss ("FVTPL")
The Group measures those financial assets under this category which were classified under OTHER business model, or those financial assets which are under HTC or HTCS, however they do not meet the SPPI condition that contractual terms give rise to cash flows that are solely payment of principal and interest on the principal amount outstanding.
Furthermore the Group measures those equity instruments under IFRS 9 as OTHER category which were not designated by the Group as FVOCI.

Based on OTHER business model the Group principally holds shares, bonds, certain purchased loans and derivative contracts that are not designated as effective hedging instruments. All non-hedge derivatives in a net receivable position (positive fair value), are classified as financial assets, held for trading. All trading derivatives in a net payable position (negative fair value), are classified as financial liabilities, held for trading. The Group decided not to use the possibility of the optional, irrevocable classification of its financial instruments as financial instruments at fair value though profit or loss.

Hedging instruments. These are financial instruments used by the Group to hedge interest rate risk and currency exposures associated with its transactions in the financial markets.

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk.

There are certain derivatives that are designated as hedging instruments in cash flow hedges. They serve as hedges against the variability of cash flows within the framework of the Group's asset-liability management activities.

Variable-rate interest receivables, payments on variable-rate assets and liabilities are swapped for fixed-rate interest payments, primarily by means of interest rate swaps. Interest rate swaps are also used to hedge the exposure to changes in the fair values of fixed rate securities at fair value through other comprehensive income attributable to changes in market interest rates.

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss related to the ineffective portion is recognized immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income from the period when the cash flow hedge was effective remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss.

Notes to the financial statements (Continued)

When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss. In a fair value hedge relationship, any adjustment to a hedged item for which the effective interest method is used, is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life. However, if amortizing using a recalculated effective interest rate is not practicable, the adjustment shall be amortized using the straight-line method.

Financial liabilities

The Group measures financial liabilities at amortised cost, except for those financial liabilities which are valued at fair value through profit and loss. The latter comprises financial liabilities held for trading, derivative financial liabilities.
The Group decided not to use the possibility of the optional, irrevocable classification of its financial liabilities as financial liabilities at fair value though profit or loss.

ii) Recognition and de-recognition

The Group recognises financial assets and liabilities on the trade date. A financial asset or financial liability is initially measured at fair value plus (for an item, that is not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

From this date any gains and losses arising from changes in fair value of the assets are recognised either in the statement of profit or loss or in equity in case of assets measured at fair value through profit or loss and other comprehensive income. All loans and receivables are recognised when cash is advanced to the counterparty.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when the Group has transferred substantially all risks and rewards of ownership. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group shall determine whether it has retained control of the financial asset. In this case, if the Group has not retained control, it shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.

Financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expired.

iii) Measurement

Initial measurement

Financial instruments are measured initially at fair value plus transaction costs that are directly attributable to the acquisition or issue. In most cases the fair value of financial assets agree with the consideration paid.

Subsequent measurement

Subsequent to initial recognition all trading and hedging financial assets and liabilities and all financial assets at fair value through other comprehensive income are measured at fair value, except that, where no quoted market price exists in an active market and fair value cannot be reliably measured, these are carried at amortised cost less impairment (consist of transactional costs).

The financial assets at amortised cost are measured at their amortised cost less accumulated impairment losses. Premiums and discounts are included in the carrying amount of the related instrument and are amortised.

Financial assets, with the exception of loans which are reviewed monthly, are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indicator of increase in credit risk, the asset’s recoverable amount is determined.

Fair value measurement principles

The fair value measurement principles, applied by the Group, are described in Note 5.

Gains and losses on subsequent measurement of FVTPL and FVOCI assets

Gains and losses arising from a change in the fair value of trading financial assets and financial liabilities are recognised in the statement of profit or loss. Gains and losses arising from a change in the fair value of financial assets at fair value through other comprehensive income are recognised in the Fair value reserve, except for those designated as hedged items in qualifying fair value hedge relationships, where changes in fair value attributable to the risk being hedged are recognised in statement of profit or loss. Gains and losses arising from a change in the fair value of derivatives, designated as effective hedging instruments in a cash flow hedge relationship are recognised in the Cash flow hedge reserve. Any impairment loss on financial assets at fair value through profit and loss is recognised in the statement of profit or loss.
At derecognition the cumulated balance in the revaluation reserve needs to be transferred. In case of debt instruments the transfer needs to happen against the statement of profit or loss, and in case of the equity instruments designated as FVOCI, the cumulated revaluation is transferred to retained earnings.

Notes to the financial statements (Continued)

f.) Transactions in foreign currency

Foreign currency transactions are translated into the functional currency using the daily MNB exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss, except when deferred in equity as qualifying cash flow hedges.

g.) Equity investments

Equity investments that the Group holds for the purpose of short-term profit taking are classified as trading financial assets. Other equity investments are classified as financial assets designated at fair value through profit and loss and at fair value through other comprehensive income. The measurement of these equity investments is stated in Note 3. (e.) except for equity investments in associated companies that are measured based on Note 3. (a.).

h.) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, except for class of properties which are measured at fair value less accumulated depreciation and impairment losses. More information detailed in point 3.(z.).
The property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if necessary.

i.) Intangible assets

Intangible assets are stated at historical cost less accumulated amortisation and accumulated impairment losses. Intangible assets are reviewed periodically and items which are considered to have no further value are impaired in full. The Group has no intangible assets with an indefinite useful life.

j.) Depreciation and amortisation

Depreciation is charged to write off the cost of all such assets which are to be depreciated to the statement of profit or loss over their anticipated useful lives. All of the below assets are depreciated on a straight line basis (except for Land and assets under construction). The annual rates of depreciation used are as follows:

	Depreciation Rate (%)
Buildings	2 – 6
Property rights	10
Office equipment	14,5 – 33
Hardware	25
Motor vehicles	20
Rental rights	10
Licenses	10
Software	20

k.) Impairment on non-financial assets

If there is objective evidence that a non-financial asset (Property, Plant and Equipment or Intangible asset) has been impaired, the carrying amount of the asset is compared with its recoverable value, equal to the greater of its fair value less selling cost and its value in use, i.e. the present value of future cash flow expected to originate from the asset. Any value adjustment (if recoverable value is estimated to be less than its carrying value) is recognised in the statement of profit or loss. Items which are considered to have no further value are impaired in full.

If the circumstances for impairment cease to exist, it can be reversed but the increased carrying amount of the asset cannot exceed the net carrying amount it would have had if there had been no impairment losses recognised in prior years.

l.) Investment properties

The Group measures its investment properties at fair value. The fair value of these investment properties is based on a valuation carried out by Grant Thornton Valuation Kft., an independent valuator company, not related to the Group. Valuation professionals have completed the valuation as independent appraisers and possess the necessary qualifications for the valuation of the subject real estate properties.

Notes to the financial statements (Continued)

The fair value was determined in accordance with the requirements set forth by the IFRS 13 “Fair Value Measurement”. The valuation premise used to measure the fair value of the income generating properties is the highest and best use. Valuation technics applied are the market sales comparison and/or the income approach to value the real estate properties. The applied technics depends on the type of the property.
The inputs to valuation techniques are of the level 3 in the fair value hierarchy for real estate, therefore sensitivity analyses were performed during the valuation.
The capitalisation rate adopted is made by reference to the yield rates observed by the market players for similar properties or by using the build-up method based on a risk-free return, e.g. the long-term Hungarian Treasury bond, and adding risk premiums related to macro- and microeconomics, the general and specific real estate market, location and actual usage of the properties.
There has been no change to the valuation technique during the year.
In estimating the fair value of the properties, the highest and best use of the properties is their current use.

m.) Loans and advances

Loans and advances originated by the Group are classified as financial assets at amortised cost, or financial assets designated at fair value through profit and loss. Purchased loans are held to maturity based on Group’s intention and ability and met SPPI criteria, are also classified as financial assets at amortised cost.

Loans and advances at amortised cost are reported net of impairment for expected credit losses (“ECL”) to reflect the estimated recoverable amounts.

The purchased or originated assets become credit-impaired (“POCI”) at initial recognition. The initial recognition of POCI assets is the date when the Group has the obligation based on contract terms of financial assets. The POCI assets moved to Stage 3 impairment model at initial recognition. If the credit risk changes favourably then the POCI assets are categorised as Stage 2 however this change does not impact the accounting treatment. The POCI assets cannot be categorised as Stage 1. More information about Stage categories is stated in Note 4.

Income for the period on loans and advances is determined using the effective interest method. The effective interest rate is established individually for all loans and advances. The effective interest rate is the rate by which the estimated future cash outflows or inflows during the expected life of financial instruments can be discounted to the gross book value of financial assets or amortised cost of financial liabilities.

When calculating the effective interest rate, all contracted cash flows are taken into account including fees, commissions, as well as possible premiums or discounts. Estimated future credit losses are however not included. The result of this calculation is charged to the statement of profit or loss.

n.) Leasing

The Group as lessor
Leases are classified as finance leases, whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group’s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant, periodic rate of return on the Group’s net investment outstanding in respect of the leases.

For the lessors the recognition and measurement requirements of IFRS 16 are similar, as they were stated in IAS 17. The leases shall be classified as finance and operating leases according to IFRS 16 as well.

The Group as lessee
The Group applies IFRS 16 from 1 January 2019. The Group chose the modified retrospective approach. Applying the modified retrospective approach requires the lessee to present the cumulative impact of IFRS 16 as an adjustment to equity at the start of the current accounting period in which it is first applied. The application of IFRS 16 is not material from the consolidated financial statements perspective.

At the date of initial application the Group uses practical expedients and does not reassess whether an existing agreement is a lease or contains lease. The Group applied the followings instead:
- The Group applies IFRS 16 to all the contracts, which were identified as lease agreements in accordance with IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a lease.
- The Group does not apply IFRS 16 to the contracts, which were not identified as lease or contracts, which contained a lease.

The lessee can apply a practical expedient, which permits the non-lease components of a contract not to separate from the lease components, but account for the lease and non-lease components as a single lease component. The Group elects to use the practical expedient.
Pursuant to IFRS 16, an agreement is a lease or contains a lease if it transfers the rights to control the use of an identified asset for a given period in exchange for compensation.

Notes to the financial statements (CONTINUED)

The essential element differentiating the definition of a lease from IAS 17 and from IFRS 16 is the requirement to have control over the used, specific asset, indicated directly or indirectly in the agreement.

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

In the cash flow statement cash flows from the principal and interest payments of the lease liability are classified as cash flows from financing activities, while lease payments for short-term leases, lease payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are classified as cash-flows from operating activities.

The lessee applies IAS 36 – Impairment of Assets standard to determine whether the right-to-use asset is impaired, and to recognise impairment, if it is necessary.
There are practical expedients available to entities applying this approach:
- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Adjust the right-of-use asset at the date of initial application by the amount of any provision for onerous leases in the statement of financial position.
- Apply a simplified method for contracts mature within 12 months for the date of initial application.
- Exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Use hindsight such as in determining the lease term if the contract contains options to extend or terminate the lease.

Recognition of lease liabilities
Following the adoption of IFRS 16, the Group will recognise lease liabilities related to leases which were previously classified as "operating leases" in accordance with IAS 17 Leases. These liabilities will be measured at the present value of lease payments receivable as at the date of commencement of the application of IFRS 16.

Lease payments shall be discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate.

At their date of initial recognition, lease payments contained in the measurement of lease liabilities comprise the following types of payments for the right to use the underlying asset for the life of the lease:
- fixed lease payments less any lease incentives,
- variable lease payments which are dependent on market indices,
- amounts expected to be payable by the lessee under residual value guarantees,
- the strike price of a purchase option, if it is reasonably certain that the option will be exercised, and
- payment of contractual penalties for terminating the lease, if the lease period reflects that the lessee used the option of terminating the lease.

The Group makes use of expedients with respect to short-term leases (less than 12 months) as well as in the case of leases in respect of which the underlying asset (such as office equipment, phones and other equipment which are required for Group's operation) other has a low value (less than EUR 5,000, equivalent amount in HUF 1.65 million at year-end MNB rate) and for which agreements it will not recognise financial liabilities nor any respective right-to-use assets. These types of lease payments will be recognised as costs using the straight-line method during the life of the lease.

Recognition of right-to-use assets
Right-to-use assets are initially measured at cost.

The cost of a right-of-use asset comprises:
- the initial estimate of lease liabilities,
- ny lease payments paid at the commencement date or earlier, less any lease incentives receivable,
- initial costs directly incurred by the lessee as a result of entering into a lease agreement,
- estimates of costs which are to be incurred by the lessee as a result of an obligation to disassemble and remove an underlying asset or to carry out renovation/restoration.

Application of estimates
The implementation of IFRS 16 requires the making of certain estimates and calculations which effect the measurement of financial lease liabilities and of right-to-use assets. These include among others:
- determining which agreements are subject to IFRS 16,
- determining the life of such agreements (including for agreements with unspecified lives or which may be prolonged),
- determining the interest rates to be applied for the purpose of discounting future cash flows,
- determining depreciation rates.

Notes to the financial statements (Continued)

o.) Impairment and losses on credit products

It is the policy of the Group to review periodically its portfolio of loans and advances to make provisions for impairment, where necessary. Impairment is based on an individual assessment of the recoverability of outstanding amounts. Increases and decreases in the provisions for impairments are charged to the statement of profit or loss; in case of assets at fair value through other comprehensive income the changes are reclassified to equity. Further details on loan assessment are provided under the Risk Management Policies.

p.) Deposits from banks and customers

Deposits are cash amounts, accepted by the Group from other banks and its customers, and they serve as funds to the active side of the business. Deposits are initially measured at fair value, and subsequently at their amortised cost. The Group does not classify or designate any deposits as financial liability at fair value through profit and loss.

q.) Issued bonds

UniCredit Jelzálogbank Zrt.'s primary source of funds is generated from the issuance of mortgage bonds. Mortgage bonds are secured bonds. The Mortgage bank may issue such bonds only if it has sufficient collateral, which may include independent mortgage rights and other securities such as government bonds and treasury bills.
Issued bonds are classified as financial liabilities, initially recognised at issue price, plus directly attributable transaction costs and subsequently measured at amortised cost.

r.) Equity elements

i) Statutory reserves

General reserve

In accordance with Section 83 of Hungarian Act No. CCXXXVII of 2013, a general reserve equal to 10% of the net post tax income is required to be made in the Hungarian statutory accounts. The general reserve is set aside to offset potential future losses according to Hungarian Accounting and Banking Rules. Increases in the general reserve are treated as appropriations from retained earnings and are not charged against income.

Tied-up reserve

This reserve is an appropriation from the retained earnings, for future purchases of tangible or intangible assets, in order to obtain tax benefits. It is released to retained earnings in line with the expenditure for such assets.

ii) Revaluation reserves

Revaluation reserves are part of Shareholder's equity. Under the IFRS principles the revaluation reserves include exclusively the cash flow hedge reserve and fair value through other comprehensive income reserve less deferred tax as stated in Note 3. (e.) above.

s.) Derivative financial instruments

The Group uses the following derivative financial instruments: futures, interest rate swaps, options, forward rate agreements and spot and forward foreign exchange contracts to manage its exposure to foreign exchange, interest rate and market risks arising from operational, financing and investment activities.

The recognition of income/expenses relating to non-hedge derivative transactions are on a mark-to-market basis, and changes in value are immediately recognised in the statement of profit or loss.

Quantitative information on the hedging derivatives is presented under Note 39.

The Group holds certain embedded derivative instruments. Their recognition and valuation rules are identical with those of the non-embedded derivatives.

t.) Financial Guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that incurs because a specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. The Group normally issues either short-term guarantees, with an initial payment, or long term guarantees, for which it receives regular fee income. Financial guarantees are reviewed monthly, and a provision is created in the amount of any expected payment. These provisions are included within other liabilities.

Notes to the financial statements (Continued)

u.) Income

Net Interest income
Interest income and interest expense for the year are recognised with the application of the effective interest rate method on all instruments measured at amortised cost.

For loans and advances, the effective interest rate is established individually. When calculating the effective interest rate, all contracted cash flows are taken into account including fees commissions, as well as possible premiums or discounts. Estimated future credit losses are however not included.

Dividend income
Dividend income is recognised in the statement of profit or loss on the date that the Group's right to receive payment has been established.

Net fee and commission income
Net fee and commission income consists of income from services, provided on a fee and commission basis as well as expenses incurred for services provided by third parties and related to the Group's fee-earning business. Net commissions and fees are included in the statement of profit or loss as they are incurred.

Net trading results
Net trading income includes gains and losses arising from disposals and changes in the fair value of trading financial assets and liabilities.

Net gain and loss on other financial instruments
Net gain and loss on other financial instruments is related to non-trading financial assets and equity investments and includes the realized result at derecognition.

Gains and losses on other equity investments
Gains and losses on other equity investments include the net result arising from capital transactions from equity investments related to associated companies.

v.) Taxation

Income tax on the profit or loss for the year consists of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date. The profit for the year is adjusted according to the relevant tax regulations to calculate the taxable income.

Deferred tax is provided using the balance sheet method, in respect of which temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes are recognised in full. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the difference between the carrying amounts of assets and liabilities in the IFRS statement of financial position and in the balance sheet for local tax purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset in the statement of financial position after the analysis, carried out according to IAS 12 "Income taxes".

w.) Share-based payments

The Group is part of several incentive programmes operated by UniCredit S.p.A, applying the requirements of IFRS 2 "Share-based Payment". The Group provides cash-settled share-based payments to certain employees.

The share-based payments are measured at fair value at the grant date and accounted in the statement of profit or loss as Other employee benefits proportionately in the given year.

The share-based payments are not material in Group's accounts.

Notes to the financial statements (Continued)

x.) Events after the reporting date

Events after the reporting date are those events, favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. These events fall into two categories: those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

All adjusting events after reporting date have been taken into account in the preparation of the consolidated financial statements of the Group. There were no material events that occurred after the balance sheet date that would impact the Group's consolidated financial statements.

y.) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

The Group's format for segment reporting is based on business segments and the Group's management and internal reporting structure.

The Group separates the following main business segments:

- CIB (Corporate and Investment Banking)
  Includes the loans, deposits and other transactions and balances with corporate customers (excludes small enterprises) together with the results of trading activities and equity sales activities with customers.
  Includes the custody service transactions and balance.
- Retail — Includes the loans, deposits and other transactions and balances with retail customers (includes small enterprises).
- Private Banking — Includes the loans, deposits and other transactions and balances with private banking customers.
- Others — Includes Assets Liabilities Management activities that contain the Group's funding and centralised risk management activities through borrowings, use of derivatives for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities.
- Leasing — Includes the leasing transactions.

The result of each segment also includes the head office costs (indirect and overhead) allocated on a reasonable basis. The business segment report is presented in Note 43.

z.) Changes in accounting policies

There was no change in the accounting policies of the Group in 2020.

aa.) New standards and interpretations

The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 2020.

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

- **Amendments to References to the Conceptual Framework in IFRS Standards** – adopted by EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of Material – adopted by EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures"** – Interest rate Benchmark Reform – adopted by EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 16 "Leases"** – Covid 19-Related Rent Concessions adopted by EU on 9 October 2020 (effective for annual periods beginning on or after 1 June 2020),
- **Amendments to IFRS 3 "Business Combinations"** – adopted by EU on 21 April 2020 (effective for annual periods beginning on or after 1 January 2020).

The adoption of these amendments to the existing standards has not led to any material changes in the Group's financial statements.

Notes to the financial statements (Continued)

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

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2** adopted by EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021)
- **Amendments to IFRS 4 "Insurance Contracts" deferral of IFRS 9** adopted by EU on 15 December 2020 (effective for annual periods beginning on or after 1 January 2021)

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

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at [date of publication of financial statements] (the effective dates stated below is for IFRS in full):
- **IFRS 17 "Insurance Contracts" including amendments to IFRS 17** (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 3 "Business Combinations"; IAS 16 "Property, Plant and Equipment"; IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** – Annual Improvements (effective fog annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

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

4. Risk Management Policies

a) Risk strategy and risk management policies

The Group elaborated risk strategy, risk management principles and policies in line with prudential requirements. As member of UniCredit group the Bank applied UniCredit group's risk management-principles and implemented into Group's processes. Based on the risk strategy Group elaborates yearly "Risk appetite" documentation for next year in line with UniCredit Group's framework, in which target figures are identified for several risk types. Group elaborated risk management processes (identification, measurements and strict monitoring of risks) based on risk strategy and principles, in order to identify, measure, monitor, manage and mitigate risk.

The most significant business risks to which the Group is exposed are: credit risk, liquidity risk, market risk (includes interest rate, credit spread and foreign exchange rate risks) and operational risks.

b) Credit risk

Credit risk is the risk of financial loss occurring as a result of a default by counterparty in their contractual obligation to the Group. Credit regulations including the approval process, portfolio limit concentration guidelines, approval of discretionary limits, formulation of standards for the measurement of credit exposures and the risk rating of clients based on the assessment of management quality and financial statements, as well as the definition of eligible collaterals and the rules of their valuation are submitted, as well as the definition of eligible collaterals and the rules of their valuation by the Credit Risk Officer and approved in general by the Management Board, in details by the Chief Executive Officer.

c) Debtor rating

Before establishing of lending relationship Group prepares a debtor rating, while Group knows client (group) credibility in a detailed way. Clients are classified at least yearly based on a rating system, which incorporates qualitative and quantitative factors, watching signs and external ratings. In case of retail clients the classification is done at the time of loan application and afterwards on a monthly basis based on scorecards.

The Group applies a rating master-scale consisting of 26 notches within 10 rating classes, thereof three notches serve for the defaulted customers, the others for the performing ones. Ratings refer to the probability of default ("PD") according to the master-scale, which is in case of defaulted clients 100%.

Notes to the financial statements (Continued)

d) Collateral

Principles and methods for the valuation of collateral securing the transactions of the Group involving risk-taking, as well as certain legal stipulations affecting the collateral applied by the Group and the principles for the monitoring of collateral are set out in the collateral valuation rules.

General principle is that the collateral:
- shall be legally binding and recoverable;
- shall be directly accessible and;
- appropriate to be liquidated in time.

The Group accepts and registers in its system the following types of collateral:
- Financial collateral held at own bank;
- Financial collateral held with other institutions;
- Insurance;
- Personal collateral – direct;
- Personal collateral – indirect;
- Real estate collateral;
- Assignment of receivables, pledge on receivables;
- Movable property collateral;
- Other collateral.

According to Hpt. 99§ Group does not accept
- self-issued securities representing membership rights, including shares in cooperatives;
- securities representing membership rights that have been issued by an enterprise with close links to the credit institution, including shares in cooperatives;
- the shares of a limited company that is controlled by an enterprise – holding a qualified majority as defined in the Civil Code – with close links to a credit institution that is subject to supervision on a consolidated basis.

The Group generally does not accept securities issued by client or member of client group as collateral with value.

Collateral has to be connected to deals per contract. As general rule Group connects every collateral to every deals.

Base value for collateral valuation could be:
- market value in case of reliable active market,
- value based on independent appraisal, if there is no reliable active market for this collateral type.

Market value:
In case of real estate market value can be only market value calculated by appraisers accepted by the Group.

In case of other collateral type market value is:
- listed value (vehicles, works of art, ships, aircraft);
- stock market price in case of product listed on stock exchange;
- in case of other products value based on appraisal

The basis for the valuation of collateral is the market value adjusted by the following factors:
- Collateral haircut: a percentage showing the expected loss (in %) of the market value in case of realisation of the collateral. Haircut is separately defined for every collateral type,
- Currency haircut: in case of mismatch between the currency of the loan and that of the collateral, the Group applies currency haircut to take into account currency risk,
- Maturity haircut: maturity mismatch occurs on exceptional basis, if the term of the collateral/collateral agreement is shorter than that of the agreement for the commitment. In such cases a haircut must be applied.

The correlation between collateral value and debtor rating mustn't be high. The correlation is high if it is more than 50%.

The Group is continuously monitoring existence, value and enforceability of collaterals, frequency of monitoring is based on type of the collateral.
The value of real estate shall be reviewed regularly, in compliance with the legal provisions: at least once a year for non-residential real estate and once every 3 years for residential real estate. In case of residential real estate the Group applies statistical revaluation.
The price/value of financial collateral is updated daily in the collateral system.
Eligibility of guarantees and surety is subject to proper evaluation of the guarantor according to the respective internal rules.

Notes to the financial statements (Continued)

e) Loan classification, Impairment

Since 1 January 2018 the loan-loss provision calculation is based on the IFRS 9 standards in case of those financial instruments where credit risk could be occur.
According to the accounting and the regulatory requirements the provision calculation is based on the expected credit loss approach. At the reporting date the financial instrument should be evaluated with the 12 month expected credit loss if significant increase in the credit risk of the unit cannot be observed since the initial recognition. If the credit risk increases significantly full lifetime expected credit loss recognized in the profit and loss calculation and in case of the purchased or originated credit impaired assets (POCI) as well. Mathematical/Statistical approach defined for the lifetime parameter estimations considering the characteristics of different sub-portfolios and the changes of the observed default rates. In line with the UniCredit Group approach the lifetime probability of default curves is segmented based on the rating grades – the rating grade profile derived from the internal rating scales used by the UniCredit Hungary. According to the IFRS 9 standards the current and expected macroeconomic trends are taken into account as well, meaning that the first several years of the lifetime PD profiles are adjusted with the forward looking information. This PIT rescaling factor – delivered by the UniCredit Group – is denoted the forward default rates and utilized to adjust the estimated TTC PD curves in order to reflect the short-term macroeconomic impacts. After the PIT adjustment the so-called punctual PD curves are calculated on transaction level combining with the regulatory/managerial probability of defaults.

According to the IFRS 9 standards at the reporting date the Group is evaluating whether the credit risk has significantly increased since the initial recognition or not in case of financial assets where credit risk is relevant. Based on the UniCredit Group Guidelines both quantitative and qualitative triggers could take into account during the valuation. The quantitative approach is based on the comparison of the one year IFRS 9 probability of defaults related to the origination date and the current one: if the probability of default of the financial asset is higher than the PD threshold – estimated by a statistical model – than significant increase is assessed. The sub-portfolio characteristics are considered as well, when the statistical parameters are estimated. Not only this approach but qualitative information are taken into account as well. According to the UniCredit Group approach and the recommendations of the Central Bank of Hungary the following qualitative triggers are considered:

- 30 day past due
- Restructuring: Restructuring is to be considered distressed (and thus resulting in a default event) in case of restructuring of principal and interest which is necessary because of the client's poor financial situation, and which results in a certain degree of debt forgiveness (that of principal, interests or fees, deferred payments), i. e. if the net present value of the loan is negatively affected by the restructuring, and if without the restructuring the customer would have got defaulted with high probability. Restructuring or re-aging for business considerations (e.g., the adjustment of the repayment schedule to the cash flow of the client) does not constitute a default signal.
- Clients on watch list. Regulation on monitoring activities cover early warning signals of increase of credit risk published by Central Bank of Hungary.
- Special treatment on performing clients
- According to the recommendation of the Central Bank of Hungary those commitments have to be considered as well where the loan to value (LTV) is higher than 95% and the loan start day is after 01 January 2015.
- POCI must not be stage 1 deal.

With the consideration of the significant increase of the credit risk the Group is classifying the performing portfolio to two sub-segments and the non-performing assets are assigned to the third one.

- Stage 1 – All financial assets where credit risk is relevant and significant increase of the risk has not been observed since the initial recognition are assigned to the stage 1 portfolio. With respect to the IFRS 9 standards 12 month expected credit loss is calculated in case of the stage 1 portfolio. At the initial recognition except the POCI assets financial instruments are assigned to the stage 1 portfolio.
- Stage 2 – All financial assets where credit risk is relevant and significant increase of the risk has been identified since the initial recognition due to the aforementioned reasons are shifted to the stage 2 portfolio. With respect to the IFRS 9 standards lifetime expected credit loss is calculated in case of the stage 2 portfolio.
- Stage 3 – The non-performing transactions and POCI assets are in the stage 3 portfolio. Similarly to the stage 2 portfolio lifetime expected credit loss is measured. After the recovery POCI assets could be shifted only to the stage 2 portfolio.

If the origination date and PD cannot be assigned to a financial instruments – for example: securities – instead of the quantitative trigger the stage allocation is assessed by the investment grade. Qualitative triggers are taken into account as well.

The IFRS 9 loss given default (LGD) parameters are derived from the managerial LGD parameters combined with the following adjustments to suit the IFRS 9 standards:

- Removing the downturn components.
- Removing the indirect costs.
- Removing the margin of conservativism add-ons.
- PIT adjustments have to be considered as well.
- Considering all the available collateral.
- The discounted value based on the effective interest rate (EIR).

Notes to the financial statements (Continued)

With respect to the modelling of the exposure at default (EAD), a differentiation Is made between products with and without contractual cash flows.

- The EAD for products with contractual cash-flow in based on the managerial EAD parameters with the following adjustment with respect to the IFRS 9 standards:
  - Removing the downturn components.
  - Removing the margin of conservativism.
- The EAD for products without contractual cash-flow is determined by the managerial EAD parameters extended to a multi-year horizon – Lifetime Credit Conversion Factor (LCCF) is calculated.

On the other hand several factors affecting the cash-flow which ones are taken into account, for example the prepayment risk.
According to the IFRS 9 standards the forward looking macroeconomic information was considered in the loan-loss provision calculation. Based on projections provided by the group a weighted expected credit loss is calculated in case of the collective impairment where the scenario weights are defined by the UniCredit Group.

f) Write-off policy

The Group writes-off a loan or security balance (and any related impairment losses balance) when they prove to be uncollectible.

g) Current tendencies in lending

The industrial sector analysis of loan portfolios are presented in Note 19; collateral details and exposure of credit risk are presented in Note 44.

As for new retail loans, the Group applies selectivity, meaning more focus on products and segments with lower risk profile, also in accordance with Holding Policies and Guidelines, the legal provisions about responsible lending (implemented in 2010) and the legal provisions on debt to income and loan to value ratios (implemented in 2015, modified in 2016 and 2018). Thanks to this the quality of newly disbursed portfolio is very good.

The Group lays strong emphasis on all elements of collection and – in addition to the programs prescribed by law or recommendation (e.g. recommendation of the National Bank of Hungary Nr. 1/2016 (11 March) for payment of past due mortgage loans restoration) – it continuously offers the possibility of renegotiation to its private individual clients in payment delay due to financial problems (e.g. termination of employment) or unfavourable economic conditions. The Group fulfilled the NBH recommendations Nr. 14/2012 (XII.13.) and the 1/2016. (III.11.) recommendations and implemented them in the processes.

The Group maintained actively its contract signed in 2012 with the National Asset Management Company (Nemzeti Eszközkezelő, NET) and in 2018 as well allowed debtors fulfilling the criteria set forth in the respective legal regulations to participate in the program whereby the NET purchases the mortgaged real estate, pays the purchase price to the Group as repayment to the outstanding loan and the Group releases the rest of the loan, with the debtor continuing to remain in the property as tenant.

Based on Government decree 212/2018. (XI. 20.) regarding National Asset Management Program the Group accepted related requests till 22 November, 2018.

In 2017 the Group had a special one-off offer for a segment of impaired retail clients with mortgage loans: after the sale of the collateralized real estate property and payment of the purchase price into the loan the Group waives the remaining debt. In 2018 this option was further developed in order to find a solution acceptable for the Group and the customer as well. The Bank contracted a long-term agreement; according to which the Bank sales some part of the portfolio based on a defined timeline and price.

In 2019 the Group – as in previous year – focused on decreasing the non-performing private portfolio and sold that loans in a package. The sales were successfully finalized in 2nd and 4th Quarter.

In the corporate segment in 2019 the strengthening of our financing activity was still in focus. Parallel we continued to lay special emphasis on the monitoring, restructuring and collection activity. In case of corporate portfolio the Group's lending policy is differentiated by sectors and it defines a selective risk approach for new transactions in the most endangered sectors. Thanks to the successful collection activity real estate deals has drastically decreased in the problem loans portfolio in 2019. Thanks to our prudent risk taking policy the portfolio composition in the other sectors is still balanced regarding both the problem-free exposures and transactions handed over to special treatment in 2018.

h) Liquidity risk

Liquidity risk arises if the bank is unable to meet due obligations associated with its financial liabilities in time in any currency.

The objective of prudential liquidity management is to ensure that the Group has the ability to generate sufficient funds to meet all cash flow obligations as these fall due. Effective liquidity management is gaining importance in recent years ensuring market confidence, and protect the capital base while permitting effective growth. UniCredit Group has created internal short term and structural liquidity models in line with regulatory authorities' expectations. The Group takes into account also the local legal requirements of foreign funding adequacy and mortgage funding adequacy ratio limitations and monitors the Basel III liquidity ratios besides its own internal regulations in managing liquidity.

Limits regarding the maximum net outflow of funds in a particular period (typically short-term) and in a particular currency and all currencies are in place and are monitored daily. Long-term funding plan and structural liquidity is approved and monitored by the Banks' Asset Liability Committee ("ALCO").

In line with UniCredit Group-wide standards, the Group deals with liquidity risk as a central risk in banking business by introducing and monitoring short-term and medium-term liquidity requirements. In this context the liquidity situation for the next few days and also for longer periods is analysed against a standard scenario and against scenarios of several general and bank-specific liquidity crisis. The degree of liquidity of customer positions and proprietary positions is analysed on an ongoing basis. Procedures, responsibilities and reporting lines in this area have been laid down in the liquidity policy, which includes a contingency plan in the event of a liquidity crisis.

Short-term and structural liquidity limits of the Group were observed continuously in 2020. The degree to which accumulated liquidity outflows are covered by accumulated inflows within the following month and year is determined on an ongoing basis. It was used as a key figure in managing the Group's liquidity and funding. Beyond the limits on ratios, absolute gap limits are in place to decrease central funding and liquidity dependency.

The liquidity structure of statement of financial positions for 2019 and 2020 are represented in Note 36 and the maturity analyses of derivative financial instruments are represented in Notes 38 and 39.

i) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads will affect the Group's income or the fair value of its holdings of financial instruments.

Market risk management encompasses all activities in connection with Group's Markets/Treasury and Asset Liability Management ("ALM") operations and management of the balance sheet structure. Risk positions are aggregated at least daily, analysed by the independent risk management unit and compared with the risk limits set by the Management Board and the ALCO designated by the Management Board. At the Group market risk management includes ongoing reporting on the risk position, limit utilisation, and the daily reporting of results to the related departments.

The Group uses the risk management procedures of UniCredit Group's internal standards. These procedures provide aggregate data and make available the major risk parameters for the various trading operations daily. Besides Value at Risk ("VaR"), other factors of equal importance are stress-oriented volume and position limits. Additional elements of the limit system are loss-warning level limits and options-related limits applied to trading and positioning in non-linear products.

Internal risk model is used for computing economic capital, but the Pillar 1 capital requirement is calculated by the regulatory standard method. The economic capital model comprises all relevant risk categories. The VaR position of the Group is presented in Note 46.

Regular and specific stress scenario calculations complement the information provided to ALCO and the Management Board. Stress scenarios are based on assumptions of extreme movements in individual market risk parameters. The Group analyses the effect of such fluctuations and a liquidity disruption in specific products and risk factors on the Group's results.

In addition to the risk model results, income data from market risk activities are also calculated and communicated on a daily basis. Such data are compared with current budget figures. Reporting includes marking to market of all investment positions regardless of their treatment/classification in the IFRS-based financial statements ("total return"). The results are reported directly to the Hungarian Group's trading and risk management units, and also via web application consolidated on UniCredit group level.

The Group reviews comprehensively and systematically the market conformity of its transactions.

The daily reporting also includes details of volume-oriented sensitivities which are compared with the respective limits. The most important detailed presentations include: basis point values (interest rate/spread changes of 0.01%) by re-pricing band, FX sensitivities and sensitivities in equities and emerging-market/high-yield positions (by issue, issuer and market) by delta equivalents. Risk management is performed with details varying according to the risk-takers.
In the interest rate risks, for example, basis point limits per currency and re-pricing band, basis point totals per currency and/or per re-pricing segment (total of absolute Basis Point Values – BPV) are used for risk management. By analogy to the detailed presentation of basis point positions in the interest rate sector, daily reporting presents details of credit spread by issue and re-pricing band. The BPV and credit spread points analysis are presented in Note 47. The interest rate re-pricing analysis is presented in Note 37.

Notes to the financial statements (Continued)

j) Asset Liability Management

Interest rate risk and liquidity risk from customer transactions is attributed to Group's treasury operations throughout the UniCredit Group. This makes it possible to attribute credit, market and liquidity risk and contribution margins to the bank's business divisions in line with the principle of causation. ALCO ensures that the Group's overall maturity structure is optimised.

Products for which the material interest-rate and capital maturity is not defined, such as variable-rate sight and savings deposits, are modelled in respect of investment period and interest rate sensitivity by means of analyses of historical time series, and taken into account in the Group's overall risk position.

Interest rate sensitivities are determined and taken into account in hedging activities, which results in a positive contribution to profits from customer business.

k) Foreign exchange rate risk

The Group has assets and liabilities (on and off-balance sheet) denominated in several foreign currencies, and it is therefore exposed to foreign exchange rate risk. Foreign exchange rate risk arises when a mismatch occurs in the spot and forward asset/liability structure within a currency.

The statement of foreign exchange exposures (currency structure of assets and liabilities) is presented in Note 35.

l) Compliance with CRD IV/CRR (Basel III)

The successful implementation of CRDIV/CRR from 2014 was managed as a group issue, and is covered mainly with group-wide solutions.

The Group started with standardised approach of the Basel II in 2008, and received the licence to apply foundation internal based approach (F-IRB) from 1st July, 2011 for the large corporate, mid-corporate, and bank portfolio.

- The IRB roll-out is being carried out locally. Model development is carried out partially centrally and partially locally.
- The decentralized approach means that the development of models complying with the requirements of A-IRB is done locally by the Group with the support of UniCredit Italiano S.p.a., they give support during the implementation by providing guidelines and standards and in terms of coaching and advice.

The Group is responsible for the use and development of methods and local models, and the compliance to local regulatory requirements, while for UniCredit Group wide models it is the task of UniCredit Group.
The approval of the developed models and methods under IRB have to be confirmed (by a non-binding opinion), and the processes and data quality has to be validated by unit independent from the business, and are audited by Internal Audit as well.

m) Operational risk

Operational risk is the risk of loss due to errors, infringements, interruptions, damages caused by internal processes or personnel or systems, or caused by external events.

Operational risk events are those resulting from inadequate or failed internal processes, personnel and systems or from systemic and other external events: internal or external fraud, employment practices and workplace safety, client claims, products distribution, fines and penalties due to regulation breaches, damage to Group's physical assets, business disruption and system failures, process management.

Strategic risk, business risk and reputational risk are different from operational risk, whereas legal, conduct, and compliance risk are included in the operational risk definition.

UniCredit Bank Hungary is permitted and has used the Advanced Measurement Approach ("AMA") since 1st July 2009, complying with all quantitative and qualitative requirements set by laws and regulations, the supervisor or even by internal Group rules.

The Group's Management Board is responsible for the effective oversight over operational risk exposure. The operational risk office (i.e. Operational and Reputational Risk Controlling) notifies the Management Board (partly via the Internal Control Business Committee, a.k.a. ICBC) about considerable operational risks, their changes as well as relevant breaches to policies and limits. The Management Board shall have an overall understanding of the operational risk control framework and of how operational risk affects the Group.

The Group's Management Board ensures that:

- the operational risk control process is sound and fully communicated and implemented in specific policies process and procedures within the business units taking into account the appropriateness and effectiveness;
- operational risk managers in the business lines are appointed, coming in for adequate support in order to perform their duties;

Notes to the financial statements (Continued)

- the relevant committees are informed on changes in risk profiles and exposure, supported by the Operational and Reputational Risk Controlling;
- major operational risk drivers are identified, also examining reports from the Operational and Reputational Risk Controlling unit, Compliance, and Internal Audit.

The Group's Management Board is responsible for approving all the material aspects of the operational risk framework, including the appointment of the office responsible for its implementation and control.

In the Group, the Operational and Reputational Risk Committee shall act as a decision-making body for issues arising from and connected with operational and reputational risks.
Members of the Committee are
- the Chief Risk Officer,
- the Divisional Operational Risk Managers, and
- the Head or deputy Head of Identity & Communication.

Permanent invitees of the Operational and Reputational Risk Committee meetings are: the Head of Organization, the representative(s) of Internal Audit, the internal auditor of UniCredit Jelzálogbank Zrt. (concerning Mortgage bank issues of the agenda), resp. the Operational Risk Manager of UniCredit Leasing Hungary Zrt. and UniCredit Operatív Lízing Kft. (concerning leasing companies' issues of the agenda).

The Operational and Reputational Risk Committee ("OpRRiCo") holds its meeting regularly, once a quarter. The extraordinary meeting of the Committee may be summoned by any of the members as required or initiated by Operational and Reputational Risk Controlling and Internal Audit with the specification of the associated reasons.

Detection, monitoring, and mitigation of operational risk, and set up of action plans are supported by the Permanent Workgroup having its sessions quarterly, as well. Topics and proposals discussed in the Workgroup are the base for presentations towards OpRRiCo and ICBC.

Internal Audit is responsible for evaluating periodically (annually) the operational risk management system and measurement functionality and effectiveness, as well as its compliance with the regulatory requirements. Internal Audit monitors also the process of data collection and data management.
The centralized Operational and Reputational Risk Controlling unit has to operate the framework and to coordinate the decentralized activity of operational risk management, carried out by the nominated (divisional and administrative) operational risk managers in each business unit.

Operational and Reputational Risk Controlling annually prepares a self-assessment on the compliance of the local operational risk management, control and measurement system with the UniCredit Group standards and internal rules. UniCredit Group Internal Validation unit gives a non-binding opinion on the self-assessment, and local Internal Audit checks it, as well. At last it has to be approved by the Management Board of the Group.

5. Use of estimates and judgements

These disclosures supplement the commentary on risk management policy.

i.) Impairment for credit losses
Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy Note 3.(m.), (o.) and risk management policy 4.(ii).

ii.) Determining fair value
As far as valuation prices and techniques of financial instruments are concerned, the Group follows a measurement using a three-level fair valuation hierarchy, which reflects the significance of the inputs used in measuring fair values and contains the following three levels:
Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices observed in non-active markets) or indirectly (i.e. derived from prices observed for similar assets or liabilities);
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).
The classification of financial instruments is described in Note 41.

Fair Valuation is supplemented by a Fair Valuation Reserve that inter alia covers the effect of widened bid-ask spreads and the deteriorated liquidity of respective securities.

The fair value valuation techniques for loans and deposits are described in Note 43.

Notes to the financial statements (Continued)

In accordance with IFRS requirements the Group books CVA (Credit Valuation Adjustment) as an adjustment to the fair value of its OTC derivative trades. The CVA calculation is performed centrally by UniCredit group.

iii.) Fair value measurement principles

The fair value of financial instruments is based on their quoted price in an active market for that instrument at the reporting date without any deduction for transaction costs. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a quoted market price is not available or the market is not active, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, the estimated future cash flows are based on best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at reporting date.

The fair value of derivatives that are not exchange-traded are estimated at the amount that the Group would receive upon normal business conditions to terminate the contract at the reporting date taking into account current market conditions and the current creditworthiness of the counterparties.

In case of debt securities classified as debt instruments at fair value through other comprehensive income the losses deriving from the movements of market prices were realised in the HTCS Reserves in the Equity statement.

The Group applies fair value adjustments which arise from close out costs and less liquid positions. Trading assets and assets at fair value through other comprehensive income are adjusted by fair value adjustments figures.

The Group applies the fair values calculated by the central system (Fair Value Engine) in case of the performing and non-performing loans which are failed the SPPI test, while in case of the performing and non-performing loans which are passed the SPPI test the carrying amount considered as fair value.

The Group was not engaged in securitization, nor does it possess credit derivatives or structured OTC products (e.g. CDOs, SIV).

The fair values for loans and deposits are shown at an aggregated product level and are not available on individual item level.

iv.) Effects of sovereign debt crisis and earlier credit crunch in valuations

a) In case of debt securities classified as debt instruments at fair value through other comprehensive income the losses deriving from the movements of market prices were realised in the AFS Reserves in the Equity statement.
b) The Group was not engaged in securitization, nor does it possess credit derivatives or structured OTC products (e.g. CDOs, SIV).
c) The Group is exposed towards the Hungarian Government, the vast majority of those exposures are liquid government bonds, and are key to operational liquidity.

6. Impacts of COVID-19 pandemic on the financial statements

One of the most significant events of the year 2020 was the emergence of a novel coronavirus causing chiefly respiratory illnesses which later became known globally as COVID-19. The pandemic caused by the rapid expansion of the new, unknown virus soon became a global problem due to the intercontinental nature of goods and personal transport and globalized supply chains spanning multiple continents. In March 2020, the World Health Organization (WHO) officially designated the infection as a worldwide pandemic.

Faced with the pandemic, governments and health expert bodies across the world introduced various measures in order to slow the spread of the virus and to prevent hospitals and medical professionals from becoming overwhelmed by the number of hospitalizations. A common goal of safety measures was to minimize the number of contacts between people and to maximize the distance between people (referred to colloquially as „social distancing"). Legislators achieved this by introducing curfews or limitations on the movement of people, by banning or postponing certain events and by the temporary closure of certain businesses along with other measures. Another recurring theme of safety measures was emphasizing improving personal hygiene (frequent use of disinfectants) and prescribing the wearing of masks.

As the pandemic spread in waves, safety measures were also characterized by periods of stricter measures followed by loosening or even the temporary lifting of such restrictive measures. However, it can be said almost without exception that in all of the countries of the world – including Hungary – restrictive safety measures were in effect for a significant part of the year which in turn had a negative impact on economic activity. In Hungary, a limitation on movement was effective from the middle of March, which was followed by loosening over the summer but later gave way to a strict nightly curfew from 11 November onward. For the better part of the year, opening hours of businesses were limited and some businesses were not allowed to open or to serve customers in place at the least. The Bank implemented the safety measures of limitations on movement and on opening hours by temporarily closing some branches, while limiting the opening hours of others. Additionally, measures were also introduced to make branch processes safer from a health perspective for clients and for employees as well.

The pandemic affected societies, economies and financial markets to a different degree depending on how reliant their operation and profitability was on direct, personal contacts between and the gathering of people in general. The virus affected those sectors most drastically in which the basis of the business model was built upon the free movement and meeting of people, including especially tourism and hospitality. The first wave of the virus in the spring was characterized by a marked collapse of customer confidence and a decrease of economic activity across all sectors. In turn, this caused a temporary uptick in unemployment and worsened the financial standing of companies and households. Financial markets reacted to the negative trends in the real economy by their worst drop since the global financial crisis.

After the first-round measures aimed at resolving the impending health crisis, the attention of legislators turned to minimizing or possibly reversing the economic impact of the pandemic. The majority of measures taken with that goal in mind focused on protecting workers from unemployment, improving the liquidity position of businesses, and stimulating the economy and the diminished overall demand that the pandemic brought about.

The Hungarian Government announced the following measures in order to safeguard the economy against the pandemic among many others. They are listed here in an arbitrary order.

- Wage subsidies to small and medium-sized enterprises after their employees
- Temporary lapse or reduction of (social) taxes payable on the wages of employees
- Financial support for certain important sectors accessible via tenders
- Delayed payment option for tax liabilities of enterprises
- Conditional direct payment of wages by the government in the tourism and hospitality sectors
- Temporary reduction of local taxes such as local business tax
- Payment moratoria on the principal, interest and fee liabilities of borrowers owing to loan and borrowing agreements with financial institutions and financial leases

Payment moratoria on loans

The payment moratoria on loans announced by the Hungarian Government in Government Decree 47/2020. (III.18.) and further regulated by Government Decree 62/2020. (III.24.) (referred to as “moratoria 1”, “Moratorium 1”) was a targeted measure that had the greatest direct impact on the Hungarian banking sector. Based on the above mentioned two decrees, Moratoria 1 had the following important features:

- Moratoria 1 is effective from 18 March 2020.
- All loan exposures that were already drawn down by 18 March 2020 (including) are eligible for Moratoria 1. Moratoria 1 is automatically granted for such exposures.
- The borrower is granted a payment moratoria on their principal, interest and fee liabilities that would have been due based on the borrowing agreement.
- The payment moratoria expires on 31 December 2020, but may be extended by further government decrees at a later date.
- The borrower may decide at any time while Moratoria 1 is in effect that they would like to exercise their contractual right to continue repaying their obligations as prescribed by the original repayment schedule (opt-out).
- The maturity of the loan is extended by the time spent in the payment moratoria.
- The principal outstanding of the loan must not be increased by the amount of interest not paid due to the payment moratoria. This effectively precludes capitalizing unpaid interest on the loan.
- Interest accumulated during the time spent in the payment moratoria should be repaid after the expiry of the payment moratoria in equal instalments over the remaining maturity of the exposure in a way that the new regular repayment amount (which includes principal and interest on the original exposure + the interest accumulated during the payment moratoria) should not exceed the regular repayment amount that would be effective had the payment moratoria not been in place.
- The modification of the terms of the borrowing agreement induced by the Moratoria 1 decree does not have to be notarized.
- Borrowers may reapply to make use of the payment moratoria at any time as long as they are eligible and Moratoria 1 is in effect.

Pursuant to the decree, the Bank made the necessary changes in the core banking systems for all eligible loans. The collection of repayments was therefore suspended. However, interest calculation on the loans was still in place. In accordance with the decree, such calculated interest did not become part of the outstanding principal amount, but rather continues to be collected on separate interest receivable accounts and presented in the Bank’s reports as interest receivable. As a result, net interest income reported in the statement of profit or loss includes the interest receivable but unsettled on exposures to borrowers who have made use of the payment moratoria in the financial year 2020. In the statement of financial position, this interest receivable is included in the gross carrying amount of loans and advances to customers.

The Bank monitors the behaviour of borrowers and takes into account their oral or written statements since the decree became effective. In case the Bank concludes, either based on oral or written statement by the borrower or based on suggestive behaviour of the borrower, that they intend to continue to repay their obligations according to the original repayment schedule, the Bank performs the required change in the banking systems to reset the repayment schedule of the loan to the original one and record that the borrower has opted out of the payment moratoria. Opt-out from the payment moratoria may be performed either prospectively or retrospectively. If opt-out is performed retrospectively, then the opt-out does not give rise to any accumulated but unpaid interest due to the payment moratoria. Accumulated interest on exposures that have opted out is recorded

Notes to the financial statements (Continued)

and presented in the same way as interest calculated on exposures that continue to make use of the moratoria. In case of prepayments, the borrower pays first the interest accumulated during the moratoria. Only the amount that remains after deducting this accumulated interest amount from the prepaid amount is used to decrease the original outstanding principal and interest balance of the exposure.

The payment moratoria was extended by the Hungarian Government until 30 June 2021 limited to selected groups of people and enterprises by Law CVII of 200.

Later in the year, the government amended Law CVII by Government Decree 637/2020. (XII.22.) on 22 December 2020. The decree suspended the application of certain sections of the law and temporarily changed the definition of some terms until 30 June 2021.

Together, Law CVII of 2020 and its amendment by Government Decree 637/2020 effectively brought about the unconditional extension of the payment moratoria of Moratoria 1 until 30 June 2021 (i.e. no limitation was place of the group of eligible borrowers). The only difference to note is that participation in the extended moratoria is not automatic in the sense that a borrower who has opted out by 31 December 2020 is not automatically placed under the moratoria from 1 January 2021, but rather has to apply again to the lender to make use of it. (referred to as "moratoria 2", "Moratoria 2").

The Bank followed the same procedures in updating the records in case of Moratoria 2 as the ones detailed in case of Moratoria 1.

Impact of COVID-19 pandemic on the statement of financial position
In the following sections, the impact of the COVID-19 pandemic on certain items in the statement of financial positions is presented. In case of items not presented or referred to in this section, the Bank deems the effect of the COVID-19 pandemic to be immaterial.

a) Loans and advances to customers

Regarding loans and advances to customers, the Bank made available the payment moratoria introduced by the Hungarian Government to all its eligible borrowers. The Bank's proposed terms in connection with the repayment of the accumulated interest after the expiry of the moratoria are more permissive than the terms described in the moratoria law and decree.

The Bank did not introduce any further specifically targeted measures on top of the payment moratoria enacted by the Government as the Bank deemed the payment moratoria sufficiently comprehensive and effective. Nevertheless, the Bank continues to monitor the financial conditions of its borrowers within the course of its standard monitoring activity and continues to respond to possible repayment difficulties within the framework of its standard procedures.

The Bank treats the modifications of the borrowing agreements of exposures disbursed by 18 March 2020 pursuant to Moratoria 1 and 2 as contract modification that do not result in derecognition of the financial instruments according to the IFRS 9 standard.

As per IFRS9, the modification loss on financial instruments where the modification of the contractual terms of the instrument does not result in derecognition of the financial instrument should be presented in its entirety in the same period when the modification of the financial instrument happened.

The modification loss will be recovered during the remaining lifetime of the affected loans via increased interest income calculated in the loans according to the effective interest rate method. The Bank did not calculate the modification loss to be presented in the financial statement using the final, post-moratoria cash-flow because these depend on parameters that could not be determined until the approval of the financial statement. Such parameters are the total amount of the interest accumulated on the loans, which is in turn directly dependent on changes in the interest rate environment up until the expiry of the moratoria and the time that an exposure actually spends in the moratoria. Another driver of the modification loss whose value cannot be determined at the time of the preparation of the financial statement is the additional required maturity extension for each loan that is required in order to comply with the requirement on the amount of regular repayments after the expiry of the moratoria (the requirement was introduced in Moratoria 1 but continues to apply to Moratoria 2). Section (3) of paragraph 2 of Government decree 62/2020. requires that after the expiry of the payment moratoria, the maturity of the loan should be further extended in a way that the regular repayment amounts after the payment moratoria (which consist of principal and interest repayments on the principal outstanding plus the accumulated interest) must not exceed the regular repayment amounts that would be effective if the moratoria has not taken place.

Based on the above, the modification loss presented in the Bank's financial statements for the year ended 31 December 2020 has been determined using a model which involves significant estimates. The model was developed with the aim of determining the variables that influence the amount of the modification loss. The main assumptions and characteristics of the model are as follows:

- The modeling methodology is revised on a monthly basis as new information becomes available. The model always uses the most up-to-date information available for the Bank with regard to the moratoria status of exposures among others.
- The model calculates the interest amount that will be theoretically accumulated until the expiry of the moratorium on all eligible exposures based on the following factors: principal outstanding; current interest rate and expected interest rate during the remaining duration of the moratoria; time remaining until the expiry of the moratoria.

Notes to the financial statements (Continued)

- The model assigns a probability value expressed in percentages to each exposure based on its current status (whether it is under moratoria, or in opt-out status). This probability value encapsulates how much of the theoretical accumulated interest will an exposure most likely accumulate until the expiry of the moratorium. The probability value is determined based on experience gathered during the moratorium regarding the behaviour of borrowers and the frequency of changes in their moratoria status.
- The „practical" accumulated interest amount is determined on an exposure-by-exposure level as a product of the theoretical accumulated interest and the probability value assigned to the exposure.
- The Bank ran simulations to determine the extra maturity extension that is required to meet the moratoria decree's requirement on the post-moratoria regular repayment amounts. The Bank asserts that the required extra maturity extension is a function of the remaining lifetime of the loan, the contractual interest rate and the ratio of the accumulated interest and the outstanding principal. The output of the simulation is a parameter table matching the possible values of these factors to the extra maturity extension.
- The expected modification loss on the individual exposure level is calculated as the difference between the nominal value of the accumulated interest and the present value of a theoretical cash-flow consisting of equal amounts until the end of the extended maturity of the exposure. Simply postponing all cash-flows by the time spent in the payment moratoria does not in itself give rise to a decrease in the present value of the cash-flows because interest can still be calculated and accrued on the exposure. This accumulated interest compensates for the loss that would be realized if the payment moratoria did not have this feature. A net present value loss is instead caused by the fact that the accumulated interest of the exposure does not become due in whole at the expiry of the payment moratoria but is rather repaid in instalments.

The modification loss calculated using the model is incorporated into the statement of financial position as a reduction to the carrying amount of loans and advances to customers. In the statement of profit or loss, the same amount is presented as modification loss as part of loan loss provisions. The calculated modification loss is not accrued and amortized over accounting periods as this is not permissible under IFRS 9.

The modification loss is recovered during the remaining lifetime of the loans in net interest income as a permanent increase in the interest revenue calculated based on the effective interest rate method.

The modification loss recognized in the financial statement involves uncertainty and significant judgement by management in the form of the probability values assigned to each loan. It is therefore possible that the actual amount that will be realized when the final post-moratoria repayment schedules become available is different from the loss recognized now.

The Bank took a conservative approach to determining the assigned probabilities. They were determined by relying on experience on behavioural patterns of borrowers gathered since the moratorium became effective on 18 March 2020 as well as by taking into account the fact that the continued existence of restrictive measures on economic activity may induce a negative change in the payment propensity of borrowers which would translate to a higher uptake of the payment moratorium.

The Bank does not have extensive experience about comprehensive payment moratoria from the period before Moratoria 1 and 2. This means that the ability of the model used to estimate the modification loss to predict the true impact is limited and should be considered as such. Nevertheless, the assumptions built into the model represent that best estimate of the Bank's management.

b) Impairment of financial instruments

Following the outbreak of the COVID epidemic and the subsequent measure of the introduction of the moratorium, the Bank placed special emphasis on detecting the deterioration of the portfolio as early as possible in accordance with the regulations of EBA and the Hungarian National Bank; and on the other hand, to cover expected losses due to portfolio deterioration. As part of this, new forward-looking indicators were implemented which significantly increased the impairment portfolio (by HUF 7.8 billion on a consolidated level) mainly on the performing portfolio.

On the other hand, as a result of the portfolio review, the bank's portfolio was reclassified into 3 risk categories (high, medium and low risk) and based on this a significant portfolio was reclassified to stage 2 and stage 3. The elements of the risk classification were as follows:

1. Retail customers
- **High risk:** the client is under a moratorium and his/her income to the Bank has decreased by at least 15%
- **Low risk:** the client is not subject to a moratorium and has no delays of more than 30 days and his/her income to the Bank has not decreased by more than 15%
- **Medium risk:** the client does not belong to either the high or low risk category

2. Small companies
- **High risk:** impacted by COVID or watchlisted or managed by RWO or sales revenue decreased by more than 30% or credit utilization increased compared to February 2020 (utilization increased by 90% or 50% points compared to February 2020)
- **Medium risk:** operates in an endangered sector or has exited the moratorium or its sales have decreased by 10-30% or loan utilization has increased by 25-50%
- **Low risk:** all other customers

Notes to the financial statements (Continued)

3. Companies

The portfolio review and risk rating was performed on client by client basis:

- in the industries most affected by COVID (wider automotive, real estate development, transport, tourism) and
- for the Top 100 client, considering whether the client is entitled to extend the moratorium and, if not, whether this affects its ability to repay its loan.

As a result of the performed classifications, the deals of the customers of high and medium risk are classified as stage 2 at the best.
The credit risk effect of the classification into stage2 based on the above is HUF 3.7 billion, while the effect of the classification into default is HUF 4.9 billion.

c) Fair value

COVID-19 did not have any impact on the method of determining the fair values and there was no material change in the fair value of the financial instruments of the Group due to the pandemic. There was no reclassification in the fair value categories.

d) Other assets

Other assets in the statement of financial position mainly comprise trade receivables, advances, receivables from government subsidies and current and deferred tax receivables. No information came to the attention of the Bank until the approval of the financial statement that would indicate a decrease in the recoverable amount of trade receivables due to the COVID-19 pandemic. Customer's propensity to settle trade receivables has no deteriorated significantly compared to the previous year. Neither has there been an increase in the amount of trade receivables with a past due status. The counterparty of current tax receivables and receivables from government subsidies is the state and its institutions. With regard to these receivables, the determining factor is the credit rating of Hungary which has not deteriorated significantly due to the COVID-19 pandemic. As for deferred tax receivables, the Bank considered the availability of future taxable profits against which temporary differences can be claimed as per IAS 12 and noted no circumstances that would indicate that such future taxable profits will not be available. Consequently, the Bank continues to recognize deferred tax assets in the statement of financial position.

e) Impairment of non-financial assets

The Bank considered the effect of the COVID-19 pandemic on the fair value and the value in use (the net present value of cash flows expected to be received from the use of an asset) of non-financial assets during the impairment review detailed in Section 3/k. Based on the review, the impact on the value in use of non-financial assets is not material therefore no specific impairment needs to be recognized because of the pandemic.

f) IFRS16 Right-of-use assets

In accordance with European Commission Regulation 2020/1434, paragraph 46A is added to IFRS 16, which states that a lessee may choose not to measure rent fee reductions due to COVID19 as to whether they constitute a lease modification.
The UniCredit Group does not make use of this option, it treats all relief as a lease change during the period, regardless of whether it is caused by the viral situation or the general course of business.

g) Hedging derivatives

The payment moratorium has no significant impact on hedging relationships, because the moratorium induced an increase in the maturity of the respective loans. Simultaneously, the maturity of the instruments that the Bank has brought into fair value or cash-flow hedging derivatives also increased. Overall, this did not impact the efficiency of the hedging relationship, because it resulted in an increase (longer) in hedged (hedgeable) positions.

h) Dividend

The settlement of the dividend payable to the parent company UniCredit Italiano SpA with regard to the net result for the financial year ended 31 December 2019 was postponed due to the coronavirus pandemic, and accordingly to the instructions of Hungarian National Bank, in order to help preserve the liquidity position of the Bank. Therefore, the dividend payable presented in the statement of financial position includes the dividend payable with regard to FY2019 as it has not been settled as of 31 December 2020.

Conforming to the requirement communicated to banks via a circular by the Hungarian National Bank, the Bank decided to postpone, in agreement with the recipient, the payment of dividends relating to both FY2019 and FY2020 after 30 September 2021. Dividends are planned to be settled in 9 December 2021.

Notes to the financial statements (Continued)

i) Investments

The Bank considered the impact of the COVID-19 pandemic on the valuation of its investments. With regard to trading financial instruments measured at fair value through profit or loss, section c) „Fair valuation" applies. Investments in related entities continue to be measured at cost. It is not required to recognized impairment in relation to investments in related entities as their equity exceeds the cost of the investments.

j) Tangible assets

As regards tangible assets, the Group is exposed to the negative economic impact of the COVID-19 pandemic via its special purpose vehicle, Europa Investment Fund.

The Fund considered the impact of the COVID-19 pandemic and identified the following main risk factors: operational risk, negative impact on profitability and liquidity difficulties.

Operational risks that hinder the daily operation and the management of the assets of the Fund and disrupt the maintenance of the infrastructure have been appropriately and effectively addressed by measures agreed and implemented by Fund Manager. Extended work from home options were made available to maximize the number of employees working remotely. Personal protective equipment has been procured in order to make it possible to work safely on site at the office. The Fund Manager can ensure that operation is not disrupted even if available resources suffer a drastic temporary reduction compared to normal levels.

The profitability of the Fund is chiefly determined by the profitability of the assets it owns. The real estate portfolio is sufficiently diversified so that the depressed economic outlook brought about by the pandemic does not affect the assets in the portfolio to the same extent and the same direction. The Fund experienced the greatest negative impact in case of the Vértes Center mall as the pandemic directly affected the retail sector. Due to missed settlement of rental fees in the first part of the financial year, the impairment recognized for trade receivables increased in the year ended 31 December 2020. The Fund considers this increase only temporary as payment morale has improved thanks to one-off reliefs made available to tenants (a rent-free period of two months in most cases) without deferring to the collateral system previously in place. Future government measures may impact the profitability of the Fund, but these are not yet known. The fair value of real estate held by the Fund has not moved significantly in light of the events of 2020. The impact in 2021 cannot be predicted based on currently available information. The net asset value of the Fund is mainly driven by the changes in fair value and the profitability of the assets in the real estate portfolio. The Fund did not experience a significant impact in this regard, but the impact of the pandemic in 2021 on these figures cannot be reliably predicted at the time of the preparation of the financial statement, therefore the impact on net asset value cannot be predicted either.

Another key risk factor for the Fund is liquidity. Given that the Fund has liquid assets in excess of the 15 % minimum liquidity requirement, even a long-term inability to pay on the side of the tenants does not impair the Fund's ability to settle its liabilities. Liquidity risk are further mitigated by the fact that the Fund repaid its expiring loans of on 27 February 2020 and has no further loan liabilities. Furthermore, the Fund's communicated strategy is not to enter into new investments but rather sell off existing ones, further increasing the ratio of available liquid assets.

As a consequence of the above, the COVID-19 pandemic does not significantly impact the operation of the Fund.

The Fund Manager monitors the situation as events unfold and the Fund prudently tries to help the tenant mix through this critical period to the best of its ability, so that operation may return to normal as soon as possible when the emergency ceases.

k) Epidemic tax

Government decree 108/2020. (IV. 14.) prescribed that the credit institutions are liable to pay a special epidemic tax. The basis of the tax is the part of the tax base based on law 2006. LIX. 4/A. § (4) item 1 for 2020 exceeding HUF 50 billion. The tax rate is 0.19%.
The amount of the special epidemic tax paid by the credit institutions in 2020 will reduce the amount of the special tax on financial institutions in the next 5 tax years in the form of tax withholding, up to a maximum of 20 percent of the special epidemic tax in 2020 per tax year.
The tax base of the special epidemic tax of UniCredit Bank Zrt. in 2020 is HUF 2,611,758 million, while the amount of the special tax is HUF 4,962 million. Due to its reclaimability, the Bank discounted the recoverable amount and recorded an asset so the effect of the epidemic tax in the current year is a total of HUF 190 million all of which arises from the discounting effect.

Notes to the financial statements (Continued)

7. Net interest income

(HUF million)

	2020	2019
Interest and similar income		
Interest income from Central Bank	2 831	501
Interest income from banks	1 098	1 503
Interest income from customers	41 397	37 051
Interest income on customer loans at fair values through profit and loss	115	123
Interest income on trading financial instruments	365	581
Interest income on hedge derivatives	29 819	29 237
Interest income on securities at fair value through other comprehensive income	11 004	15 544
Interest income on securities at amortized cost	6 717	2 471
Interest income other	445	572
Total	**93 791**	**87 583**
Interest expense and similar charges		
Interest expense to Central Bank	(817)	220
Interest expense to banks	(1 840)	(591)
Interest expense related to hedge derivatives	(17 811)	(19 543)
Interest expense to customers	(2 148)	(2 870)
Interest expense on subordinated loans	-	-
Interest expense on issued bonds	(3 299)	(2 912)
Other financial fees and commissions	(28)	(19)
Total	**(25 943)**	**(25 715)**
Net interest income	**67 848**	**61 868**

Other interest income contains incomes from government grants, which related to both HIRS (cross-currency IRS linked to credit activity) and those preferential deposits that meets the condition of credit activity as part of PHP Program disclosed by MNB. The total amount of it was HUF 294 million in 2020 and HUF 502 million in 2019. The Group meets all of the criteria. The Group accounts for government-related grants as income in the average periods of loans in which the criteria are met. This amount also contains unconditional grants relating to MIRS (cross-currency IRS which has monetary political aim) that is qualified as a grant from accounting point of view based on IAS 20 in the amount of HUF 70 million in the Financial Statements in 2020 (2019: HUF 70 million).

8. Net fee and commission income

(HUF million)

	2020	2019
Fees and commission income		
Payment transaction fees	39 988	44 924
Financial guarantee fees	2 280	2 180
Custody service fees	3 579	3 633
Investment service fees	3 721	3 820
Other financial services fees and commissions	2 192	2 874
Total	**51 760**	**57 431**
Fees and commission expense	**2020**	**2019**
Payment transaction fees	(6 030)	(7 238)
Financial guarantee fees	(204)	(546)
Custody service fees	(906)	(895)
Investment service fees	(253)	(59)
Other financial services fees and commissions	(1 612)	(1 709)
Total	**(9 005)**	**(10 447)**
Net fee and commission income	**42 755**	**46 984**

Notes to the financial statements (Continued)

9. Dividend income

(HUF million)

	2020	2019
Dividends on trading securities	–	1
Dividends on investments	5	188
Total	**5**	**189**

10. Net trading

(HUF million)

	2020	2019
Gain/(Loss) on foreign exchange	15 084	14 929
Gain/(Loss) on trading interest rate swaps, net	(314)	(1 314)
Gain/(Loss) on debt securities, net	(810)	1 043
Gain/(Loss) on equities, net	–	–
Gain/(Loss) on trading FRA's, net	28	55
Other trading income	322	315
Total	**14 310**	**15 028**

11. Net gain and loss on other financial instruments

(HUF million)

	2020	2019
Gain		
Securities at fair value through other comprehensive income	21 180	7 735
Equity instrument at fair value through other comprehensive income	4	(5)
Financial instruments at fair value through profit and loss	162	424
Gain on repurchased issued Mortgage Bonds	116	462
Total	**21 462**	**8 616**
Loss		
Debt securities at fair value through other comprehensive income	(19 523)	(6 518)
Financial instruments at fair value through profit and loss	(65)	–
Loss on repurchased issued Mortgage Bonds	(279)	(472)
Total	**(19 867)**	**(6 990)**
Net gain from other financial investments	**1 595**	**1 626**

12. Personnel expenses

(HUF million)

	2020	2019
Wages and salaries	(16 393)	(15 402)
Statutory social-security contributions	(2 447)	(2 678)
Other employee benefits	(1 288)	(1 250)
Employer's contributions	(221)	(184)
Total	**(20 349)**	**(19 514)**

The number of employees (in full time equivalent) was 1,770.4 on 31 December 2020 (2019: 1,743.8).

Notes to the financial statements (CONTINUED)

13. General operating expenses

(HUF million)

	2020	2019
Indirect tax expense and fees to authorities	(28 756)	(28 878)
Fees to authorities	(2 902)	(2 271)
Renting costs and operating expenses of property	(1 689)	(1 562)
Advertising costs	(607)	(649)
Information technology costs	(7 719)	(6 854)
Material and office equipment costs	(364)	(295)
Other administrative costs	(2 598)	(2 811)
Total	**(44 635)**	(43 320)

The following services were provided by Deloitte to the Group (fees are in net amounts):
- Audit services (audit fee) of HUF 110 million in 2020 (2019: HUF 107 million),
- Other assurance services (audit related fee) of HUF 3 million in 2020 (2019: HUF 0 million),
- Permitted non-audit services (other fees) were not provided in 2020 (2019: were not).

14. Other results

(HUF million)

	2020	2019
Other income		
Renting activity	751	1 190
Service transfer fees received	–	–
Income on non-reclaimable receivable	–	–
Gain on sale of leasing assets	–	–
Income on leasing contracts	–	–
Indemnity received	–	–
Other	1 623	1 744
Total	**2 374**	**2 934**
Other expenses		
Impairment loss related to other receivables	–	–
Expenses related to rented investment properties	(94)	(85)
Indemnity paid	–	–
Cost of Workout	–	–
Damage	–	–
Expense related to termination of leasing contract	–	–
Miscellaneous tax expense	–	–
Other	(2 400)	(855)
Total	**(2 494)**	**(940)**
Other results	**(120)**	**(1 994)**

15. Taxation

The tax charge for the year is based on the profit for the year according to the statutory accounts of the Group as adjusted for relevant taxation regulations. The corporate income tax rate was 9% for the year of 2020 in Hungary.
According to IAS 12, the Group is entitled to net tax assets against tax liabilities for the year.

Notes to the financial statements (Continued)

15.1 Tax liability for the year

(HUF million)

	2020	2019
Current tax expense	2 821	4 710
Adjustments for prior years	8	0
Total	**2 829**	**4 710**
Deferred tax charge	423	516
Total income tax expense in statement of profit or loss	**3 252**	**5 226**

15.2 Reconciliation of effective tax rate

	2020		2019	
	%	(HUF MILLION)	%	(HUF MILLION)
Profit before tax		34,520		56,517
Income tax using the domestic corporate tax rate	9.0	3,107	9.0	5,087
Supplementary corporate tax for banks	–	–	–	–
Adjustments for prior years	–	8	–	–
Tax effects of income/expenses exempt from corporate tax	(0.5)	(169)	(0.2)	(104)
Changes in tax rates	–		–	–
Other	0.9	306	0.4	243
Total	**9.4**	**3,252**	**9.2**	**5,226**

15.3 Balances associated with taxation

(HUF million)

	2020			2019		
	ASSETS	LIABILITIES	NET	ASSETS	LIABILITIES	NET
Current tax assets/(liabilities)	2462	(8)	2,454	457	(11)	446
Deferred income tax						
Securities at fair value through other comprehensive income	(13)	(779)	(792)	(18)	(1,941)	(1,959)
Cash flow hedges	–	(1,461)	(1,461)	–	(1,887)	(1,887)
Asset revaluation surplus	–	(111)	(111)	–	(152)	(152)
Property and equipment from tied up capital	16	(308)	(292)	6	(154)	(148)
IFRS 9 – Impact on equity	619	(60)	559	619	(60)	559
IFRS 9 – Impact on profit or loss	(619)	60	(559)	(619)	60	(559)
IFRS transition adjustment	–	–	–	–	–	–
Effect of items, increasing/(decreasing) the local tax base	505	(97)	408	686	–	686
Netting effect	(423)	423	–	(578)	578	–
Total deferred tax assets/(liabilities)	85	(2,333)	(2,248)	96	(3,556)	(3,460)
Total tax assets/(liabilities)	**2,547**	**(2,341)**	**206**	**553**	**(3,567)**	**(3,014)**

15.4 Movements in temporary differences during the year 2020

(HUF million)

	OPENING BALANCE	RECOGNISED IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS	RECOGNISED IN OCI	CLOSING BALANCE
Securities at fair value through other comprehensive income	(1 959)		1,167	(792)
Cash flow hedges	(1 887)	–	426	(1 461)
Asset revaluation surplus	(152)	–	41	(111)
Property and equipment from tied up capital	(148)	(144)	–	(292)
IFRS 9 – Impact on equity	559	–	–	559
IFRS 9 – Impact on profit or loss	(559)	–	–	(559)
IFRS transition adjustment	686	(686)	–	–
Effect of items, increasing/(decreasing) the local tax base	–	407	–	408
Total deferred tax assets/(liabilities)	**(3 460)**	(423)	**1 634**	**(2 248)**

Notes to the financial statements (Continued)

15.5 Movements in temporary differences during the year 2019

(HUF million)

	OPENING BALANCE	RECOGNISED IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS	RECOGNISED IN OCI	CLOSING BALANCE
Securities at fair value through other comprehensive income	(1 078)	–	(881)	(1 959)
Cash flow hedges	(1 415)	–	(472)	(1 887)
Asset revaluation surplus	–	–	(152)	(152)
Property and equipment from tied up capital	1	(149)	–	(148)
IFRS 9 – Impact on equity	558	–	1	559
IFRS 9 – Impact on profit or loss	(359)	(200)	–	(559)
IFRS transition adjustment	178	(178)	–	–
Effect of items, increasing/(decreasing) the local tax base	675	11	–	686
Total deferred tax assets/(liabilities)	**(1 440)**	**(516)**	**(1 504)**	**(3 460)**

16. Cash and unrestricted balance with the Central Bank

(HUF million)

	2020	2019
Cash on hand	20,134	22,302
Unrestricted balance with the Central Bank	9,660	1,532
Total	**29,794**	**23,834**

17. Financial instruments held for trading

(HUF million)

	2020	2019
Financial assets held for trading		
State treasury bills	41	104
State bonds	5,368	18,802
Other bonds	1,056	1,031
Positive fair value of derivatives		
FX derivatives	11,171	6,388
Interest rate derivatives	40,581	47,618
Commodity derivatives	19,067	11,245
Total	**77,284**	**85,188**
Financial liabilities held for trading		
Negative fair value of derivatives		
FX derivatives	(10,310)	(4,,87)
Interest rate derivatives	(47,314)	(55,502)
Commodity derivatives	(19,064)	(11,222)
Total	**(76,688)**	**(71,011)**

The Group classifies the financial instruments held for trading at fair value through profit and loss. The Group at initial recognition, or later on has not identified any financial assets or liabilities measured at fair value through profit and loss according to IFRS 9 paragraph 6.7.1.

Notes to the financial statements (Continued)

18. Hedging derivative instruments

(HUF million)

	2020	2019
Derivative assets held for risk management purposes		
Interest rate swaps	49,585	57,189
Total	**49,585**	**57,189**
Derivative liabilities held for risk management purposes		
Interest rate swaps	24,636	29,509
Total	**24,636**	**29,509**

Further details on hedging derivatives are disclosed in Note 39.

The Group applies the possibilities of IFRS 9 according to paragraph 7.2.21, based on which the Group applies IAS 39 going forward in case of hedge accounting.

19. Placements with, and loans and advances to banks

(HUF million)

	2020	2019
Placements with, and loans and advances to banks at amortized cost		
Placements with Central Bank	655,043	247,306
Nostros at other banks	17,956	7,709
Loans and advance to other banks	519,765	545,677
Impairment on loans and advance to other banks	(1,837)	(674)
Total	**1,190,926**	**800,018**

20. Loans and advances to customers

(HUF million)

	2020	2019
Loans and advances to customers at amortized cost	1,736,478	1,521,446
Provision for impairment and losses on credit products	(43,435)	(29,579)
Loans and advances to customers at fair value through profit and loss	3,769	5,668
Total	**1,696,812**	**1,497,535**

The Group classifies the loans and advances to customers at amortised costs.
Those loans and advances to customers are classified at fair value through profit and loss which failed the SPPI test.

Notes to the financial statements (Continued)

A. Analysis by industrial sector:

(HUF million)

	2020		2019	
	HUF MILLION	%	HUF MILLION	%
Private clients	304,068	17.47	288,051	18.87
Real estate finance	287,034	16.49	244,356	16.00
Machine industry	194,034	11.15	143,855	9.42
Trade	160,304	9.21	195,647	12.81
Transportation	98,897	5.68	131,220	8.59
Financial activities	367,930	21.14	129,475	8.48
Food processing	56,325	3.24	55,491	3.63
Other	17,355	1.00	66,817	4.38
Metallurgy	59,824	3.44	55,108	3.61
Construction	44,463	2.56	55,878	3.66
Chemicals/Pharmaceutical	26,533	1.52	29,318	1.92
Agriculture	31,721	1.82	43,038,	2.82
Electric energy industry	29,790	1.71	28,125	1.84
Community	24,964	1.43	28,046	1.84
Light industry	17,073	0.98	21,958	1.44
Catering trade	5,187	0.30	4,958	0.32
Communication	12,919	0.74	4,344	0.28
Mining	1,823	0.10	1,429	0.09
Total	**1,740,246**	**100.00**	**1,527,114**	**100.00**

The total amount is presented gross of provision for impairment losses.
Loans and advances to customers are presented in more details in Note 44.

B. Amounts receivable under finance lease:

Amounts receivable under finance lease increased due to the rise in the leasing market, the sales volume in the vehicle market in 2019 was the highest in the last 10 years, the brands financed by the Group represented a major share from the market growth. On top of these, a high amount factory lease contract also increased the receivables balance.

The average term of finance leases entered into is 4.47 years. Generally, these lease contracts do not include options for renewal or termination.

(HUF million)

B. Amounts receivable under finance lease:	2020
Less than 1 year	51,251
1-2 years	27,414
2-3 years	20,799
3-4 years	11,032
4-5 years	5,116
Onwards	1,780
Lease payments	**117,393**
Unguaranteed residual values	–
Gross investment in the lease	**117,393**
Less: unearned finance income	(5,500)
Present value of minimum lease payments receivable	**111,892**
Impairment losses	(1,428)
Net investment in the lease	**110,464**

Items in respect of finance lease presented in the Consolidated statement of profit or loss account

(HUF million)

	2020
Selling profit/loss for finance leases	8
Finance income on the net investment in finance leases	3,106
Income relating variable lease payments not included in the net investment in finance leases	–

The Group’s finance lease arrangements do not include variable payments.

The average effective interest rate contracted is approximately 2.81% per annum.

Notes to the financial statements (Continued)

21. Investment securities

(HUF million)

	2020	2019
Investment securities at fair value through other comprehensive income		
State treasury bills	2,992	1,000
State bonds	292,990	552,324
Other bonds	129,309	143,631
Other investments	323	323
Total	**425,614**	**697,278**
Investment securities at amortized cost		
Mortgage bonds	520,560	146,087
Impairment	(1 282)	374
Total	**519,278**	**145,713**
Total investment securities	**944,892**	**842,991**

The total market value of investments securities at amortized cost was HUF 532,273 million as at 31 December 2020 (HUF 125,407 million as at 31 December 2019). No sales of investment securities at amortized cost took place in 2020 and in 2019.

22. Equity investments

As at 31 December 2020 investments in consolidated subsidiaries were as follows:

(HUF million)

NAME OF INVESTMENT	GROSS BOOK VALUE	SHAREHOLDER'S EQUITY
UniCredit Jelzálogbank Zrt.	3,761	20,714
UniCredit Leasing Hungary Zrt.	672	1,173
UniCredit Operatív Lízing Kft.	3	32
UniCredit Biztosításközvetítő Kft.	41	313

All above investments are in companies incorporated in Hungary. All above investments are in the sole, 100% ownership of UniCredit Bank Hungary Zrt. Apart from these investments, the Group holds majority interest in an SPV, Europa Investment Fund.
The Fund is consolidated in these financial statements, since the Group has the power to govern it, and is exposed to the volatility of its returns.

23. Investment properties

(HUF million)

	2020	2019
Investment property in usage	8,892	11,108

The Group's investment properties are held within Europa Investment Fund, of which, 99.02% (2019: 97.8%) of the units is owned by the Group. The investment properties are regularly valued by an independent real estate appraiser company, as required by the respective law. The valuation methods, applied by the appraiser company are compliant with the regulations in IFRS 13.
The investment properties, in usage are valued at fair market value.

These properties earned HUF 645 million rental income in 2020 (2019: HUF 1,353 million).

The buildings of Európa Befektetési Alap does not qualify as investment properties at consolidated level.

Notes to the financial statements (CONTINUED)

24. Property, plant and equipment

A. Movement in property, plant and equipment

(HUF million)

	COST AT THE BEGINNING OF THE YEAR	ACCUMULATED DEPRECIATION AT THE BEGINNING OF THE YEAR	BUSINESS COMBINATION	ADDITIONS	DISPOSALS NET	REVALUATION ADJUSTMENT (B.)	OTHER MOVEMENT	DEPRECIATION & AMORTIZATION	CARRYING AMOUNT AT THE END OF THE YEAR
2020									
Land and buildings(**)	24,849	(2,925)	–	780	(3,685)	(549)	–	(698)	17,772
Office equipment	7,879	(6,712)	–	682	(6)	–	–	(465)	1,378
Motor vehicles	829	(438)	–	174	(5)	–	–	(132)	428
Investments	452	–	–	2,287	(2,131)	–	(3)	–	605
Right-of-use asset (*)	2,719	(681)	–	957	(12)	–	–	(712)	2,271
Total	**36,728**	(10,756)	**–**	**4,880**	(5,839)	**(549)**	(3)	(2,007)	**22,454**
2019									
Land and buildings	21,967	(2,308)	–	103	(1)	3,059	(364)	(532)	21,924
Office equipment	7,494	(6,449)	–	471	(22)	–	5	(331)	1,168
Motor vehicles	751	(358)	–	124	(17)	–	–	(108)	392
Investments	20	–	–	1,157	(668)	–	–	(57)	452
Right-of-use asset (*)	–	–	–	5,061	(17)	–	(2,325)	(681)	2,038
Total	**30,232**	**(9,115)**	**–**	**6,916**	**(725)**	3,059	(2,684)	**(1,709)**	**25,974**

(*) Includes properties
(**) Impairment on land and buildings: HUF 228 million

25. Intangible assets

Movement in intangible assets

(HUF million)

	COST AT THE BEGINNING OF THE YEAR	ACCUMULATED DEPRECIATION AT THE BEGINNING OF THE YEAR	BUSINESS COMBINATION	ADDITIONS	DISPOSALS NET	OTHER MOVEMENT	DEPRECIATION & AMORTISATION	CARRYING AMOUNT AT THE END OF THE YEAR
2020								
Rental rights	143	(138)	–	–	–	–	(1)	4
Licenses	3,642	(627)	–	6,333	–	(3,437)	(960)	4,951
Software	20,410	(9,861)	–	8,221	(15)	(4,545)	(1,691)	12,520
Total	**24,195**	**(10,626)**	**–**	**14,554**	**(15)**	**(7,982)**	**(2,652)**	**17,475**
2019								
Rental rights	656	(407)	–	1	(241)	–	(4)	5
Licenses	2,034	(376)	–	1,644	–	–	(287)	3,015
Software	17,911	(9,022)	–	2,520	(4)	–	(856)	10,549
Total	**20,601**	**(9,805)**	**–**	**4,165**	**(245)**	**–**	**(1,147)**	**13,569**

Notes to the financial statements (CONTINUED)

26. Other assets

(HUF million)

	2020	2019
Trade receivables, advanced payments, other demands	14,692	13,420
Accrued income and prepaid expenses	16,435	10,071
Current tax asset	2,462	457
Other	745	224
Total	**34,334**	**24,172**
Impairment losses	(1,398)	(1,735)
Total	**32,936**	**22,437**

Other demands contain unconditional grants relating to MIRS (cross-currency IRS which has monetary political aim) that is qualified as a grant from accounting point of view based on IAS 20. The amount of demand regarding MIRS was HUF 4,692 million (2019: HUF 5,470 million).

27. Assets held for sale

At the end of December 2020, the Group decided to sell an office building owned by Európa Ingatlanbefektetési Alap.
The property has been reclassified to held-for-sale asset in accordance with the decision of the Group and the requirements of IFRS 5. The book value of the property after reclassification is HUF 3,925 million which is presented separately in the consolidated statement of financial position. The asset was not impaired.

Negotiations with the buyer are in the final phase. The purchase agreement has not been signed until the financial statements are approved for publication, it is expected to take place in the first quarter of 2021.

28. Deposits and loans from banks

(HUF million)

	2020	2019
Loans from Central Bank	375,758	79,119
Loans and deposits from other banks	294,596	520,225
Total	**670,354**	**599,344**

The Group does not have past due debt.

29. Deposits from customers

(HUF million)

	2020	2019
Fixed-term customer sources	2,317,218	1,879,675
Ongoing cash equivalents, settlement accounts	7,280	18,383
Illiquid customer sources	316,740	201,218
Total	**2,641,238**	**2,099,276**

The above balances include customer transit accounts. Amounts included in customer transit accounts are held pending clarification and completion of transactions with customers undertaken in the ordinary course of business. The Group measures the Deposits from customers at amortised costs.

Notes to the financial statements (Continued)

30. Issued mortgage bonds

(HUF million)

	2020	2019
Issued mortgage bonds	209,508	148,281

31. Other liabilities

(millió Ft)

	2020	2019
Accrued expenses and prepaid income	15,272	15,781
Provision on guarantees and unutilized loans	12,490	6,605
Trade payable	7,358	6,230
Other taxes payable	2,895	3,226
Items in transit	3,856	1,944
Current tax liability	8	11
Leasing liabilities	2,725	2,078
Other	835	1,721
Dividend payable	18,000	–
Total	**63,439**	**37,596**

32. Leases

The Group leases several assets including buildings, office equipment. The average lease term is 6 years (2019: 6 years).

Amounts recognised in profit and loss:

(HUF million)

	2020
Depreciation expense on right-of-use assets	1,269
Interest expense of lease liabilities	68
Expense relating to short-term leases	103
Expense relating to leases of low value assets	–
Expense relating to variable lease payments not included in the measurement of the lease liability	–

Amounts recognised in the consolidated statement of cash flow:

(HUF million)

	2020
Total cash outflow for leases	1,080

At 31 December 2020, the Group is committed to 344 million for short-term leases.

Notes to the financial statements (Continued)

Lease liabilities

Maturity analysis:

(HUF million)

	2020
Within 1 year	890
1-2 years	813
2-3 years	683
3-4 years	592
4-5 years	580
Onwards	791
Total	**4,348**

33. Share capital

(HUF million)

	2020	2019
Authorised and issued share capital	24,118	24,118

Share capital consists of 4,823,644 ordinary shares with a par value of HUF 5,000 each.
100% of the issued shares are held by UniCredit S.p.A.

34. Statutory reserves

(HUF million)

	GENERAL RESERVE	TIED-UP RESERVE	TOTAL
Balance at 31 December 2019	49,798	–	**49,798**
Appropriation from retained earnings	3,330	–	**3,330**
Appropriation to retained earnings	–	–	–
Balance at 31 December 2020	53,128	–	**53,128**

35. Other provision

(HUF million)

	PROVISION MOVEMENT ON NON-CREDIT RISK
Balance at 31 December 2019	**4,096**
Amounts utilised	(86)
Amounts released	(1,070)
Additional provisions	162
Effect of FX rate	40
Balance at 31 December 2020	**3,142**
Net movement in provision/impairment	(908)
Amounts released	78
Additional provisions	–
Effect of FX rate	**(830)**

The methods and assumptions applied in the calculation of provisions are described in points 3. (m) and 4.

Information about provision movement on credit risk items is stated in Note 44.

Notes to the financial statements (CONTINUED)

36. Commitments and contingent liabilities

At 31 December 2020, the Group had the following commitments and contingent liabilities (in nominal values):

(HUF million)

	2020	2019
Loan and overdraft facilities granted not disbursed	776,608	860,405
Financial guarantees	322,605	535,057
Letters of credit	25,040	20,999
FX spot sales (notional)	230,539	240,375
Other contingent liabilities	–	620

As at 31 December 2020, the total face value of client assets held in safe custody by the Group was HUF 8,785,802 million (2019: HUF 5,850,400 million).

37. Currency structure of assets and liabilities

The currency structure of assets and liabilities as at 31 December 2020 is as follows:

CURRENCY	ASSETS	LIABILITIES AND EQUITY	OFF BALANCE SHEET NET	TOTAL NET F/X EXPOSURE LONG / (SHORT)
Euro	1,251,450	920,930	(320,916)	9,604
Swiss Francs	2,538	4,818	8	(2,272)
United States Dollars	68,365	152,997	21,011	(63,621)
Japanese Yen	90	75	(19)	(4)
Polish Zloty	206	10,532	692	(9,634)
British Pounds	1,079	5,612	248	(4,285)
Czech Crowns	574	423	(195)	(44)
Other	5,837	8,160	1,763	(560)
Total foreign currency:	**1,330,139**	**1,103,547**	**(297,408)**	**(70,816)**
Hungarian Forint	2,746,109	2,972,701	288,711	62,119
Total	**4,076,248**	**4,076,248**	**(8,697)**	**(8,697)**

The currency structure of assets and liabilities as at 31 December 2019 is as follows:

CURRENCY	ASSETS	LIABILITIES AND EQUITY	OFF BALANCE SHEET NET	TOTAL NET F/X EXPOSURE LONG / (SHORT)
Euro	1,236,569	902,234	(323,829)	10,506
Swiss Francs	3,314	4,177	951	88
United States Dollars	39,382	102,885	63,142	(361)
Japanese Yen	170	335	157	(8)
Polish Zloty	2,378	5,719	3,237	(104)
British Pounds	1,342	4,901	3,595	36
Czech Crowns	719	1,116	313	(84)
Other	4,374	5,995	1,794	173
Total foreign currency:	**1,288,248**	**1,027,362**	**(250,640)**	**10,246**
Hungarian Forint	2,092,697	2,353,583	249,536	(11,350)
Total	**3,380,945**	**3,380,945**	**(1,104)**	**(1,104)**

Notes to the financial statements (Continued)

38. Residual contractual maturities of financial assets and liabilities

31 December 2020

(HUF million)

	CARRYING AMOUNT	GROSS NOMINAL INFLOW / (OUTFLOW)	LESS THAN 1 MONTH	1-3 MONTHS	3 MONTHS TO 1 YEAR	1-5 YEARS	MORE THAN 5 YEARS
Non-derivative assets							
Cash and cash equivalents	29,794	29,794	29,794	–	–	–	–
Trading securities	6,465	7,243	96	12	270	1,971	4,894
Investment securities	944,892	1,011,520	12,027	249	129,634	517,083	352,527
Loans and advances to banks	1,190,834	1,235,530	1,145,458	894	4,033	60,079	25,066
Loans and advances to customers	1,696,811	1,856,790	490,348	26,914	237,895	641,748	459,885
Total	**3,868,796**	**4,140,877**	**1,677,723**	**28,069**	**371,832**	**1,220,881**	**842,372**
In repayment moratorium-retail	–	4,610,889	81,280	118,261	714,943	3,233,245	463,160
In repayment moratorium-corporate	–	28,159,565	436,988	966,819	5,234,517	20,607,329	913,912
Non-derivative liabilities							
Trading liabilities	–	–	–	–	–	–	–
Loans and advances to banks	670,261	567,158	110,937	(12,282)	9,010	286,524	172,969
Loans and advances to customers	2,641,238	2,642,714	2,534,905	62,976	41,251	3,502	80
Debt securities	209,508	247,966	–	–	48,685	113,619	85,662
Subordinated liabilities	–	–	–	–	–	–	–
Total	**3,521,007**	**3,457,838**	**2,645,842**	**50,694**	**98,946**	**403,645**	**258,711**
Cash flows from derivative positions							
Trading	(5,869)	(1,177)	(3,900)	144	2,911	(1,316)	984
Risk management	24,949	43,691	3,259	2,567	4,686	25,977	7,202
Total	**19,080**	**42,514**	**(641)**	**2,711**	**7,597**	**24,661**	**8,186**
Unrecognized loan commitments	**–**	**(1,114,357)**	**(26,975)**	**(75,319)**	**(174,556)**	**(218,689)**	**(618,819)**

31 December 2019

(HUF million)

	CARRYING AMOUNT	GROSS NOMINAL INFLOW / (OUTFLOW)	LESS THAN 1 MONTH	1-3 MONTHS	3 MONTHS TO 1 YEAR	1-5 YEARS	MORE THAN 5 YEARS
Non-derivative assets							
Cash and cash equivalents	23,834	23,834	23,834	–	–	–	–
Trading securities	19,938	22,108	90	116	1,030	12,683	8,189
Investment securities	842,991	880,413	248	28,980	46,884	601,651	202,650
Loans and advances to banks	800,018	841,681	519,404	4,954	224,407	62,431	30,485
Loans and advances to customers	1,497,535	1,661,256	389,483	44,634	150,366	651,498	425,275
Total	**3,184,316**	**3,429,292**	**933,059**	**78,684**	**422,687**	**1,328,263**	**666,599**
Non-derivative liabilities							
Trading liabilities	–	–	–	–	–	–	–
Loans and advances to banks	(599,344)	500,965	133,323	872	(1,851)	211,184	157,437
Loans and advances to customers	(2,099,276)	2,098,906	1,968,910	52,223	76,179	1,498	96
Debt securities	(148,281)	188,500	–	2,782	4,411	142,309	38,998
Subordinated liabilities	–	–	–	–	–	–	–
Total	**(2,846,901)**	**2,788,371**	**2,102,233**	**55,877**	**78,739**	**354,991**	**196,531**
Cash flows from derivative positions							
Trading	(5,761)	(1,869)	69	574	(2,036)	(2,441)	1,965
Risk management	27,680	48,854	3,637	2,807	1,599	33,289	7,522
Total	**21,919**	**46,985**	**3,706**	**3,381**	**(437)**	**30.848**	**9,487**
Unrecognized loan commitments	**–**	**(1,423,319)**	**(5,095)**	**(56,715)**	**(387,761)**	**(217,607)**	**(756,141)**

Notes to the financial statements (Continued)

39. Exposure to interest rate risk – non-trading portfolios

(HUF million)

	CARRYING AMOUNT	LESS THAN 1 MONTH	1-3 MONTHS	3 MONTHS TO 1 YEAR	1-5 YEARS	MORE THAN 5 YEARS	NOT INTEREST RATE SENSITIVE
28 December 2020							
Cash and cash equivalents	29,794	29,794	–	–	–	–	–
Loans and advances to banks	1,190,834	1,132,058	52,846	59,021	30,165	(83,256)	–
Loans and advances to customers	1,696,811	557,714	577,018	343,281	130,430	80,779	7,589
Investment securities	944,892	39,963	212	84,867	496,197	303,843	19,810
Total	**3,862,331**	**1,759,529**	**630,076**	**487,169**	**656,792**	**301,366**	**27,399**
Deposits from banks	(670,261)	(320,604)	(138,793)	(3,765)	(124,451)	(82,648)	–
Deposits from customers	(2,641,238)	(2,535,359)	(63,654)	(41,574)	(635)	(16)	–
Debt securities issued	(209,508)	(10,802)	–	(42,764)	(81,929)	(74,013)	–
Subordinated liabilities	–	–	–	–	–	–	–
Total	**(3,521,007)**	**(2,866,765)**	**(202,447)**	**(88,103)**	**(207,015)**	**(156,677)**	**–**
Effect of derivatives held for risk management	2,841,989	(18,698)	31,920	(186,438)	71,344	92,837	–
Total	**3,183,313**	**(1,125,934)**	**459,549**	**212,628**	**521,121**	**237,526**	**27,399**

The re-pricing techniques and principles, applied for qualification by the Group are described in details in Note 4.

(HUF million)

	CARRYING AMOUNT	LESS THAN 1 MONTH	1-3 MONTHS	3 MONTHS TO 1 YEAR	1-5 YEARS	MORE THAN 5 YEARS	NOT INTEREST RATE SENSITIVE
29 December 2019							
Cash and cash equivalents	23,834	23,834	–	–	–	–	–
Loans and advances to banks	800,018	735,128	37,909	52,598	52,165	(77,782)	–
Loans and advances to customers	1,497,535	578,926	121,867	631,362	93,072	72,308	–
Investment securities	842,991	25,396	30,829	4,010	549,858	195,252	37,646
Total	**3,164,378**	**1,363,284**	**190,605**	**687,970**	**695,095**	**189,778**	**37,646**
Deposits from banks	(599,344)	(462,154)	(59,049)	(41,534)	17,480	(54,087)	–
Deposits from customers	(2,099,276)	(1,973,070)	(51,300)	(74,443)	(441)	(22)	–
Debt securities issued	(148,281)	(4,890)	(2,649)	–	(120,369)	(20,373)	–
Subordinated liabilities	–	–	–	–	–	–	–
Total	**(2,846,901)**	**(2,440,114)**	**(112,998)**	**(115,977)**	**(103,330)**	**(74,482)**	**–**
Effect of derivatives held for risk management	2,776,193	(40,337)	34,364	(143,943)	(338,544)	485,689	–
Total	**3,093,670**	**(1,117,167)**	**111,971**	**428,050**	**253,221**	**600,985**	**37,646**

The re-pricing techniques and principles, applied for qualification by the Group are described in details in Note 4.

Notes to the financial statements (Continued)

40. Derivative financial instruments held for Trading

31 December 2020

(HUF million)

	NOTIONAL AMOUNT WITH REMAINING LIFE OF			TOTAL	FAIR VALUES	FVA
	LESS THAN 3 MONTHS	3 MONTHS – 1 YEAR	OVER 1 YEAR		(NET)	
Interest rate derivatives						
Forward Rate Agreements (bought)	–	236,500	–	**236,500**	(17)	
Forward Rate Agreements (sold)	–	145,700	–	**145,700**	82	
Interest Rate Swaps (SC IRS)	179,000	415,617	2,102,193	**2,696,810**	782	(35)
Interest Rate Swaps (DC IRS)	–	48	41,454	**41,502**	(461)	
Multicallable swap	–	–	–	**–**	–	
Forward Exchange&Swap*	**788,535**	**511,200**	**319,100**	**1,618,835**	**(8,184)**	
Options (sold amounts)						
Barrier (European)						
Long Call	333	11,776	1,856	**13,965**	194	–
Short Call	355	11,945	1,868	**14,168**	(194)	–
Long Put	252	9,610	1,472	**11,334**	104	–
Short Put	243	9,649	1,491	**11,383**	(104)	–
FX (European)*						
Long Call	–	789	55	**844**	8	–
Long Call (embedded)	146	–	–	**146**	1	–
Long Put	–	774	55	**829**	8	–
Long Put (embedded)	171	–	–	**171**	1	–
Short Call	145	805	58	**1,008**	(9)	–
Short Put	176	789	55	**1,020**	(9)	–
IR Options						
CAP (bought)	–	48	11,159	**11,207**	(21)	–
CAP (sold)	–	48	11,160	**11,208**	21	–
FLOOR (bought)	–	–	4,929	**4,929**	–	–
FLOOR (sold)	–	–	4,929	**4,929**	–	–
Equity Options						
Commodity						
Commodity forward&swap (bought)	73,443	33,284	13,798	**120,525**	8,163	–
Commodity forward&swap (sold)	73,443	33,284	13,798	**120,525**	(8,160)	–

**: without HUF and delta option*

Notes to the financial statements (CONTINUED)

31 December 2019

(HUF million)

	NOTIONAL AMOUNT WITH REMAINING LIFE OF			TOTAL	FAIR VALUES	FVA
	LESS THAN 3 MONTHS	3 MONTHS – 1 YEAR	MORE THAN 1 YEAR		(NET)	
Interest rate derivatives						
Forward Rate Agreements (bought)	–	50,000	95,000	**145,000**	(220)	–
Forward Rate Agreements (sold)	–	–	75,000	**75,000**	126	–
Interest Rate Swaps (SC IRS)	12,500	337,837	1 827,739	**2,178,076**	892	(38)
Interest Rate Swaps (DC IRS)	139,084	–	44,072	**183,156**	(549)	–
Multicallable swap	–	–	–	**–**	–	–
Forward Exchange&Swap*	**1,070,873**	**747,123**	**467,922**	**2,285,918**	**(679)**	**–**
Options (sold amounts)						
Barrier (European)						
Long Call	–	9,398	19,477	**28,875**	492	–
Short Call	–	9,404	19,571	**28,975**	(492)	–
Long Put	–	7,801	18,827	**26,628**	258	–
Short Put	–	7,773	18,723	**26,496**	(258)	–
FX (European)*						
Long Call	–	2,091	–	**2,091**	11	–
Long Call (embedded)	1,153	–	–	**1,153**	1	–
Long Put	–	2,083	–	**2,083**	3	–
Long Put (embedded)	2,008	–	–	**2,008**	22	–
Short Call	1,131	2,082	–	**3,213**	(12)	–
Short Put	2,020	2,037	–	**4,057**	(25)	–
IR Options						
CAP (bought)	–	–	7,378	**7,378**	–	–
CAP (sold)	–	–	7,378	**7,378**	–	–
FLOOR (bought)	–	–	–	**–**	–	–
FLOOR (sold)	–	–	–	**–**	–	–
Equity Options						
Commodity						
Commodity forward&swap (bought)	47,573	13,961	33,098	**94,632**	(7,872)	–
Commodity forward&swap (sold)	47,578	13,961	33,093	**94,632**	7,894	–

**:without barrier options*

41. Derivative financial instruments held for Hedging purposes

(HUF million)

	NOTIONAL AMOUNT WITH REMAINING LIFE OF			TOTAL	FAIR VALUES	FVA
	LESS THAN 3 MONTHS	3 MONTHS – 1 YEAR	MORE THAN 1 YEAR		(NET)	
31 December 2020						
Interest Rate Swaps (SC IRS)	78,150	283,223	2,218,996	**2,580,369**	30,986	(399)
Interest Rate Swaps (DC IRS)	–	50,817	219,821	**270,638**	1,632	–
Forward Rate Agreements (bought)	–	–	–	**–**	–	–
Forward Rate Agreements (sold)	–	32,000	–	**32,000**	(17)	–
31 December 2019						
Interest Rate Swaps SC IRS)	32,965	508,230	1,848,390	**2,389,585**	27,526	(239)
Interest Rate Swaps (DC IRS)	89,447	41,091	258,840	**389,378**	1,161	–
Forward Rate Agreements (bought)	–	–	–	**–**	–	–
Forward Rate Agreements (sold)	–	–	–	**–**	–	–

42. Fair valuation hierarchy[1]

FINANCIAL ASSETS/ FINANCIAL LIABILITIES	FAIR VALUE IN HUF MILLION AS AT 28.12.2020	FAIR VALUE IN HUF MILLION AS AT 29.12.2019	FAIR VALUE HIERARCHY	VALUATION TECHNIQUE(S) AND KEY INPUT(S)	SIGNIFICANT UNOBSERVABLE INPUT(S)	RELATIONSHIP OF UNOBSERVABLE INPUT(S) TO FAIR VALUE
Forward Rate Agreements	Trading purpose: 65 Hedging purpose: (17)	Trading purpose: (94) Hedging purpose: -	Level 2	Discounted cash flow method is used. The two future cash flows are estimated based on forward interest rate (from observable yield curves at the end of the reporting period) and the contractual interest rate and are both discounted. Credit valuation adjustments (CVAs) and debit valuation adjustments (DVAs) are incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk and UniCredit own credit quality respectively. Financial model based FVA is used for the valuation of derivatives (close-out risk) as well.	none	none
Interest rate swaps (SC IRS)	Trading purpose: 782 Hedging purpose: 30,986	Trading purpose: 892 Hedging purpose: 27,526	Level 2	Discounted cash flow method is used. The future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contractual interest rate and are discounted. The FV includes both the market value and the accrued interest. Credit valuation adjustments (CVAs) and debit valuation adjustments (DVAs) are incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk and UniCredit own credit quality respectively. Financial model based FVA is used for the valuation of derivatives (close-out risk) as well.	none	none
Interest rate swaps (DC IRS)	Trading purpose: (461) Hedging purpose: 1,632	Trading purpose: 549 Hedging purpose: 1,161	Level 2	Discounted cash flow method is used. The future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contractual interest rate and are discounted. The FV includes both the market value, the accrued interest but excludes the effect of the revalued principals (recognized as forward exchange). Credit valuation adjustments (CVAs) and debit valuation adjustments (DVAs) are incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk and UniCredit own credit quality respectively. Financial model based FVA is used for the valuation of derivatives (close-out risk) as well.	none	none
Multicallable swap	–	–	Level 2	Discounted cash flow method is used. The future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contractual interest rate and are discounted, taking into account the Bermudan option feature of the product. The FV includes both the market value and the accrued interest. Credit valuation adjustments (CVAs) and debit valuation adjustments (DVAs) are incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk and UniCredit own credit quality respectively. Financial model based FVA is used for the valuation of derivatives (close-out risk) as well.	none	none

[1] FV of derivatives does not contain the Fair Value corrections (FVA; CVA), FV of securities does not contain the accrued interest.

Notes to the financial statements (Continued)

FINANCIAL ASSETS/ FINANCIAL LIABILITIES	FAIR VALUE IN HUF MILLION AS AT 28.12.2020	29.12.2019	FAIR VALUE HIERARCHY	VALUATION TECHNIQUE(S) AND KEY INPUT(S)	SIGNIFICANT UNOBSERVABLE INPUT(S)	RELATIONSHIP OF UNOBSERVABLE INPUT(S) TO FAIR VALUE
Forward Exchange & Swap	(8,184)	(679)	Level 2	Discounted cash flow method is used. The future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contractual forward rates and are discounted. Credit valuation adjustments (CVAs) and debit valuation adjustments (DVAs) are incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk and UniCredit own credit quality respectively. Financial model based FVA is used for the valuation of derivatives (close-out risk) as well.	none	none
FX Options	–	–	Level 2	The European options calculation uses the standard Garman-Kohlhagen form of the Black-Scholes formula, Credit valuation adjustments (CVAs) and debit valuation adjustments (DVAs) are incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk and UniCredit own credit quality respectively. Financial model based FVA is used for the valuation of derivatives (close-out risk) as well.	none	none
IR Options	–	–	Level 2	The options calculation uses the Black-Scholes model.	none	none
Equity Options	–	–	Level 2	The options calculation uses the Black-Scholes model.	none	none
Commodity forward & swap	3	22	Level 2	Discounted cash flow method is used. The future cash flows are estimated based on forward commodity rates (from observable commodity index curve at the end of the reporting period) and contractual commodity price and are discounted, Credit valuation adjustments (CVAs) and debit valuation adjustments (DVAs) are incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk and UniCredit own credit quality respectively. Financial model based FVA is used for the valuation of derivatives (close-out risk) as well.	none	none
Bonds	672,050	606,196	Level 1	Marked-to-market valuation based on quotation prices observed in active markets (e.g. Reuters). Liquidity and close-out fair value adjustments apply.	none	none
Bonds	28,066	35,160	Level 2	Marked-to-model valuation based on a curve consisting of liquid bonds of the same sector or sovereign. Liquidity and close-out fair value adjustments apply.	none	none
Corporate bonds	25,036	23,063	Level 1	Marked-to-market valuation based on quotation prices observed in active markets (e.g. Reuters). Liquidity and close-out fair value adjustments apply.	none	none
Corporate bonds	95,506	79,976	Level 2	Marked-to-model valuation based on a curve consisting of liquid bonds of the same sector or sovereign. Liquidity and close-out fair value adjustments apply.	none	none
Corporate bonds	15,891	1,015	Level 3	Marked-to-model valuation based on a curve consisting of liquid bonds of the same sector or sovereign. Liquidity and close-out fair value adjustments apply.	none	none

Notes to the financial statements (Continued)

FINANCIAL ASSETS/ FINANCIAL LIABILITIES	FAIR VALUE IN HUF MILLION AS AT		FAIR VALUE HIERARCHY	VALUATION TECHNIQUE(S) AND KEY INPUT(S)	SIGNIFICANT UNOBSERVABLE INPUT(S)	RELATIONSHIP OF UNOBSERVABLE INPUT(S) TO FAIR VALUE
	28.12.2020	29.12.2019				
Investment certificates	19,537	18,631	Level 2	Marked-to-market valuation based on NAV published by Association of Hungarian Investment Fund and Asset Management Companies.	none	none
Equities	1,188	1,006	Level 1	Marked-to-market valuation based on quotation prices observed in active markets (e.g. Budapest Stock Exchange).	none	none
Equities	323	323	Level 3	Based on cost model.	none	none
Mortgage bonds	121,563	113,112	Level 2	Marked-to-model valuation based on a curve consisting of liquid covered bonds. Liquidity and close-out fair value adjustments apply.	none	none
Loans and advances to banks	753,531	777,870	Level 2	Discounted cash flow method is used. Credit risk parameters and all expected provisions are included in the fair value calculation. For non-performing loans, fair value is calculated by estimating expected loss, the expected recovery and risk premium.	none	none
Loans and advances to banks	40,247	19,336	Level 3	Discounted cash flow method is used. Credit risk parameters and all expected provisions are included in the fair value calculation. For non-performing loans, fair value is calculated by estimating expected loss, the expected recovery and risk premium.	none	none
Loans and advances to customers	811,188	1,298,788	Level 2	Discounted cash flow method is used. Credit risk parameters and all expected provisions are included in the fair value calculation. For non-performing loans, fair value is calculated by estimating expected loss, the expected recovery and risk premium.	none	none
Loans and advances to customers	875,857	206,524	Level 3	Discounted cash flow method is used. Credit risk parameters and all expected provisions are included in the fair value calculation. For non-performing loans, fair value is calculated by estimating expected loss, the expected recovery and risk premium.	none	none
Deposits and loans from banks	615,525	599,316	Level 2	Discounted cash flow method is used. Credit risk parameters and all expected provisions are included in the fair value calculation.	none	none
Deposits and loans from banks	–	–	Level 3	Discounted cash flow method is used. Credit risk parameters and all expected provisions are included in the fair value calculation.	none	none
Deposits from customers	2,618,212	2,154,353	Level 2	Discounted cash flow method is used. Credit risk parameters and all expected provisions are included in the fair value calculation.	none	none
Deposits from customers	2,717	2,030	Level 3	Discounted cash flow method is used. Credit risk parameters and all expected provisions are included in the fair value calculation.	none	none

Notes to the financial statements (Continued)

Reconciliation of Level 3 fair value measurements

(HUF million)

	CORPORATE BONDS	MORTGAGE BONDS	FORWARD EXCHANGE&SWAP	OTHERS	TOTAL
28 December 2020					
Opening balance	1,015	–	–	323	**1,338**
Total gains or losses:					
– profit or loss	–	–	–	–	**–**
– in other comprehensive income	–	–	–	–	**–**
Transactions:					
– purchases	14,876	–	–	–	**14,876**
– output	14,876	–	–	–	**14,876**
– disposals/settlements	–	–	–	–	**–**
Transfer to level 3	–	–	–	–	**–**
Transfers out of level 3	–	–	–	–	**–**
Closing balance	**15,891**	**–**	**–**	**323**	**16,214**
29 December 2019					
Opening balance	–	–	–	323	**323**
Total gains or losses:					
– profit or loss	–	–	–	–	**–**
– in other comprehensive income	–	–	–	–	**–**
Transactions:	1,015	–	–	–	**1,015**
– purchases	1,015	–	–	–	**1,015**
– iss output ues	0	–	–	–	**–**
– disposals/settlements	0	–	–	–	**–**
Transfer to level 3	0	–	–	–	**–**
Transfers out of level 3	0	–	–	–	**–**
Closing balance	**1,015**	**0**	**0**	**323**	**1,338**

Notes to the financial statements (Continued)

43. Balances outstanding and transactions with related parties

(HUF million)

	2020	2019
Assets		
Financial assets held for trading	36,808	41,268
Financial assets held to maturity	323	323
Loans and receivables to banks	448,280	453,587
Loans and receivables to customers	2,455	3,452
Equity investments	1,188	1,006
Derivatives used for hedging	48,944	53,794
Intangible assets	4,941	5,281
Other assets	–	2
Total	**542,939**	**558,713**
Liabilities		
Loans and receivables to banks	51,238	253,863
Loans and receivables to customers	4,515	7,815
Financial liabilities held for trading	45,951	48,490
Derivatives used for hedging	24,530	28,596
Deferred tax liabilities	4	4
Other liabilities	20,607	1,589
Other provisions	100	49
Revaluation reserve	44	44
Retained earnings	144	144
Total	**147,133**	**340,594**
Commitments, contingencies, derivatives		
Loan and overdraft facilities granted not disbursed	2,575	–
Financial guarantees	40.992	58,791
Derivatives notional amount	**5,471,444**	**5,063,084**
Statement of profit and loss		
Interest and similar income	417	881
Interest expense and similar charges	(3631)	(874)
Fee and commission income	627	716
Fee and commission expense	(460)	(1,209)
Dividend income	5	189
Net FX income	(24)	(4)
Impairment and loan loss provision	(1340)	22
Net trading income	162	279
General operating expenses	(6,846)	(5,865)
Other income/(expenses)	307	284
Total	**(10,783)**	**(5,581)**

The above balances and transactions are outstanding with:
UniCredit Bank SA., UniCredit Bank Czech Republic and Slovakia AS., Zagrebacka Banka DD., UniCredit Bank AG., UniCredit SPA., UniCredit Bulbank, UniCredit Bank Serbia JSC., UniCredit Services SCPA., UniCredit Services GmbH., Európa Befektetési Alapkezelő Zrt., UniCredit Turn-Around Management CEE GmbH., UCTAM Hungary Kft., AO UniCredit Bank, YAPI VE KREDI BANKASI, UniCredit Banka Slovenija DD, UniCredit Bank Austria AG, UCTAM Retail Humgary Kft., BAH-OMEGA Zrt.(UniCredit Leasing Immotruck Zrt)., BAH-KAPPA Kft.(UniCredit Leasing Kft.), Fundamenta-Lakáskassza Zrt., Garantiqa Hitelgarancia Zrt., VISA Inc., CA-ZETA Real Estate Development Limited Liability Company, FMZ Savaria Kft., FMC Leasing Ingatlanhasznosító Kft., UniCredit Leasing Luna Kft., UniCredit Leasing Uranus Kft., UniCredit Leasing Mars Kft., Bank Austria Hungária Béta Leasing Kft., HVB-Leasing Jupiter Ingatlanhasznosító Kft., HVB-Leasing Rocca Ingatlanhasznosító Kft., UniCredit Factoring SPA, UniCredit Bank DD, BAH BETA Ingatlanhasznosító Kft.

Apart from the above, the following qualify as related parties due to their key position. Supervisory Board: Emilia Stefanova Palibatchiyska, Maria Chiara Manzoni, Adeline de Metz, Emidio Salvatore, Gianfranco Bisagni. Management Board: Tóth Balázs, Ivan Vlaho, Vörös Réka, Anschau János, Soós Gábor, Ivana Lonjak Dam, Silvano Silvestri

Notes to the financial statements (Continued)

44. Fair value information

(HUF million)

	2020		2019	
	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT
Cash and unrestricted nostros to Central Bank	29,794	29,794	23,834	23,834
Financial assets held for trading	77,284	77,284	85,188	85,188
Investment securities	962,224	944,892	842,086	842,991
Loans and advances to banks	1,206,345	1,190,926	797,206	800,018
Loans and advances to costumers	1,687,045	1,696,812	1,505,313	1,497,535
Hedging derivatives assets	49,585	49,585	57,189	57,189
Equity investments	1,188	1,188	1,006	1,006
Total financial assets	**4,013,465**	**3,990,481**	**3,311,822**	**3,307,761**
Loans and advances to banks	615,525	670,354	599,316	599,344
Loans and advances to costumers	2,620,930	2,641,238	2,156,383	2,099,276
Issued bonds	197,016	209,508	154,561	148,281
Financial liabilities held for trading	76,688	76,688	71,011	71,011
Hedging derivative liabilities	24,636	24,636	29,509	29,509
Total financial liabilities	**3,534,795**	**3,622,424**	**3,010,780**	**2,947,421**

Estimation of fair values for the Fair Value Report to the Notes

The following description summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Loans: Fair value is calculated based on discounted expected future principal and interest cash flows, expected future cash flows are estimated considering credit risk and any indication of impairment. Expected future cash flows are estimated on a single deal basis and discounted at a rate considering the risk-free rate and any potential risk factors that market participants also consider. Credit card advances, overdrafts and similar very short-term receivables are deemed to be the receivable on demand at the balance sheet date. The estimated fair values of loans also reflect changes in interest rates. For non-performing loans, the fair value calculation methodology is based on an estimate of expected loss, expected payback time and risk premium.

Investments carried at cost and derivatives: Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs, where available. If a quoted market price is not available, fair value is estimated using pricing models or discounted cash flow techniques, where applicable. For investments and fixed assets, where no reliable market price or model price is available, the book value is taken as fair value.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date. Where other pricing models are used, inputs are based on market related data at the balance sheet date.

Bank and customer deposits: The estimated fair value of fixed-maturity deposits is based on discounted future cash flows using a rate consisting of the risk-free rate and own credit spread. For demand deposits and deposits with no defined maturities, fair value is deemed to be the amount payable on demand at the balance sheet date.

Long-term debt: The fair value is based on quoted market prices, if available. For debt instruments without quoted prices the fair value is estimated as the present value of future cash flows, discounted at market interest rates available at the balance sheet date.

Notes to the financial statements (Continued)

45. Segment report

(HUF million)

	TOTAL BANK		RETAIL		PRIVATE BANKING	
	2020	2019	2020	2019	2020	2019
Total Net Interest Income	**67,853**	**62,057**	**16,016**	**13,828**	**681**	**582**
Net fee and commission income	42,755	46,984	17,827	21,328	1,230	1,153
Trading profit	15,905	16,654	3,140	3,687	147	116
Other operating income/expenses	(120)	1,994	(81)	3	(45)	–
Total non-interest income	**58,540**	**65,632**	**20,886**	**25,018**	**1,332**	**1,269**
REVENUES	**126,393**	**127,689**	**36,902**	**38,846**	**2,013**	**1,851**
Direct Expenses	**(69,644)**	**(65,690)**	**(22,865)**	**(22,666)**	**(852)**	**(788)**
Indirect and overhead expenses	–	–	(9,003)	(7,697)	(334)	(234)
OPERATING EXPENSES	**(69,644)**	**(65,690)**	**(31,868)**	**(30,363)**	**(1,186)**	**(1,022)**
GROSS OPERATING RESULT	**56,749**	**61,999**	**5,034**	**8,483**	**827**	**829**
Provision for risk and charges	374	(1,258)	364	(123)	(1)	(1)
Result and impairment on loans	**(23,329)**	**(4,895)**	**(7,314)**	**4,081**	**(21)**	**15**
Gain/ (losses) on other equity investments	726	671	–	–	–	–
Integration costs	–	–	–	–	–	–
RESULT BEFORE TAXES	**34,520**	**56,517**	**(1,916)**	**12,441**	**805**	**843**
Income taxes	(3,252)	(5,226)				
NET PROFIT FOR THE YEAR	**31,268**	**51,291**				
Customer loans net	1,696,812	1,497,535	314,875	300,327	7,437	8,241
Deposits from Customers	2,641,238	2,099,276	748,451	647,533	74,942	55,990

(HUF million)

	CORPORATE AND INVESTMENT BANKING		LEASING		OTHERS	
	2020	2019	2020	2019	2020	2019
Total Net Interest Income	**28,266**	**23,645**	**2,629**	**2,502**	**20,261**	**21,500**
Net fee and commission income	24,352	24,992	110	114	(764)	(603)
Trading profit	12,908	12,226	33	(43)	(323)	668
Other operating income/expenses	275	205	(18)	190	(251)	1,596
Total non-interest income	**37,535**	**37,423**	**125**	**261**	**(1,338)**	**1,661**
REVENUES	**65,801**	**61,068**	**2,754**	**2,763**	**18,923**	**23,161**
Direct Expenses	**(27,451)**	**(26,682)**	**(1,761)**	**(1,651)**	**(16,715)**	**(13,903)**
Indirect and overhead expenses	(7,913)	(6,777)	–	–	17,250	14,708
OPERATING EXPENSES	**(35,364)**	**(33,459)**	**(1,761)**	**(1,651)**	**535**	**805**
GROSS OPERATING RESULT	**30,437**	**27,609**	**993**	**1,112**	**19,458**	**23,966**
Provision for risk and charges	(22)	129	(8)	(2)	41	(1,261)
Result and impairment on loans	**(15,491)**	**(8,652)**	**(517)**	**(366)**	**14**	**27**
Gain/ (losses) on other equity investments	687	(11)	–	–	39	682
Integration costs	–	–	–	–	–	–
RESULT BEFORE TAXES	**15,611**	**19,075**	**468**	**744**	**19,552**	**23,414**
Income taxes						
NET PROFIT FOR THE YEAR						
Customer loans net	1,145,235	1,069,108	124,935	116,363	104,330	3,496
Deposits from Customers	1,790,675	1,356,392	620	867	26,550	38,494

Notes to the financial statements (Continued)

46. Exposure to credit risk

46.1

(HUF million)

LOANS TO CUSTOMER	STAGE 1 12-MONTH ECL	STAGE 2 LIFETIME ECL	STAGE 3 LIFETIME ECL	POCI (FLAG) PURCHASED OR ORIGINATED CREDIT-IMPAIRED	TOTAL
Loss allowance as at 1 January 2020	**(4,932)**	**(3,673)**	**(25,411)**	**4,4237**	**(29,579)**
Transfers	152	251	(403)	–	–
Transfers from Stage 1 to Stage 2	815	(815)	0	–	–
Transfers from Stage 1 to Stage 3	55	0	(55)	–	–
Transfers from Stage 2 to Stage 1	(718)	718	0	–	–
Transfers from Stage 2 to Stage 3	0	606	(606)	–	–
Transfers from Stage 3 to Stage 2	0	(258)	258	–	–
New financial assets originated or purchased credit-impaired	–	–	–	–	–
Changes in PDs/LGDs/EADs	(4,371)	(7,908)	(1,188)	(656)	(14,123)
Changes to model assumptions and methodologies	0	0	0	0	0
Financial assets derecognized during the period	0	0	908	(1)	907
Write-offs	0	0	755	0	755
Unwind of discount	0	(31)	(509)	0	(540)
FX and other movements	(109)	(51)	(695)	0	(855)
Loss allowance as at 31 December 2020	**(9,260)**	**(11,409)**	**(26,545)**	**3,780**	**(43,435)**

46.2

(HUF million)

LOANS TO BANKS	STAGE 1 12-MONTH ECL	STAGE 2 LIFETIME ECL	STAGE 3 LIFETIME ECL	POCI (FLAG) PURCHASED OR ORIGINATED CREDIT-IMPAIRED	TOTAL
Loss allowance as at 1 January 2020	**(520)**	**(154)**	**–**	**–**	**(674)**
Transfers	(154)	154	–	–	–
Transfers from Stage 1 to Stage 2	–	–	–	–	–
Transfers from Stage 1 to Stage 3	–	–	–	–	–
Transfers from Stage 2 to Stage 1	(154)	154	–	–	–
Transfers from Stage 2 to Stage 3	–	–	–	–	–
Transfers from Stage 3 to Stage 2	–	–	–	–	–
New financial assets originated or purchased credit-impaired	(1,140)	–	–	–	(1,140)
Changes in PDs/LGDs/EADs	–	–	–	–	–
Changes to model assumptions and methodologies	–	–	–	–	–
Financial assets derecognised during the period	–	–	–	–	–
Write-offs	–	–	–	–	–
Unwind of discount	(24)	–	–	–	(25)
FX and other movements	–	–	–	–	–
Loss allowance as at 31 December 2020	**(1,838)**	**–**	**–**	**–**	**(1,838)**

Notes to the financial statements (Continued)

46.3

(HUF million)

LOAN COMMITMENTS, FINANCIAL GUARANTEES TO CUSTOMERS	STAGE 1 12-MONTH ECL	STAGE 2 LIFETIME ECL	STAGE 3 LIFETIME ECL	POCI (FLAG) PURCHASED OR ORIGINATED CREDIT-IMPAIRED	TOTAL
Provision as at 1 January 2020	**(1271)**	**(844)**	**(4,421)**	**–**	**(6,536)**
Transfers	3	4	(8)	–	–
Transfers from Stage 1 to Stage 2	8	(8)	–	–	–
Transfers from Stage 1 to Stage 3	–	–	–	–	–
Transfers from Stage 2 to Stage 1	(4)	4	–	–	–
Transfers from Stage 2 to Stage 3	–	7	(7)	–	–
Transfers from Stage 3 to Stage 2	–	–	–	–	–
New financial assets originated or purchased credit-impaired	–	–	–	–	–
Changes in PDs/LGDs/EADs	(685)	(770)	(4,277)	–	(5,732)
Financial assets derecognised during the period	–	–	–	–	0
Write-offs	–	–	–	–	0
FX and other movements	(23)	(5)	(42)	–	(72)
Provision as at 1 January 2020	**(1,975)**	**(1,615)**	**(8,748)**	**–**	**(12,339)**

46.4

(HUF million)

LOAN COMMITMENTS, FINANCIAL GUARANTEES TO BANKS	STAGE 1 12-MONTH ECL	STAGE 2 LIFETIME ECL	STAGE 3 LIFETIME ECL	POCI (FLAG) PURCHASED OR ORIGINATED CREDIT-IMPAIRED	TOTAL
Provision as at 1 January 2020	**(70)**	**–**	**–**	**–**	**(70)**
Transfers	–	–	–	–	–
Transfers from Stage 1 to Stage 2	–	–	–	–	–
Transfers from Stage 1 to Stage 3	–	–	–	–	–
Transfers from Stage 2 to Stage 1	–	–	–	–	–
Transfers from Stage 2 to Stage 3	–	–	–	–	–
Transfers from Stage 3 to Stage 2	–	–	–	–	–
New financial assets originated or purchased credit-impaired	–	–	–	–	–
Changes in PDs/LGDs/EADs	(80)	–	–	–	(80)
Financial assets derecognised during the period	–	–	–	–	–
Write-offs	–	–	–	–	–
FX and other movements	(1)	–	–	–	(1)
Provision as at 31 December 2020	**(151)**	**–**	**–**	**–**	**(151)**

46.5

(HUF million)

LOANS TO CUSTOMERS AT AMORTISED COST NET OF ALLOWANCE	STAGE 1 12-MONTH ECL	STAGE 2 LIFETIME ECL	STAGE 3 LIFETIME ECL	POCI (FLAG) PURCHASED OR ORIGINATED CREDIT-IMPAIRED	TOTAL
Net outstanding amount as at 1 January 2020	**1,359,433**	**112,351**	**13,993**	**6,090**	**1,491,867**
Transfers	(167,605)	141,864	25,741	–	–
Transfers from Stage 1 to Stage 2	(207,205)	207,205	0	–	–
Transfers from Stage 1 to Stage 3	(5,255)	0	5,255	–	–
Transfers from Stage 2 to Stage 1	723	(12,201)	11,478	–	–
Transfers from Stage 2 to Stage 3	0	(9,018)	9,018	–	–
Transfers from Stage 3 to Stage 2	44,132	(44,122)	(10)	–	–
Financial assets derecognised during the period other than write-offs	–	(24)	(144)	(13)	(181)
New financial assets originated or purchased credit-impaired	–	–	–	–	–
Write-offs	(315)	(5)	(11)	–	(331)
FX and other movements	188,080	27,691	(13,422)	(660)	201,689
Net outstanding amount as at 28 December 2020	**1,379,593**	**281,877**	**26,157**	**5,417**	**1,693,044**

Notes to the financial statements (Continued)

46.6

(HUF million)

LOANS TO BANKS AT AMORTISED COST NET OF ALLOWANCE	STAGE 1 12-MONTH ECL	STAGE 2 LIFETIME ECL	STAGE 3 LIFETIME ECL	POCI (FLAG) PURCHASED OR ORIGINATED CREDIT-IMPAIRED	TOTAL
Net outstanding amount as at 1 January 2020	**785,171**	**14,847**	**–**	**–**	**800,018**
Transfers	14,847	(14,847)	–	–	–
Transfers from Stage 1 to Stage 2	–	–	–	–	–
Transfers from Stage 1 to Stage 3	–	–	–	–	–
Transfers from Stage 2 to Stage 1	–	–	–	–	–
Transfers from Stage 2 to Stage 3	–	–	–	–	–
Transfers from Stage 3 to Stage 2	14,847	(14,847)	–	–	–
Financial assets derecognised during the period other than write-offs	–	–	–	–	–
New financial assets originated or purchased credit-impaired	–	–	–	–	–
Write-offs	–	–	–	–	–
FX and other movements	390,817	–	–	–	390,817
Net outstanding amount as at 31 December 2020	**1,190,835**	**–**	**–**	**–**	**1,190,835**

46.7

(HUF million)

	GROSS EXPOSURE	IMPAIRMENT ALLOWANCE	CARRYING AMOUNT	ALLOCATED MATERIAL VALUE
Credit-impaired assets (stage 3)				
Loans to banks	–	–	–	–
Loans to individuals	4,878	(2,954)	1,924	3,654
– Mortgages	4,079	(2,288)	1,791	3,621
– Consumer Loans	204	(159)	45	0
– Current Acc. & Credit C.	466	(391)	75	0
– Other Loans	129	(116)	13	33
Loans to corporate entities	48,649	(23,593)	25,056	22,692
– Large Corporate Customers	37,498	(22,557)	14,941	13,141
– Small and medium-sized enterprises (SMEs)	996	(478)	518	430
– Other (Leasing)	10,155	(558)	9,597	9,121

46.8

(HUF million)

LOANS TO CUSTOMERS ALLOCATED MATERIAL VALUE WITH COLLATERAL TYPE DISTRIBUTION	STAGE 1 12-MONTH ECL	STAGE 2 LIFETIME ECL	STAGE 3 LIFETIME ECL	ALLOCATED MATERIAL VALUE
– Warrant and guarantees	208,373	65,407	6,876	280,656
– Cautions	40,469	7,533	941	48,943
– Property	352,637	94,993	11,216	458,846
– Debt securities	10,932	1,057	0	11,989
– Equity	1,176	172	19	1,367
– Other	174,210	9,437	6,865	190,512

Notes to the financial statements (CONTINUED)

46.9

(HUF million)

ASSETS MEASURED AT AMORTISED COST AND AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	STAGE 1 12-MONTH ECL	STAGE 2 LIFETIME ECL	STAGE 3 LIFETIME ECL	POCI PURCHASED OR ORIGINATED CREDIT-IMPAIRED	TOTAL
Gross carrying value per asset type					
Cash and balances with central banks	29,794	–	–	–	29,794
– Investment Grade	29,794	–	–	–	29,794
– Standard monitoring	–	–	–	–	–
– Impaired	–	–	–	–	–
Loans and advances to banks	**1,192,671**	**–**	**–**	**–**	**1,192,671**
– Investment Grade	1,163,038	–	–	–	1,163,038
– Standard monitoring	29,633	–	–	–	29,633
– Impaired	–	–	–	–	–
Loans and advances to customers	**1,388,853**	**293,282**	**52,424**	**1,920**	**1,736,479**
– Investment Grade	797,836	100,004	–	224	898,064
– Standard monitoring	591,013	193,172	134	954	785,273
– Impaired	4	106	52,290	742	53,142
Debt securities	**923,850**	**22,817**	**–**	**–**	**946,667**
– Investment Grade	910,423	–	–	–	910,423
– Standard monitoring	13,426	22,817	–	–	36,243
– Impaired	–	–	–	–	–
Total gross carrying value	**3,535,260**	**316,099**	**52,424**	**1,920**	**3,905,703**
Loan commitments and financial guarantee contracts					
Loans and advances to banks (loan commitments)	**3,315**	**–**	**–**	**–**	**3,315**
Loans and advances to banks (financial guarantees)	**48,592**	**75**	**–**	**–**	**48,667**
Loans and advances to customers (loan commitments)	**679,969**	**85,277**	**7,433**	**–**	**772,679**
Loans and advances to customers (financial guarantees)	**291,691**	**91,677**	**6,117**	**–**	**389,485**
Total Loan commitments and financial guarantee contracts	**1,023,567**	**177,029**	**13,550**	**–**	**1,214,146**

47. Exposure to market risks – trading and non-trading portfolios

Exposures to interest rate risk

The daily management of interest rate risk is based on BPV and VaR limits. BPV sensitivities are split to re-pricing time buckets and currencies, therefore changes in the certain parts of yield curve is visible. Both regular and ad-hoc sensitivity analyses are prepared with standard and occasional scenarios.

The displayed scenarios are the 200bp positive and negative shocks, parallel up and down shifts based on EBA and NBH guidelines written parametrizations, turns up and down, respectively short rates shocks up and down. Currency-wise both HUF yield and all relevant foreign currency yield curve shocks are analyzed. However almost the whole interest rate risk position denominated in local currency. Regarding methodology the results are reflect to the 'flooring' impact, so ± shocks in the affected segments (e.g. customer positions) were counted by only the extent to "flooring". Below scenarios describe a sudden, permanent change in the market; revalued immediately along NPV approach and accrued interest approach where applicable.

Notes to the financial statements (Continued)

(HUF million)

		INCOME	EQUITY	OTHER (NOTES ONLY)	TOTAL
2020					
All yields	+200bp shock	(322)	(1,968)	(22,475)	(24,764)
	-200bp shock	(355)	930	13,681	14,256
	shift up	(511)	(2,425)	(27,752)	(30,688)
	shift down	(350)	932	13,523	14,106
	turn up	(474)	618	7,185	7,329
	turn down	(617)	(363)	(2,166)	(3,146)
	short rates shock up	(719)	(1,209)	(13,949)	(15,876)
	short rates shock down	(496)	619	6,913	7,036
Worst of the above		**(719)**	**(2,425)**	**(27,752)**	**(30,688)**
2019					
All yields	+200bp shock	976	(9,543)	(18,113)	(26,680)
	-200bp shock	(1,015)	3,470	5,435	7,890
	shift up	620	(11,785)	(21,869)	(33,034)
	shift down	(1,013)	3,470	5,435	7,892
	turn up	(117)	483	(1,916)	(1,550)
	turn down	15	(3,615)	(3,954)	(7,554)
	short rates shock up	256	(7,563)	(11,886)	(19,193)
	short rates shock down	(373)	2,846	3,621	6,094
Worst of the above		**(1,015)**	**(11,785)**	**(21,869)**	**(33,034)**

Fair value fluctuations in both the Available for Sale portfolio and the Cash Flow Hedge derivatives affect Equity directly; while trading position and other derivatives affect Statement of Profit or Loss. NPV changes of positions booked against Equity will migrate to Statement of Profit or Loss as their Cash Flows mature. General interest rate positions and HTM bond holdings do not impact Income or Equity, their effect is shown under Other.

FX Sensitivity

Year-end FX open position sums up to 1,64 bn HUF. The total open FX position is limited at 60mn EUR, ca. 22 bn HUF. On-balance FX position ratio (DEM) was 4,1%.
Positions reported as they are managed and show the bank's overall risks including all on-balance and off-balance items, underlying and derivatives.

All market value change from FX revaluation impacts P&L.

FX risk in general is out of scope of hedge accounting except for derivative transactions where both IR and FX components influence the fair value at the same time (i.e. cross-currency IRS). As hedging relationship must be designated for a hedging instrument in its entirety, FX part of these derivatives is subject to fair value hedge with FX revaluation impact in P&L.

Notes to the financial statements (Continued)

48. Summary of VaR position

The internal model based VaR (1 day, confidence level of 99 %) for 2020 moved in a range of HUF 1,769 million and HUF 10,927 million, following a low volatility path during the year. The average VaR was HUF 7,431 million; more than a year before. Credit spread risk and Interest rate risk were the main drivers of the VaR. The FX risk was far below the other components although also contributed the total market risk of the Group.

(HUF million)

RISK CATEGORY	YEAR-END	AVERAGE	MINIMUM	MAXIMUM
VaR as at 31 December 2020				
Exchange rate risk	207	101	1	2,116
Interest rate risk	4,223	2,934	927	7,262
Credit spread	6,867	5,106	1,740	7,094
Vega risk	10	4	1	12
Equity risk	–	–	–	7
Overall	**10,864**	**7,431**	**1,769**	**10,927**
VaR as at 31 December 2019				
Exchange rate risk	4	26	4	85
Interest rate risk	1,321	1,593	1,258	1,906
Credit spread	1,646	2,098	1,605	2,265
Vega risk	2	2	1	3
Equity risk	–	–	–	3
Overall	**1,623**	**1,704**	**1,373**	**2,187**

As part of the daily risk reporting, detailed Market Risk Reports are prepared for all risk-taking departments, with updated and historical information made available to all risk-takers and the respective heads of department.

49. Summary of interest sensitivity

As at 31 December 2020 and 2019, the entire interest rate position of the Group (trading and investment) for major currencies was composed as follows:
Basis Point Value ("BPV") for main currencies

							ANNUAL STATISTICS		
CURRENCY	LESS THAN 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 3 YEARS	3 YEARS TO 10 YEARS	OVER 10 YEARS	TOTAL	MAXIMUM	MINIMUM	ABSOLUTE AVERAGE
As at 31 December 2020									
CHF	(0.02)	(0.04)	–	(0.03)	–	(0.10)	(0.02)	(0.11)	0.07
EUR	(3.03)	(2.98)	(8.96)	11.47	(0.73)	(4.23)	29.35	(17.79)	10.29
GBP	–	(0.01)	–	–	–	(0.01)	–	(0.04)	0.02
HUF	(1.06)	(4.46)	(16.04)	(148.89)	11.63	(158.81)	(88.23)	(169.56)	129.68
USD	(0.81)	1.40	(0.28)	0.11	0.00	0.42	8.93	(2.32)	0.72
Total*	**(4.91)**	**(6.09)**	**(25.27)**	**(137.35)**	**10.90**	**(162.73)**			
As at 31 December 2019									
CHF	(0.04)	0.01	–	(0.04)	–	(0.07)	(0.01)	(0.09)	0.05
EUR	(0.13)	(5.70)	6.67	(0.21)	(0.77)	(0.15)	41.47	(6.08)	9.09
GBP	–	(0.02)	–	–	–	(0.02)	0.01	(0.16)	0.05
HUF	(6.33)	(0.58)	(44.35)	(89.72)	(0.99)	(141.98)	(109.29)	(157.89)	133.12
USD	(0.29)	0.39	(0.06)	(0.11)	–	(0.07)	9.05	(10.82)	0.92
Total*	**6.85**	**6.71**	**51.09**	**90.08**	**1.76**	**142.35**			

**Total contains risk taking in all reported currencies*

During 2020, the Group had major interest rate exposures in HUF.
Risk-taking departments and the management are daily informed about the development of the interest rate risks from the BPV monitoring reports.

By analogy to the detailed presentation of basis point positions in the interest rate sector, daily reporting presents details of credit spread by issuer and maturity.

Notes to the financial statements (Continued)

(HUF million)

SEGMENTS	SECTOR	CREDIT SPREAD BASIS POINTS
Spread Points as at 31 December 2020		
Corporate	Energy BBB	(10.17)
Corporate	Corporate – Local	(1.96)
Corporate	Corporate – Foreign	(15.14)
Financial	BBB banks	(35.09)
Governmental	Government – Local	(299.56)
Spread Points as at 31 December 2019		
Corporate	Energy BBB	(10.12)
Corporate	Corporate – Local	(0.64)
Financial	BB banks	–
Financial	A banks	–
Financial	BBB banks	(39.41)
Treasury	Treasuries – Local	(259.38)

Government and local mortgage banks of investment grade account for the largest part of the Group's credit spread positions. Government bonds related credit spread exposures increased in 2020, the exposure to individual banks did not change significantly.

Capital requirements for market risk

Market risk, counterparty- and settlement risk of trading positions have to be reported together. The quarterly average capital requirement of the trading book was HUF 2,5 billion (in 2019 HUF 5.3 billion), the highest quarterly capital requirement was HUF 3.1 billion (in 2019: HUF 5.9 billion) mostly stemming from the counterparty risk of OTC derivatives and the position risk of bonds.

50. Compensation of key management personnel

The remuneration of the Board of Directors, the Managing Directors, and the members of the Supervisory Board was the following:

(HUF million)

	2020	2019
Short-term employee benefits	1,883	2,375
Share-based payments	146	187
Long-term employee benefits	–	–
Total	**2,029**	**2,562**

Loans granted to the key managament personnel was the following:

(HUF million)

	2020	2019
Loans granted to the key management personnel	18.5	113
Total	**18.5**	**113**

51. Regulatory capital

The EU Regulation No 575/2013 (Capital Requirements Regulations – CRR) has introduced common reporting standards for institutions in relation to capital (COREP – Common Reporting) from 1 January 2014 and financial reporting (FINREP) from 30 September 2014.

The local Group implemented Basel III from 1 January 2014. The Group complies with the requirements and methods according to the Hungarian Banking Law (Law CCXXXVII of 2013 on credit institutions and financial enterprises, Hpt.) and to the Capital Requirements Regulations (EU No. 575/2013) taking into account the instructions, requirements and methods given by the national regulator and its parent bank.

The most significant risks to which the Group is exposed are credit, liquidity, market (including interest and foreign exchange rate risks) and operational risk. Integrated and on-line systems ensure constant, timely monitoring of risk. The Group's policies and processes for managing the major financial risks are reviewed regularly by the respective business areas, internal audit, senior management and the Board of Directors.

Notes to the financial statements (Continued)

From the 1st July 2011 UniCredit Bank Hungary Zrt. switched to internal rating based IRB method in its capital requirement calculation in case of Hungarian medium and large enterprises, multinational large enterprises and commercial banks.

Solid capital situation is an important element of the Group's policy in order to maintain investor, creditor and market confidence and to sustain future business growth. The impact of the level of capital on shareholders' return respecting the regulatory requirements is also recognized and the Group pays special attention to balance between the higher returns that might be possible with gearing and the advantages and security of a sound capital position.

One of the main blocks of COREP reporting templates is capital adequacy: an overview of regulatory capital and total risk exposure amount.

The reporting templates of capital adequacy overview include information about Pillar 1 capital requirements and regulatory own funds. They are structured in CA1-4 templates as of below:

CA1	contains the amount of own funds of the institutions
CA2	summarizes the total risk exposure amounts
CA3	contains capital ratios and capital levels
CA4	contains memorandum items needed for calculating items in CA1 as well as information with regard to the Hpt. capital buffers

Own funds components:
- Common Equity Tier 1 (CET 1): Ordinary share capital, Share premium, Other reserve, Retained earnings, Profit for the year, Accumulated other comprehensive income, Deduction from CET1 capital due to prudential filters (mains items: Intangible assets, Cash Flow hedge reserve, IRB shortfall of credit risk adjustments to expected losses);
- Additional Tier 1;
- Tier 2 capital (T2): Subsidiary loan capital, IRB excess of provisions over expected losses eligible.

The minimum regulatory capital requirement is at 8% of total risk exposure amount. On the top of this requirement the Group complies with the SREP additional requirements and the capital buffer requirements set by the Hpt. and the national supervisor.

Capital Management
Group's risk Division has been responsible for Internal Capital Adequacy Assessment Process reporting since 1 January 2013, which also includes the comparison of Pillar 1 and Pillar 2 capital requirements on a quarterly basis, ICAAP is performed on local consolidated level.

The Group calculates its planned capital requirements based on Basel Pillar 1 and 2 methodology on local consolidated level once in a year as part of the yearly budgeting process. Might the figures of the financial budget change, capital plan is also modified if required.

Notes to the financial statements (Continued)

The Group's regulatory Capital position at 31 December 2019 and 2018 was as follows:

(HUF million)

	2019	2018
Tier 1 Capital		
Ordinary share capital	24,118	24,118
Share premium	3,900	3,900
Retained earnings	281,981	253,623
P/L according to the statement of financial position	31,669	33,800
Accumulated other comprehensive income	23,693	40,217
Other reserves	53,128	49,798
Adjustments to CET1 due to prudential filters	(15,403)	(19,964)
Intangible assets	(10,838)	(13,557)
IRB shortfall of credit risk adjustments to expected losses	–	–
Tier 1 Total	**360,580**	**338,134(*)**
Tier 2 Capital		
Reserves for IRB position	4,336	5,175
Tier 2 Total	**4,336**	**5,175**
Guarantee capital	**364,916**	**343,310**
RWA		
Credit risk	1,375,925	1,489,533
Total risk exposure amount for position, foreign exchange and commodities risks	29,492	72,228
Operational risk	160,765	158,108
Total risk exposure amount for credit valuation adjustment	656	1,754
RWA Total	**1,566,838**	**1,721,623**
Capital adequacy (%)	**23.29**	**19.94**
Guarantee capital for legal limits	**364,916**	**309,510**

(*) The data of 2019 is corrected by adding the P/L to the retained earnings.

50. Events after the reporting date

All adjusting events after reporting date have been taken into account in the preparation of the consolidated financial statements of the Group. There were no material events that occurred after the balance sheet date that would impact the Group's consolidated financial statements.

Budapest, 1 February 2021

Supervisory Board and Management Board

UniCredit Bank Hungary Zrt.

SUPERVISORY BOARD

SILVANO SILVESTRI – resigned as of 30 July 2020	Chairman
EMILIA STEFANOVA PALIBATCHIYSKA – Chairman as of 25 September 2020	
TATJANA ANTOLIC JASNIC – TILL 15.02.2020 ANDREA DIAMANTI – TILL 15.02.2020 EMILIA STEFANOVA PALIBATCHIYSKA MARIA CHIARA MANZONI – AS OF 16.01.2020 GIANFRANCO BISAGNI – AS OF 01.10.2020 ADELINE DE METZ – AS OF 26.03.2020 EMIDIO SALVATORE – 02.04.2020	Members

BOARD OF DIRECTORS

BALÁZS TÓTH	Chairman - CEO
IVAN VLAHO	Deputy Chairman deputy CEO
RÉKA VÖRÖS	Head of Retail and Sme division
LJILJANA BERIC	Chief Financial Officer; Head of Financial division till 01.09.2020
SILVANO SILVESTRI	Chief Financial Officer; Head of Financial division as of 01.10.2020
ALEN DOBRIĆ	Head of Risk Management division till 31.03.2020
IVANA LONJAK DAM	Head of Risk Management division as of 28.04.2020
JÁNOS ANSCHAU	Head of Global Banking division
GÁBOR SOÓS	Head of Corporate Investment and Private banking division

Supervisory Board and Management Board (Continued)

UniCredit Jelzálogbank Zrt.

BOARD OF DIRECTORS

FARKAS BÁLINT MÁRTON	Chairman of the board
AGNIESZKA FRANECZEK	member till 07.05.2020
JUHÁSZ VIKTOR	member as of 05.04.2020
CSÁKY ATTILA ISTVÁN	member as of 11.06.2020

SUPERVISORY BOARD

IVAN VLAHO	Chairman as of 10.01.2020
ANSCHAU JÁNOS	member
LJILJANA BERIC	member till 01.10.2020
SILVANO SILVESTRI	member as of 30.09.2020
VÖRÖS RÉKA	member
ALEN DOBRIC	member
IVANA LONJAK DAM	member till 31.03.2020
TÓTH BALÁZS	member from 21.05.2020
SOÓS GÁBOR	member

Calendar

January 2020

The European Investment Fund (EIF) and UniCredit increased the credit facility provided to innovative Central and Eastern European SMEs to **EUR 1 billion.** The new agreement enables UniCredit to provide innovative enterprises with a further EUR 500 million in funding in Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Slovakia, Hungary, Romania, Serbia and Slovenia through its nine banks and six leasing companies operating in the region.

In recognition of the outstanding opportunities it provides to its employees, UniCredit received for the **third time** the **European Top Employer 2020** award from the Top Employers Institute.

February 2020

UniCredit won the award for the **best distributor of structured retail products** in Austria, Germany, Hungary and Eastern Europe. The bank receives a total of six of the Structured Retail Products 2020 awards.

March 2020

UniCredit Bank Hungary Zrt. implemented several **safety measure**s to protect its employees and clients at the time of the **coronavirus pandemic:** hand sanitiser dispensers are placed in our branches, protective plexiglass separators are installed on the desks of advisors, and the number of people allowed in the branch at the same time is maximised, which is coordinated by hostesses. Digital channels were strengthened to provide the best service to our clients. Moreover, important health and safety measures were introduced in our offices to protect our colleagues.

On 2 March, simultaneously with all the other domestic banks, UniCredit Bank Hungary Zrt. started using the **instant payment system,** which allows individual electronic transfers under HUF 10 million to be settled in just a couple of seconds.

April 2020

UniCredit Bank is committed to supporting its domestic suppliers even during the pandemic, therefore, it settled incoming invoices **immediately** after the regular checks. **Faster payment** is introduced by UniCredit Bank and UniCredit Group as well.

UniCredit updated its **IFRS9 COVID-19** macroeconomic scenario. As a result, it increased provisions by another EUR 0.9 billion in 2020 Q1.

May 2020

UniCredit keeps the smallest in mind even during the pandemic: UniCredit Foundation donated EUR 500,000 globally for the **implementation of health and education projects supporting children's needs in the Group's 12 countries.** Three Hungarian organisations (Piros Orr Bohócdoktorok Foundation, SUHANJ! Foundation and Bátor Tábor Foundation) were also amongst those supported, receiving a total of EUR 40,000 in donations.

June 2020

UniCredit joined the **COVID-19 support** package of the European Investment Fund (EIF): this allows the Group to provide SMEs and mid-cap enterprises of the Central and Eastern European region with working capital loans with an **80-per cent EIF guarantee instead of the previous 50 per cent** and under simpler eligibility terms. The InnovFin guarantee facility is available in nine local banks and six leasing companies.

Global Finance Magazine recognises UniCredit as the **best sub-custodian of 2020** in Central and Eastern Europe for the eleventh time. In addition to the regional award, the bank achieves the top position in several countries too: it is named best sub-custodian in Austria, Bulgaria, Hungary, Serbia and Slovenia.

UniCredit Bank Hungary Zrt. helps two charitable organisations in Budapest with food donations in their work helping socially disadvantaged families and the homeless.

Calendar (Continued)

July 2020

UniCredit won **six awards** at the **Euromoney Awards for Excellence** challenge: the leading business magazine picked UniCredit as the **best bank** in Austria, Bosnia and Herzegovina, Bulgaria, Central and Eastern Europe (where it was also recognised as the bank providing the best transaction services) and Germany.

UniCredit Foundation supported university studies and research with **more than one million euros through its talent programme.** Young Europeans, research institutions and academic departments could apply for dozens of scholarships and internships under this scheme.

Celebrating its 30th anniversary, UniCredit Bank, together with the market research company Scale Research, published a representative online **study** about **thirty-somethings** in Hungary. The goal was to gain insights on the objective living conditions, values, fears and vision of the youth. It turned out that having their own home and family, or the lack thereof, divides people in their thirties. Environmental protection is highly important, yet for most, it is limited to selective waste collection.

August 2020

UniCredit Hungary Zrt. **extended the immediate payment** of domestic **suppliers' invoices** until the end of 2020. By advancing payments, the Bank provides actual support to thousands of our suppliers.

September 2020

The joint **research** of UniCredit Bank and Scale Research **on the financial habits of thirty-somethings** also highlighted that today people in their thirties decide responsibly and consciously about financial issues, and that having savings is crucial for them, although only 23 per cent are able to put aside money regularly.

October 2020

UniCredit Bank Hungary Zrt. celebrated its **30th anniversary** in 2020. In its unusual celebratory campaign, it presented the company history of clients who can be an inspiration to all of us due to their sustainability efforts and value-based business approach. The campaign focused on our own clients who have been our partners for several decades: Szamos Marcipán, Nyíregyházi Állatpark, Aranycipó Pékség, HiPP and Futureal.

In line with the objectives of **Social Impact Banking (SIB),** it is important for UniCredit to support initiatives with a positive social impact and to develop social enterprises as drivers of the economy. This is why UniCredit become the main partner of the **Finance 4 Social Change programme.** The project's goal is to stimulate positive change in the Danube region's 10 countries by developing social enterprises and thereby supporting the economy through carefully planned activities.

UniCredit Bank Hungary Zrt. **launched a charitable campaign for mobile application use,** calling clients to support UNICEF Hungary's Kilátó Élményprogram and thus children at risk. By the completion of the promotion, the Bank had helped young Hungarians under state care with more than HUF 12 million to enjoy as many experiences as possible.

Capital Finance International Magazine picked UniCredit as **the bank with the best social impact** in Europe in 2020.

In order to strike the right balance between work and personal life and foster more efficient work, representatives of UniCredit and UniCredit's European Works Council signed the first joint **declaration on remote work.**

November 2020

With the cooperation of the Idősek Barátai Programme of the Önkéntes Központ Foundation, UniCredit Bank Hungary Zrt. **supported the fight against the coronavirus pandemic in 28 retirement homes** in the whole country. It provided the homes with heavy-duty professional sanitiser tools, such as ozone generators, germicide lamps, antiseptic gels and dispensers.

UniCredit Bank was selected as the **Financer of the Year** 2020 by the professional jury of the Portfolio Property Awards. The prestigious accolade has been awarded to the bank for the second time.

UniCredit Bank was **recognised** in several categories of the Mastercard – Bank of the Year competition:
The bank was placed third in the Socially Responsible Bank of the Year and Digital Banking Service of the Year categories, and second in the Most Innovative Bank of the Year category.

UniCredit Bank Hungary Zrt. participated in the educational donation programme JÓTETT Bank founded by the Hungarian Banking Association, the objective of which is to help the digital inclusion of schools and students in need. Our bank donated iPhones to one of the underprivileged schools of the South Borsod region.

December 2020

In December, the joint **research** by UniCredit Bank and Scale Research of **30-39 years old** revealed the generation's attitude to work and the impact of the coronavirus pandemic on their everyday lives and finances. The research published in four parts during 2020 reached more than 7 million people.

UniCredit Bank Hungary Zrt. supported the work of non-profit organisations through its traditional year-end donations. The assistance helps in offering people decent housing and providing disadvantaged children with a feeling of success and facilitating their catching up in school.

Network units

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E-mail: info@unicreditgroup.hu
UniCredit Call Centre 0-24: +36 1/20/30/70 325 3200
www.unicreditbank.hu

On 31 December 2020 UniCredit Bank's network consisted of 55 units throughout Hungary, from which 22 branches were located in Budapest, while 33 in the country.

Network units (Continued)

Branches in Budapest

Bécsi úti branch
1023 Budapest, Bécsi út 3-5.

Mammut II. branch
1024 Budapest, Margit krt. 87-89. (Mammut II.)

Pesthidegkúti branch
1028 Budapest, Hidegkúti út 167. (Széphalom Üzletközpont)

Törökvészi branch
1022 Budapest, Bég u 3-5.

Lajos utcai branch
1036 Budapest, Lajos u. 48-66.

Ferenciek tere branch
1053 Budapest, Ferenciek tere 2.

Alkotmány utcai branch
1054 Budapest, Alkotmány u. 4.

Szabadság téri branch
1054 Budapest, Szabadság tér 5-6. (UniCredit Bank székház)

Boráros téri branch
1095 Budapest, Boráros tér 7.

Lurdy Ház branch
1097 Budapest, Könyves Kálmán krt. 12-14. (Lurdy Ház)

Fehérvári úti branch
1117 Budapest, Fehérvári út 23.

Infopark branch
1118 Budapest, Infopark sétány 3.

Lágymányosi úti branch
1111 Budapest, Lágymányosi u. 1-3.

Alkotás úti branch
1123 Budapest, Alkotás u. 50.

Duna Plaza Branch
1138 Budapest, Váci út 178. (Duna Plaza)

Gateway branch
1138 Budapest, Dunavirág utca 2.

Szent István körúti branch
1137 Budapest, Szent istván körút 16.

Örs vezér téri branch
1148 Budapest, Örs vezér tere 24. (Sugár Üzletközpont)

Mátyásföldi branch
1165 Budapest, Veres Péter út 105-107.

Pestszentlőrinci branch
1182 Budapest, Üllői út 455.

Shopmark branch
1191 Budapest, Üllői út 201. (Shopmark)

Campona branch
1222 Budapest, Nagytétényi út 37-43. (Campona)

Network units (Continued)

Branches in the country

Békéscsaba branch
5600 Békéscsaba, Andrássy út 37-43. (Csaba Center)

Budakeszi branch
2092 Budakeszi, Fő út 139.

Budaörs branch
2040 Budaörs, Szabadság út 49.

Cegléd branch
2700 Cegléd, Kossuth tér 4.

Debrecen branch
4024 Debrecen, Kossuth Lajos u. 25-27.

Dunakeszi branch
2120 Dunakeszi, Fő út 70.

Dunaújváros branch
2400 Dunaújváros, Dózsa György út 4/D

Eger branch
3300 Eger, Törvényház u. 4.

Érd branch
2030 Érd, Budai út 13. (Stop.Shop)

Esztergom branch
2500 Esztergom, Kossuth Lajos u. 14.

Gödöllő branch
2100 Gödöllő, Dózsa György út 13.

Gyöngyös branch
3200 Gyöngyös, Páter Kis Szaléz u. 22.

Győr branch
9021 Győr, Árpád út 45.

Kaposvár branch
7400 Kaposvár, Dózsa György u. 1.

Kecskemét branch
6000 Kecskemét, Kisfaludy u. 8.

Miskolc branch
3530 Miskolc, Hunyadi u. 3.

Mosonmagyaróvár branch
9200 Mosonmagyaróvár, Fő u. 6.

Nagykanizsa branch
8800 Nagykanizsa, Fő út 8.

Nyíregyháza branch
4400 Nyíregyháza, Dózsa György út 1-3.

Pécs – Árkád Üzletház branch
7621 Pécs, Rákóczi út 58. (Árkád Üzletház)

Salgótarján branch
3100 Salgótarján, Rákóczi út 13.

Siófok
8600 Siófok, Fő u. 174-176.

Sopron branch
9400 Sopron, Várkerület 1-3.

Szeged branch
6722 Szeged, Kossuth Lajos sugárút 18-20.

Székesfehérvár branch
8000 Székesfehérvár, Budai út 1.

Szekszárd branch
7100 Szekszárd, Arany János u. 15-17.

Szentendre branch
2000 Szentendre, Dobogókői út 1. (Városkapu Üzletház)

Szigetszentmiklós branch
2310 Szigetszentmiklós, Bajcsy-Zsilinszky u. 26.

Szolnok branch
5000 Szolnok, Baross Gábor út 27.

Szombathely branch
9700 Szombathely, Kőszegi út 30-32.

Tatabánya – Vértes Center branch
2800 Tatabánya, Győri út 7-9. (Vértes Center)

Veszprém branch
8200 Veszprém, Ady E. u.1.

Zalaegerszeg branch
8900 Zalaegerszeg, Kovács Károly tér 1/a

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A bank mindenhez,
ami számít.

UniCredit Bank

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